Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

22 April 2024

Submission via email: idpcomments2024@joburg.org.za & ratescomments2024@joburg.org.za

CC:	Cllr. Kabelo Gwamanda
	Executive Mayor
By Email:	executivemayor@joburg.org.za
	Cllr. Margret Arnolds
	Speaker of Council
By Email:	margaretA@joburg.org.za
	Mr. Andile Gobinca
	Acting Secretary to Council
By Email:	Andileg@joburg.org.za
	Floyd Brink
	Municipal Manager
By Email:	floydb@joburg.org.za

JoburgCAN written response to the City Of Johannesburg IDP, Budget, Rates Policy, Rates Bylaw and proposed tariffs 2024/25.

JoburgCAN is an initiative of OUTA and was established to improve service delivery, engage in local government affairs, and foster community within the City. JoburgCAN represents affiliates and supporters residing in all seven regions of the City. As a properly established community-based organization, JoburgCAN acts in unity and on behalf of its affiliates and supporters.

In terms of Sections 21 and 25 of the Municipal Systems Act 32 of 2000, read with Chapter 4 of the Municipal Finance Management Act 56 of 2003, the Municipal Budget Circulars No 98 and 99, Municipal Entities Business Plans and the Municipal Property Rates Act 6 of 2004, the City of Johannesburg considered and endorsed its draft 2024/25 Integrated Development Plan (IDP); draft Medium-Term Budget, draft Rates Policy; draft Rates Bylaws, proposed Rates Tariffs and proposed tariffs for trading services and other services at the Ordinary Council meeting on the 19 March 2024 for public participation and public comment by 22 April 2024.

As per the above mandate we hereby make a submission with regards to the 2024/25 COJ IDP, Budget, Rates Policy, Draft Rates Bylaw and proposed tariffs.

Concern with Public Participation Process (PPP)

As per Chapter 4 of the MFMA, public participation is a legal requirement of the Integrated Development Plan, budget and tariff process. Disruptions, technical difficulties and postponements have marred the regional meetings. The timeline and deadline, one weekend day following the last of these public meetings, is only 21 working days since the ordinary council meeting tabling these documents for comment.

Civil society and community organisations do detailed and considered responses to these programs and the City is expected to be able to inform, engage and respond to resident concerns in the process. Further the inclusion of the overhaul of the Rates Bylaw policy in this process is of concern, and should be opened to a separate public participation process or the policy review is prejudicial as residents cannot be expected to analyse, process and meaningfully respond to the vast documents in this inadequately short timeframe.

The locations (in some regions the meetings were out of their areas for example Region F), time (mostly weekdays afternoons), availability of presentations, difficult to follow audio and hybrid meeting access not being granted in the public meetings is a clear indication that the public participation process needs to be extended and deepened before the matter is brought to council for adoption.

We therefore formally engaged the City on 19 April 2024 requesting for a reasonable extension of the PPP deadline date to 30 April 2024.

Budget response

JoburgCAN notes the budget with some caution. On 14 June 2023 Council approved a capital budget adjustment decrease due to a material under-collection of revenue.

As per the MFMA a budget must be credible. It must satisfy two fundamental criteria:

- <u>Strategically credible</u> –

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

- It must reflect the developmental, administrative and service delivery priorities and objectives set in the IDP;
- It should accommodate the results of the consultation processes;
- It should have been prepared in accordance with all the municipality's budget-related policies.

· Financially credible (Funded budget)–

- It must reflect realistically likely operating and capital expenditure, revenues and capital finance; debt impairment
- Income and expenditure, both operating and capital, must be properly matched.

A third and equally important consideration is affordability. It is the product of realistic rates and service charges which essentially determines the total of operating expenses which may sensibly be budgeted for. Choices have to be made here!

The adjusted budget of 2022/23 shows the City's assumption on its own ability to collect as projected is incorrect. Spending on national government grants is at 45%, with Treasury threatening to terminate grants. The 2024/25 budget is based on 85% collection rate.

We ask what is the current and realistic year on year decrease on collection? Is 85% at the current state of the City's collection woes credible?

Budget tables – A1 Schedule (the A and SA tables): The full A1 Schedule (the full set of A and SA tables) are not presented with the draft budget information. We, and therefore all observers had to find this 52-page document on the National Treasury website. This is obstructive. This information was further not presented at the public hearings of the full impact it would have on residents.

