

CITY OF JOHANNESBURG
ANNUAL REPORT 2003/04

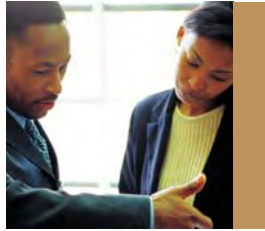
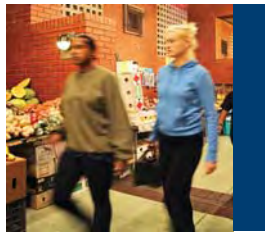

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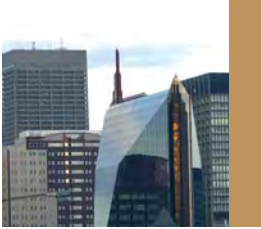
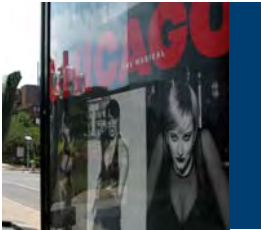


PART ONE
ANNUAL PERFORMANCE REPORT

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CITY OF JOHANNESBURG
ANNUAL REPORT 2003/04



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Message from the Executive Mayor



COUNCILLOR AMOS MASONDO:
EXECUTIVE MAYOR

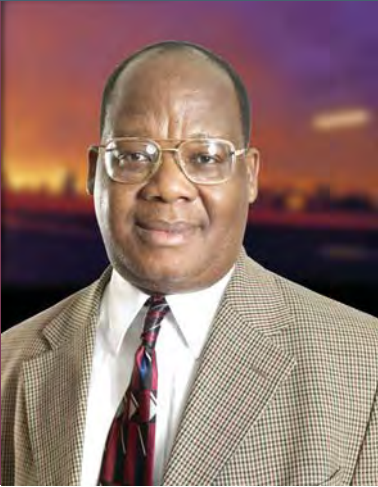
The 2003/04 Annual Report clearly demonstrates that the City of Johannesburg has progressed even further along the path to become a world-class African city. During the past year we made substantial strides towards good governance, economic development, public safety, service delivery excellence, inner city regeneration and addressing the scourge of HIV and AIDS.

For the first time since 2000, the financial results for the year that ended on 30 June 2004 can be presented on a consolidated basis for the entire city. 'Entire city' refers to the core administration and all the utilities, agencies and corporatised entities (UACs). This reveals a bottom line better than the budget anticipated, with an operating surplus of R337 million.

The Annual Report is in line with section 45 of the Municipal Systems Act, 32 of 2000 (MSA), and section 21 of the Municipal Finance Management Act, 56 of 2003 (MFMA). The performance of the City of Johannesburg is described in the Annual Report and the financial statements are presented. We therefore believe that this report will serve to enhance public accountability and transparency in the affairs of our municipality.

The past year was a major turning point in South Africa's history. We held our country's third democratic election and celebrated ten years of freedom and democracy. These events bear testimony to the maturity and resilience of our constitutional democracy. We also took note of President Thabo Mbeki's clarion call, after being re-elected president, for all spheres of government to redouble their efforts to address unemployment and poverty and to accelerate service delivery.

Our City is the country's premier business location, the overwhelming choice for corporate headquarters and the nation's main centre for finance, business



Councillor Amos Masondo

Today we commit ourselves to building of an equitable society that is responsive to poverty and the numerous ills that afflict our society. The dignity of millions of South Africans depends on such a commitment. The Council should blaze the trail and lead the way

services and information and communications technology. Although Johannesburg is home to less than one-tenth of South Africa's residents, our workers and businesses generate one-sixth of the country's wealth and one-eighth of its employment opportunities.

Yet our strengths and advantages are matched by challenges equally great: urbanisation and globalisation, safety and security, economic growth, the devastating social and economic impact of HIV and AIDS, social inequality, service delivery of water, sanitation, electricity, housing, health and education.