Remuneration: The budget allocation to executive and staff spending is not a reflection of the capacity of the City's finances and does not support the needs or objectives as stated in the IDP. Any remuneration paid to a councillor otherwise than within the framework of the Public Office Bearers Act, Municipal Finance Management Act and the Notice of the Minister, including any bonus, bursary, loan, advance or other benefit, is an irregular expenditure and the municipality must recover that from

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

the councillor and may not write-off any expenditure incurred by the municipality in paying or giving that remuneration.

The following are extracts from the Medium-term Budget 2023/24 – 2025/26

(Tables SA22, SA23 and SA24):

Councillor remuneration (Political Office Bearers plus Others) **R thousands**	**Budget Year** **2023/24**
Basic Salaries and Wages	140 107
Pension and UIF Contributions	16 477
Medical Aid Contributions	6 093
Motor vehicle Allowances	11 142
Cellphone Allowances	9 322
Other benefits and allowances	1 401
Total - Councillors	184 542

Salaries, allowances and benefits: Political office bearers and councillors 2023/24

	Salary R	Contributions R	Allowances R	Performance Bonuses R	Total Package R
Speaker	951 987	186 242	138 581	_	1 276 810
Chief Whip	943 995	178 596	82 789	_	1 205 380
Executive Mayor	1 231 562	228 609	109 922	_	1 570 093
Members of Mayoral Committee	9 494 113	1 753 679	806 013	_	12 053 805
All other councillors	124 343 423	24 485 489	19 607 000	_	168 435 912

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Total	136 965 080	26 832 615	20 744 305	_	184 542 000

Table SA24 lists the following personnel numbers for councillors:

- Positions: 292
- Permanent employees: 21
- Contract employees: 271

The upper limits of the annual total remuneration package of the Executive Mayor (EM), for example, was determined as R1 446 388 (2023/24) and R1 501 351 (2024/25). The EM can, in addition, receive a cell-phone allowance not exceeding R3 400 per month (R40 800/year) in 23/24 increasing to R3600 (R43 200/year) in 24/25. If the maximum cell phone allowance is applicable, the maximum remuneration would total R1 487 188 in the 2023/24 financial year as shown in the tables above, or as per the August 2023 gazette to R1 544 551.

A total amount of R1 570 093 was, however, indicated in the 23/24 budget. No information is unfortunately available to further analyse the budgeted allowances of R109 922 paid to the EM in that year. The contributions of R228 609 should indicate the preference of the EM in deductions from the total remuneration. It is also not known if an anticipated increase (for example, CPI) in the upper limits was applied for purposes of the budget. The same approach applies to the remuneration packages for the speaker, chief whip, members of the mayoral committee and other councillors. No explanation is given for the overspend in the 24/25 budget which is still above the adjusted and amended limits.

The number of political office bearers and other councillors of 292 positions indicated in the budget document differ from the official number of 270 councillors. No clarification is provided of the reason for the difference.

Questions therefore remain on how the budgeted amounts were determined and what additional allowances and benefits were included in the calculation. This discrepancy needs to be addressed in the budget and taken up with MPAC and declarations and adjustments publicised.

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Table SA24: Summary of personnel numbers

This table has confusing information. The numbers of councillors, board members of municipal entities, senior managers, other managers and professionals changes wildly from year to year. This needs clarity and explanation.

- Councillors: from 12 positions (2022/23) to 292 (2023/24) to 270 (2024/25).
- Board members of municipal entities: from 14 members (2022/23) to 75 (2024/25).
- Municipal manager and senior managers: from 162 positions (2022/23) to 233 (2024/25).
- Other managers: from 561 positions (2022/23) to 3 591 (2024/25).
- Professionals: from 9 472 positions (2022/23) to 22 171 (2023/24) to 20 364 (2024/25).

Table SA24: Summary of personnel numbers

Summary of Personnel Numbers	2022/23			Current Year 2023/24			Budget Year 2024/25		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	12	–	12	292	21	271	270	–	270
Board Members of municipal entities	14	–	14	14	–	14	75	2	73
Municipal employees	–	–	–	–	–	–	3 824	1 175	2 649
Municipal Manager and Senior Managers	162	123	39	162	123	39	233	180	53
Other Managers	561	536	25	561	536	25	3 591	995	2 596
Professionals	*9 472*	*8 600*	*872*	*22 171*	*21 145*	*1 026*	*20 364*	*19 650*	*714*

What were the year on year actual numbers, not per entity, that would explain such a deviation and increase 2024/25 tables?

Personal Security: As per the government gazette 18 August 2023 Tools of the Trade (section g), "the Executive Mayor, Mayor, Deputy Executive Mayor, Deputy Mayor, Speaker or Whip are entitled to two bodyguards. Deviation from the norm may only be based on the recommendations of the South African Police Service (SAPS). All councillors, subject to a threat and risk analysis conducted by the SAPS "may be allocated personal security and special risk cover such as alternative accommodation on "good cause". The gazette further states that "a councillor may, in exceptional circumstances and upon good cause shown, and with the approval of the Executive Mayor or Mayor (as the case may be) or Speaker, utilise the municipal-owned vehicle for official purposes: provided that the municipal council must, in line with applicable legislation and approved municipal council policy, exercise prudent financial management to ensure that the provision of motor vehicle does not undermine the need to prioritise service delivery and sustain a viable municipality." The council however has now approved the use of 40 Johannesburg Metro Police Department (JMPD) fleet vehicles and 61

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

bodyguards to not only the Executive Mayor, Deputy Mayor and Speaker but MMC's and heads of department. There has been no explanation, public recommendation by SAPS or threat and risk analysis shown to make this amendment therefore meeting the good cause threshold needed. The provision to prioritise service delivery is not shown by the removal of JMPD fleet vehicles for the delivery of safety and bylaw enforcement of residents towards the needs of the city council. How will the additional R3 million per month for bodyguards be accounted for and why is this not represented in the current budget? The City must only allocate what is viable, and this appears to be a gross extension of the City's finances for gain of the executive. As noted above the remuneration of office bearers is at the upper limits, if not exceeding the limits, of what is allowed so additional security cannot be absorbed into the allotted remuneration of councillors. We reject this expenditure.

Investment flight and semigration: The City continues to rely on paying residents while delivering limited services in highest paying regions (i.e.: IDP project allowances in region B) and have no contingency other than taking on new debt. The City appears to be ignoring the opportunities for revenue collection through its public advertisement revenue, rental in the JOSHCO and JPC MOE portfolio and the application or collection of fines. An increase in these items, and discussed here later in the rates policy, would place the City in better financial standing than pricing the budget out of affordable margins for residents and ratepayers.

With regards to semigration though, ratepayers (residents and business) are moving to municipalities that deliver sustainable services at a cost-effective rate. CoJ risks its ability to keep these ratepayers due to every increased cost, yet, there is a significant increase in service breakdowns and infrastructure deterioration. If the CoJ don't start prioritising giving the ratepayers a good return on the rates they pay in the form of sufficient service delivery, CoJ will lose big businesses and a large amount of ratepaying residents to better performing municipalities.

City Power and JW losses: Budget does not reflect the monthly balance sheet losses at these two MOE's. The public understanding of these entities is a monthly loss of R1 Billion and R300 Million respectively. What portion of these losses are capitalised, such as cable replacement? There is no breakdown of this in the budget. Has the City factored these losses into the operating budget of these entities seeing as there is little contingency in the budget for them and the IDP replacement and maintenance targets. Furthermore, apart from electrical and water losses the CoJ must prioritise debt collection to capitalise on outstanding debt.

Human settlements: The City has considerable rental stock across its human settlement portfolio ranging from low-income housing to retirement home facilities and more. The human settlements budget for 2024/25 is R1 339 035 000 growing to R1 655 612 000 by 2026/27. However there is no mention of the collection crises in this sector. The current collection rate of rentals is 4%. What strategy exists to increase collection to be able to justify such increases over the next three years?

New systems costs: There is limited accountability for a lack of integration, collaboration and technology take-up in the city. As per the IDP reports of years past Capex data was captured on the iRIS system for detailed reporting on regional and ward based expenditure. These reports seem to be based city wide and lack detail now, which makes transparency, accuracy and cross MOE collaboration difficult to monitor or execute.