The collective priorities of the City of Johannesburg remain those identified in the Joburg 2030 vision and the six Mayoral Priorities. I can confidently state that we have made good progress in each of these priority areas. It is a tribute to the various City departments and entities that have ensured focused management of the City's business. Some highlights of the period 1 July 2003 to 30 June 2004, in line with Mayoral Priorities, are featured below:

Good governance: The City embarked on a number of initiatives to promote good governance. These initiatives included public consultation in the form of Mayoral roadshows, the Integrated Development Plan (IDP) consultation meetings and engaging ward committees. The voice of local communities was not only heard, we acted upon it as well. We will also continue to work in close cooperation with other spheres of government to enhance service delivery and democratic governance. During the 2003/04 financial year the City also honoured our former president Nelson Mandela with its highest award, namely the 'Freedom of the City'.

Economic development and job creation: This priority is the cornerstone of the City's Joburg 2030 strategy. In this regard the City produced and initiated the implementation of the City Safety Strategy and the Skills Development Plan, which are considered 'five star' priorities in promoting economic growth and development. The City is also embarking on initiatives to support economic

Message from the Executive Mayor

sectors that have the potential to stimulate economic growth. These include business process outsourcing, freight and logistics, information and communication technology and the creative industries sectors. Furthermore the City is involved in a number of area regeneration projects that aim to catalyse economic development. These projects are located in Soweto, Nasrec, Greater Ellis Park precinct, Joubert Park and Berea. The City has initiated the Expanded Public Works Programme to accelerate job creation.

Inner city regeneration: The City has made major strides in arresting crime, grime and decline in the inner city. We witnessed reducing crime levels, increasing occupancy levels, improved by-law enforcement and the implementation of area regeneration projects. These projects included the Newtown cultural precinct, Braamfontein upgrade, Constitution Hill, Fashion District, Faraday Station, Health Precinct and the redevelopment of the Drill Hall.

Public safety: Johannesburg increased the number of metro police officers and approved a set of by-laws that have undergone extensive consultation. In the next financial year there will be additional sets of by-laws approved. To ensure the effective enforcement of the City's by-laws, the planning of the Municipal Court was completed in 2003/04 and it is now operational.

Service delivery excellence, customer care and Batho Pele: The rolling out of basic services remains a key priority for the City in new housing developments and upgraded informal settlements. In addition, the City has provided free basic water and electricity to all households. We also began a special focus on upgrading all gravel roads in Soweto and aim to develop a regional park in each of the City's regions.

HIV and AIDS: The City, in conjunction with other agencies, is ensuring a comprehensive and targeted approach to addressing the critical priority of HIV and AIDS. The services provided across the city include HIV and AIDS education, treatment for sexually transmitted infections (STIs), HIV and AIDS opportunistic infections like tuberculosis (TB) and pneumonia, voluntary counselling and testing, provision of free male and female condoms at selected sites, support groups for people living with HIV and AIDS, and referrals to home-based care, hospices and hospital services. The City's approach to lead the campaign on HIV and AIDS is demonstrated by the role of the Joburg AIDS Council that coordinates and complements the work undertaken by non-governmental organisations (NGOs) in the city.

The City's financial position, as shown in the financial statements in Chapter 14, has substantially improved. I have already mentioned that the financial statements were prepared on a consolidated basis and that these statements reveal an overall net operating surplus of R337 million for 2003/04, compared to a deficit of R273,2 million in 2002/03.

The City has made great strides in keeping its financial status healthy. Capital expenditure stood above the R1 billion level for the last three financial years. Projected capex for 2004/05 is just over R2 billion. The City also raised R2 billion by issuing two bonds over the last year of which R1 billion was used to refinance debt and R900 million for capital expenditure.

The financial results demonstrate a high level of disclosure and transparency, in line with the MFMA. The most significant impact of the adoption of Generally Accepted Municipal Accounting Practice (GAMAP) for the City's core administration has been a material upward re-statement of assets by R583 million and the removal of non-cash backed funds to the amount of R3,4 billion. The most significant impact on the UACs has been the transfer of R404 million of deferred income, included in long-term liabilities, to reserves.