The budget cashflow balance is inaccurate- it appears to be a misallocation across inflow streams but this is not easy to determine as the City is not mSCOA compliant and due to time restraints and questions for clarity on this from the MMC for Finance have not been forthcoming. Each MOE should be producing a business plan to show testing and adoption of integrated programs to justify these systems costs and new systems, but they are not publicly available. Public oversight of the systems tenders and contracts has not been possible.

Information concerns: Various discrepancies were noted in the reporting of expenditure on repairs and maintenance. For example, the actual expenditure for 2016/17 was originally reported as R1 867 828 000 but subsequently amended to R3 054 447 000. Similarly, the actual ratios for the years 2016/17 and 2021/22 were reported as 2,8% and 3,5%, respectively, but subsequently amended to 4,7% and 5,11%.

It Is unclear whether the carrying values of Property, Plant and Equipment and Investment Property were used consistently for calculating the ratios during the period of assessment given that clarity was not provided consistently.

The difference between the ratios indicated for budgeting purposes and actual performance are concerning. For example, for the year 2022/23 the ratio in the Adjustments Budget is depicted as 6,4% whilst a ratio of 5% is reported in the Integrated Annual Report 2022/23.

Contrary to legislative requirements as set out in the Municipal Budget and Reporting Regulations, the CoJ's Medium-Term Budgets since 2021/22 do not include comparative information of the audit outcomes of the three years prior to the current year as well as the budget and the full forecast of the current year. For example, if the current year is deemed to be 2020/21, the Medium-Term Budget for 2021/22-2023/24 should have included comparative data of the audit outcomes for 2017/18, 2018/19 and 2019/20 as well as the budget (original and adjusted) and full year forecast for 2020/21. This makes the budget of the CoJ non-compliant and against the law. This must be urgently addressed.

Repairs and Maintenance: Notwithstanding the information concerns raised above, the reported ratios by the City of Johannesburg were consistently lower than the norm of 8%. The level of repairs and maintenance are therefore considered inadequate to prevent breakdowns and interruptions to service delivery. It may also indicate that the municipality is experiencing cash flow problems and are therefore unable to spend on its repairs and maintenance to existing assets or purchase new assets. This deterioration of municipal infrastructure poses a severe risk to the future sustainability of service delivery in the City and JoburgCAN therefore emphasises the importance of increasing the maintenance and repairs budget to 8% aligned to proper and cost effective maintenance and repairs plans.

Debtors impairments. Revenue billed that will most likely not be collected - increased to R43,4 billion. The result of repeated annual impairments is that 82,4% of the debtors' book is now impaired, which is lost revenue to the City. With this reality in mind, it is critical for the City to ensure a funded budget that is realistic and aligned with its revenue projections to render sustainable services.

Tariffs response

Financial realities on households: The budget and tariffs of the City are becoming unaffordable for residents. Rising interest rates, a declining economic sector, high unemployment and double taxation in the form of having to pay for additional private services like security and health services are severely affecting the city's residents and they cannot absorb these increases easily.

While we acknowledge the increases are determined by bulk supplier and regulator processes for water and electricity tariffs, the City needs to add value and deliver the service especially for households that are being charged service fees and VAT on minimal consumption. CPI is estimated at 4,9% for 2024/25 and 4,6% in the two outer years. Municipalities are encouraged to keep tariff increases within the CPI range for which refuse tariffs exceed as well as the regulator set tariff increases.

The tariffs are discriminatory. A household that attempts to conserve usage or limit consumption to save costs is prejudiced against. Delays and costs involved in the rollout of prepaid meters for water and electricity attach excessive service charges and network fees regardless of consumption. The R553,53 proposed prepaid meter tariff is also punitive to residents who have made lifestyle changes to afford services. The City should be implementing a water demand levy and heavy user charges to address consumption and collection issues, not resorting to unfair discrimination in its tariff policy. There is no fairness evident in this policy.

Table A10: Consolidated basic service delivery measurement (budget page 42) and **Indigent register / Expanded social package / Extended social package (ESP)** (budget page 88):

The budget states that the CoJ's Expanded Social Package Policy "will be reviewed to ensure that it is aligned to national government policies supporting indigent customers" (page 88). While this is necessary it begs the question as to why this isn't already aligned to national policy?

"Details relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement are contained in Table A10 (Basic Service Delivery Measurement). The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act." (p88)

Table A10 lists the cost to the City of providing free basic services as R2,879 billion for 2024/25. We note that the City will receive R7,571 billion as the equitable share for 2024/25. It would thus seem that the CoJ is not interested in encouraging indigents to sign up for the indigent register and free basic services, as it makes more money out of the equitable share grant if there are fewer indigents formally registered as such. If the City takes issue with this appearance, the register requires better outreach.
The budget says "about 130 000 households are currently registered and the number is expected to increase to around 160 000 over the medium term" (page 88). Table A10 gives an indication of the widespread problem of poverty.

Table A10 says there are 60 167 households with piped water in the yard, not the dwelling, and another 125 578 households using a public tap, indicating a total of 185 745 households lack the access to be determined as non-indigent. Table A10 says there are 372 598 households relying on chemical toilets,

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

another 65 273 relying on pit toilets and 21 414 with "other" toilets (not flush toilets), indicating 459 285 households that are further likely indigent. Only 358 590 households have electricity (out of the City's total of 2 139 271 households). This is another indicator of widespread indigency.

Only 1 796 026 of the total 2 139 271 households receive refuse removal, leaving at least 343 245 households probably indigent without taking into account agricultural zoned portions of the city.

Affordable tariffs for low-income and indigent households: What arrangements does CoJ have in place for multi-dwellings in poor areas (such as households with backyard dwellings, or multifamily single structures) to ensure they are not billed at the highest consumption blocks for water and electricity? How many of these households are now recorded as multi-dwellings with appropriate billing? This is a key problem undermining affordability and resulting in inability to pay. These numbers need to be considered in the budget.

Rates and service increases

The table on page 12 of the budget lists the **average** increases. It would be more helpful to residents if this table were more detailed, and adds the range of increases, which are often significantly higher than that average. For example, the property rates increase is listed as 4,8%, but schools will have an increase that almost doubles their rates. As detailed below:

Public and Independent Schools
Public schools under the category Public Service Purpose.
The property rates will be phased in over a four-year period.
The rates payable/levied will be:

Year 1- 25% of the tariff for this category (2023/24)
Year 2- 50% of the tariff for this category (2024/25) **Does this means their rates double year-on-year?**
Year 3 - 75% of the tariff for this category (2025/26) **And more the next year?**
Year 4 and beyond - 100% of the tariff for this category. **And more again?**

The same is applied to independent schools (page 51), but under business and commercial rates, which may have been changed in the rates bylaw review, but this is unclear and uncommunicated.

Another example: the average electricity increase is listed as 10,74%. However, the electricity tariff increases on page 9 of the electricity tariff document show increases of up to 18,84%. The lowest increases are -2,81% for resellers, 6,36% for domestic prepaid low usage (both of these seem appropriate) but 10 of the 18 tariff categories increase by more than the average.

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Prepaid tariffs: Electricity and water

- There doesn't appear to be any mention of prepaid tariffs in the IDP. This is curious as the City should have a strategy on prepaid water and electricity but this is not evident.
- Prepaid electricity and water: The budget should include clear statistics on how many residents and businesses are on prepaid and on conventional metering, with an indication of whether these strategies are improving the revenue collection situation as indicated in the war on billing language of the IDP.
- Residential prepaid electricity: Only the residential electricity figures are available (table A10) which lists **238 376 households on prepaid electricity** and another 120 214 households on conventional electricity meters. These figures are clearly out-of-date as the same figures are used for the past three years. Has City Power not added at all to its customer base and not added a single prepaid meter in the interleading years?
- **New prepaid electricity monthly service charges:** CoJ intends splitting the prepaid electricity tariff into a prepaid low usage tariff (up to 500kWh/month) and prepaid high usage tariff (over 500kWh). The prepaid high usage tariff will have two new fixed monthly charges (R244,20 + R237,30 = R481,50 + VAT = R553,73 pm). The power consumption charge also increases. Assuming that half of the claimed customers on prepaid (we assume the total actual customers is much higher) will use the high usage tariff (approximately 120 000 customers), that would bring the CoJ another R693 million a year but would cost customers (with VAT excl. of this rate assumedly) an extra R797 million a year on top of power consumption. Where is this additional revenue in the budget and how is it to be accounted for or allocated?
- **Prepaid electricity:** The split in the prepaid tariffs needs greater clarity. The budget says the prepaid low use tariff is "targeted at the low use indigent customer". Is that only for households on the indigent register? Or those who are low-income households? Or anyone who is prepared to use less than 500kWh a month? How are these "indigent customers" defined? If it is only for registered indigents, then the unregistered poor households will effectively be landed with punitive and unaffordable monthly charges. What happens if such a customer goes over the 500kWh limit of this tariff? Are they then charged the fixed monthly charges of R553,73? There's no clarity on how the City defines the "low use" or "high use" households under prepaid electricity tariffs. Our understanding is that only around 15 000 households are registered as indigent. The international standards of affordability indicates that energy costs should not be more than 10% of a households income. This means that you will apply significant pressure on the poor. How does