The Auditor-General's opinion revealed clean audit reports for nine of the municipal entities owned by the City of Johannesburg [The Johannesburg Roads Agency (JRA), Johannesburg Property Company (JPC), Johannesburg Development Agency (JDA), Metropolitan Trading Company (MTC), Johannesburg Social Housing Company (JOSHCO), Johannesburg Civic Theatre (JCT), Johannesburg Fresh Produce Market (JFPM), Johannesburg Zoo and Johannesburg City Parks (JCP)]. Qualified audit reports were received for MetroBus, Johannesburg Tourism Company and Pikitup. City Power, Joburg Water and the core administration remain disclaimed.

Although the Auditor-General's Report did not express an opinion on the City's overall financial statements, in his management letter he noted improvements in the control environment and a decreased number of items focused on fewer areas, compared to previous financial years. The Auditor-General highlighted challenges related to the completion of the fixed asset register, the completeness of revenue, separate RSC levy from interest and a lack of documentation in revenue and leave forms.

During the 2003/04 financial year the City made substantial progress on the journey upon which we embarked in December 2000, simultaneously strengthening our balance sheet and generating more income than we spent, while earning a strong endorsement from the international capital markets. Our destination looks ever nearer.

These accomplishments are the result of teamwork and the invaluable contributions of many parties. In this regard I would like to thank the Council's Speaker, the Mayoral Committee, councillors, the City Manager and staff of the City of Johannesburg. Most of all, the citizens of Johannesburg must receive the loudest applause for their faith in us. Together, we can and shall complete our journey for the benefit of everyone in our City.

A handwritten signature in black ink that reads "Am Masondo".

Councillor Amos Masondo
Executive Mayor

March 2005

Introduction



The promulgation of the Municipal Finance Management Act (MFMA) marked the completion of the transformation of the local government sphere at the legislative level. The Act was designed with the intention of modernising budgeting and financial management, while concomitantly promoting transparency and accountability in municipal finance. The Municipal Systems Act (as amended) (MSA) requires municipalities to prepare annual performance reports, based on the approved Integrated Development Plan.

The MFMA and MSA, read together, seek to promote financial and performance reporting by municipalities in a single and integrated annual report. The annual report is also understood to be an instrument for financial and performance corrective action in subsequent years. Finally, the rigorous requirement for preparation and adoption of financial statements, performance reports and the annual report as a whole, is intended to enhance transparency, accountability and good governance.

The 2003/04 Annual Report reflects on the performance of the City of Johannesburg for the period 1 July 2003 to 30 June 2004. In terms of section 121(1) of the MFMA, every municipality and municipal entity must prepare an annual report for each financial year. The purpose of an annual report, pursuant to section 121(2), is to provide a record of activities, report on performance against the budget and promote accountability to the local community for the decisions made throughout the year.



Table 1.1 Legislative requirements in terms of MFMA

Section	Requirement	Legislative provision
121(3)(a)	Annual and consolidated financial statements	Annual financial statements of the municipality, and, in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1)
121(3)(b)	Auditor-General's audit report	Auditor-General's audit report in terms of section 126(3) on those financial statements
121(3)(c)	Annual performance report	Annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act
121(3)(d)	Auditor-General's performance audit report	Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act
121(3)(e)	Accounting Officer's assessment on arrears	Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges
121(3)(f)	Accounting Officer's assessment of performance on each vote of the budget	Assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for each vote in the municipality's approved budget for the relevant financial year
121(3)(g)	Audit corrective actions	Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)
121(3)(h)	Explanations to clarify financial statements	Explanations that may be necessary to clarify issues in connection with the financial statements

Introduction



<i>Section</i>	<i>Requirement</i>	<i>Legislative provision</i>
121(3)(i)	Other information	Information as determined by the municipality
121(3)(j)	Audit Committee recommendations	Recommendations of the municipality's Audit Committee
121(3)(k)	Other prescribed information	Other information as may be prescribed

Prior to the enactment of the MFMA and the amendment of the MSA in 2003, the MSA was the principal act with regard to the Annual Report. The MFMA now contains the substantive provisions relating to the preparation and adoption of annual reports. The MSA (as amended), on the other hand, only provides for annual performance reports and the Auditor-General's audit of performance reports.