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

the City intend to split indigent groups from being negatively affected by this as there has not been sufficient public engagement on the matter? The City needs to disclose what this basis and allow for sufficient public engagement to ensure that no poor or indigent households are adversely affected by it.

- The new monthly service charges block households from controlling their expenses. At the same time, residents see the City making no effort to control its own expenses, instead addressing these by adding the new monthly service charges. This is discriminatory, punitive and unfair billing.
- When categories of residents and/or businesses are refused access to prepaid metering, as appears to be the case, this must be clearly stated, with the reasons for this discrimination. For example, households and complexes appear to be refused access to prepaid water meters, which effectively forces them to remain on punitively high sanitation tariffs. Complexes are defined in the budget as "multi-dwellings", allowing the City to bill them for high sanitation tariffs which are linked to property size. However, although the City explicitly allows "multi-dwellings" to access prepaid water meters (which then change the sanitation billing to be based on water usage), complexes appear to be excluded from this. This appears to be because the City relies on the revenue from the high sanitation charges based on property size, blocking complexes with low water usage from choosing a more cost-effective billing system for sanitation. This is discriminatory. (See elsewhere in this submission about the discriminatory tariffs.)
- The power charge on the prepaid high usage tariff is higher than on conventional electricity. This seems counter-productive in a municipality struggling to collect service payments. A household using 1000kWh a month would pay R2 425,50 on conventional metering for power usage but R2 522,65 on prepaid high usage; a household using 500kWh would pay R1 115,40 on conventional but R1 160,95 on prepaid high usage. The fixed monthly service fees are currently lower on prepaid, which balances it out in 2024/25, but the budget makes it clear that the prepaid connection fees are to be hiked up to the same level as conventional over the next years. The 2024/25 fixed monthly fees: R963,55 (domestic conventional single-phase 80A) or R1229,57 (domestic conventional three-phase) or R481,50 (domestic prepaid high usage). The 2024/25 electricity tariff document states the prepaid fixed charges "require substantial increase in the next three to five years to fully align to the conventional tariff".

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Table SA14: Household bills

This table needs overhauling to bring it up-to-date and improve accuracy for it to have any value. As it stands, this table is misleading.

- The table doesn't specify which tariffs are used which makes it confusing.
- We guessed which tariffs were used but even trying different tariffs we found errors in the calculation of all three of the household bills presented (see attached Excel spreadsheet for our calculations).
- The City's electricity tariffs are so confusing that it appears the City cannot estimate the bills correctly: this table omits the 6c/kWh charge on residential power consumption over 500kWh/month, so the table presents the bill for the "middle income" household as lower than it will be.
- The "indigent" household bill is calculated using an electricity tariff that does not appear to exist, so the table shows this bill as lower than it will be on the proposed domestic prepaid (low usage) or domestic conventional 60A tariff.
- The "indigent" household water consumption is calculated on conventional metering. It would be helpful to point out that the prepaid water tariff for these households would be cheaper (R433,25 for conventional, R345,74 for prepaid for 20kl).
- For the "middle income" household, the table wrongly includes the R36,59 monthly water DSM levy twice: once as a separate item and again as part of the water usage charge.
- The "middle income" and "affordable range" households, the electricity basic levy appears to have been calculated inaccurately. The City lists it as R1035,20 for both households, but the tariffs show this as R963,55 (domestic conventional single-phase 80A) or R1229,57 (domestic conventional three-phase) or R481,50 (domestic prepaid high usage).
- The table does not show that, for the "middle income" and "affordable range" households, they will pay more if they are on the prepaid electricity instead of conventional (see section on prepaid vs conventional electricity above).
- The table's property values are out-of-date. The "affordable range" household is for a property valued at R500 000 and for "middle income" a property valued at R700 000. These values are unlikely, particularly following the City's GVR 2023 revaluations.
- The table fails to include a version of the monthly bill for those who live in flats valued at more than R700 000 or in complexes of any value, as these are charged sanitation at double the rate of free-standing properties on less than 300m^2. Considering the widespread existence of complexes

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

in Johannesburg (table SA11 records 275 842 sectional title properties of the total 956 316 properties in Joburg, about 29% of the total), it would be honest to include these instead of hiding these charges.

Water Services: We believe that the increase in tariffs should equate to CPI and do not support a 7,7% increase. The cost of water services has increased annually and so have the losses. One gets the sense that the City is externalising the cost onto the consumer instead of reducing water losses to make up for lost revenue. The ever increased prices will lead to consumers seeking alternative solutions or even semigration to ensure affordability. Again there seems to be discrimination in pricing between prepaid and conventional meters that needs to be addressed.

The conventional water restrictions bands are of concern and is open for abuse by the City. The concern is that the City can enable water restriction notices at its convenience and make money from abusing the process. Furthermore, the concern in quality of communication by the City with its residents and business may result in significant increases on water bills of innocent consumers who weren't informed. This may result in unnecessary water bill disputes and debtor increases.

Sanitation charges: The City of Johannesburg has the following alternative domestic sanitation tariffs applicable to a private domestic dwelling:

- A flat rate per erf per month based on the size of the erf plus a demand management levy and VAT; or
- A block rising tariff per kilolitre of water consumption per connection per month for prepayment meters plus a demand management levy and VAT. (This is deemed to be applicable currently only to households benefiting from, for example, the Soweto Infrastructure Project and new private developments where prepayment meters are installed).

The Medium-Term Budget 2023/24 – 2025/26 document does not provide any reason/clarification/motivation for the alternative sanitation tariffs.

The opinion is held that the method used to levy sanitation charges based on the size of the property for residential users is incorrect and indefensible. There is no logical comparison between the size of the property and the volume of wastewater to be treated by the municipality. Nor can a fair and reasonable allocation of costs used for tariff setting and differentiation between categories of

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

consumers be made. The provision of a sanitation service is considered a taxable supply and VAT is payable on the service charge for sanitation irrespective of the basis on which it is calculated.

<u>The differentiation between the alternative domestic sanitation tariffs are considered unfair and discriminatory.</u>

The opinion is held that best practice for the determination of sanitation tariffs should be the methodology based on water consumption adjusted for different return flows linked to the volume of water consumed. There is a clear link between water consumption at a residential property and the volume returned through the sewerage system for treatment. This approach is supported by the Standard Tariff Setting Methodology issued by National Treasury and should be amended in the tariff policy of the COJ. <u>An increase in the sanitation charges of 7,7% is therefore unsupported as the basis for calculating the tariff is discriminatory.</u>

Refuse charges: According to the Medium-Term Budget 2023/24 – 2025/26, Pikitup "has redefined its tariff determination principles effective 01 July 2016. These revised tariff determination principles require businesses and households to all contribute towards waste management services. This practice moves away from charging for waste management services (refuse charge) based on the number of bins to charging a levy as a contribution towards the cost associated with all waste management services. The amount of the levy to be charged will still be determined based on the market value of property."

According to CoJ Medium-Term Budget 2023/24 – 2025/26 the "deficit on waste management is relatively stable over the medium term…. The deficit of waste management is cross subsidised by the property rates account." Based on this statement, it is assumed that the shortfall/deficit (+/- 44% or R1,1 Billion) should reflect the cost of public cleansing (street and area cleaning, illegal dumping, etc.) according to the DEA strategy and Guideline. However, the charge levied on all properties categorised as non-residential is <u>not</u> considered a refuse charge but a city cleansing charge. It is therefore assumed that the cost of public cleansing for residential customers only is subsidised by the property rates account while non-residential properties do not pay a refuse charge.