Section 46(1) of the MSA requires municipalities to prepare a performance report for each financial year setting out the performance of the municipality and external service providers, comparison of the performance with the targets set for and performances in the previous financial year and measures taken to improve performance. As shown above, the annual performance report must form part of the Annual Report.

Chapter 12 of the MFMA contains a very wide range of provisions relating to financial reporting and auditing. With respect to the Annual Report specifically, the process of preparation and adoption includes the 'tabling' of annual reports, and the formulation of 'oversight reports' on annual reports. However, the Minister of Finance, in terms of Government Notice No. 772 of 25 June 2004, has determined that sections 123 and 126 to 134 will only take effect on 1 July 2005.

Therefore, the process for the adoption of the City of Johannesburg's 2003/04 Annual Report is that it should be prepared in accordance with chapter 12 and should contain information required by section 121. The Council of the City of Johannesburg is required to deal with the annual report within nine months after the end of the financial year, which is before 31 March 2005.

The 2003/04 Annual Report contains two parts, namely, Part I contains mainly performance information and Part II comprises the Annual Financial Statements. The motivation for two separate parts is that the full Annual Report is required for consideration by the Council by 31 March 2005. However, the audited Annual Financial Statements have already been considered and adopted by the Council of the City of Johannesburg on 8 December 2004.

The 2003/04 Annual Report (Part I) focuses on performance by the Mayoral Committee portfolio, thereby ensuring full coverage of all functions performed by the City. This is detailed in the table below.

Table 1.2 Structure of Annual Report and its compliance to legislation

STRUCTURE OF THE ANNUAL REPORT		LEGISLATIVE COMPLIANCE	
CHAPTER	CONTENTS	ACT	REQUIREMENT
	Message from the Executive Mayor	Sec 121(3)(i) of MFMA	Other information
Chapter 1	Introduction	Sec 121(3)(i) of MFMA	Other information
Chapter 2	Context		
Chapter 3	Council	Sec 46(1) of MSA and Sec 121(3)(c) of MFMA	Annual performance report
Chapter 4	Overall city performance		
Chapter 5	Finance, strategy and economic development		
Chapter 6	Social Development, Roads, Parks and Arts, Culture and Heritage Services		
Chapter 7	Public Safety		
Chapter 8	Housing		
Chapter 9	Health		
Chapter 10	Development Planning, Transportation and Environment		
Chapter 11	Corporate Services		
Chapter 12	Municipal Service Entities		
Chapter 13	Municipal Enterprises		
Chapter 14	Inner city		
Chapter 15	Conclusion		
Appendix 1	Report of the Auditor-General on Performance Measurement	Sec 45(b) of MSA and Sec 121(3)(d) of MFMA	Auditor-General's Performance Audit Report
Appendix 2	Accounting Officer's assessment	Sec 121 (3)(e) of MFMA and Sec 121(3)(f) of MFMA	Accounting Officer's assessment on arrears and Accounting Officer's assessment of performance on each vote of the budget



The 2003/04 Annual Report (Part II) contains the audited financial statements and complies with the following provisions of the MFMA:

- Section 121(3)(a) of MFMA: Annual and consolidated financial statements
- Section 121(3)(h) of MFMA: Explanations to clarify financial statements
- Section 121(3)(g) of MFMA: Audit corrective actions
- Section 121(3)(j) of MFMA: Audit Committee recommendations
- Section 121(3)(b) of MFMA: Auditor-General's audit report