This approach is considered not to be in accordance with the following principle of a tariff policy as set out in Section 74 of the MSA:

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

"(d) tariffs must reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement cost, and interest charges;"

The opinion shared in the following paragraphs is based on the applicable legislation as well as the DEA strategy and guidelines available to a municipality when determining solid waste charges. The charges levied by the City of Johannesburg for the 2023/24 financial year will be measured against the applicable principles set out in Section 74 of the MSA.

The users of municipal services should be treated equitably in the application of tariffs. The refuse charge for residential and city cleansing levy for non-residential properties are determined according to the value of the property which is considered as a proxy for the service used. Notwithstanding the fact that properties within a specific designated category are charged the same flat rate, the range of categories according to the market value and associated amount charged for the service demonstrates that users are not treated equitably (fairly – equal in importance). In addition, the rising block principle on which the charges are based assumes the greater use of waste services simply because the property has a higher market value.

The amount individual users pay for services should generally be in proportion to their use of that service**.** The tariff principles adopted by the City of Joburg bears no resemblance to the use of the service by any user – neither private or public waste services. Using the value of the property as the basis for determining the use of the service is therefore fundamentally flawed. The methodology cannot be considered as funding all municipal solid waste services from property rates. It simply uses property values as the basis of differentiating between users of waste services.

Differentiation may not amount to unfair discrimination. The refuse charge is considered to amount to unfair discrimination (unfavourable treatment) as users with different service levels will be paying the same amount for waste services within each value block. This discrimination is amplified by the impact of the rising block tariff approach followed.

Although tariffs based on property value is generally regarded as a strong proxy for income and thus affordability, the relationship may be poor which will also result in unfair discrimination.

The opinion is therefore held that the method used to levy waste management services in the City of Johannesburg is incorrect and indefensible. There is no logical comparison between the value of a property and the refuse charge or the city cleansing levy to be collected.

Rates increase: In a year following a GVR review, increases here are limited, however given the lack of finalisation on objections an increase should be scrapped altogether due to the contested GVR process and increase seen in 2023. Until such time as the City accepts OUTA's petition and residents' concerns over the valuation process that sets rates values in the city, we contest the City's rates collection methodology.

Rates policy overhaul: As per the public consultation meetings in the regional areas, the rates policy was not adequately presented. This policy review should be a separate process. The department should provide tracked changes on what has been amended, timelines for comment should be amended, and deadlines to input extended. Withstanding this engagement we are not able to give comprehensive input at this time in the rates bylaw and reserve our rights to expand on this in subsequent engagements should an extension of the changes not be granted.

Penalty tariffs: The tariffs for illegal land use and development are too low. Collection and payment of these tariffs is not being adhered to. An increase of penalty rates should be increased from 4x to 10 or 12x the rate to increase compliance.

Use of public spaces for events and concerts: The tariff has been increased from R130 000 to R250 000. Events companies are inconveniencing residents and not complying with time limits and noise limits while making large profits. Residents have appealed that this rental tariff should be increased further to prevent excessive use.

IDP response

The systemic collapse of services like power and water is having a devastating effect on the total function of the city. Reservoir failure is causing major pipe bursts, needing constant repair, causing backlogs and shortages in road repair and an impact on the Johannesburg Rods Agency (JRA) budget and service delivery. Residents are being subjected to water shedding with reservoirs shut nightly, causing emergency services to have to sit by and watch house fires as there is no water in the hydrants to help. The losses at City Power are directly due to loadshedding as transformers are blown during surges and substations are looted when the power is off. Stabilising the water and electricity grid should be the number one aim of the IDP and budget which will have a stabilising effect to deliver the rest of the objectives of the IDP.

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Maintenance spending: Section 216 (1)(c) of the Constitution and section 2 of the MFMA enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities.

MFMA Circular 71 provides uniform key financial ratios and norms suitable and applicable to municipalities. The norm for Repairs and Maintenance as a % of PPE and Investment Property is set at 8%. The ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets are required to ensure the continued provision of services. A ratio below the norm is a reflection that insufficient monies are being spent on repairs and maintenance to the extent that it could increase impairment of useful assets. It may also indicate that the Municipality is experiencing budgetary constraints and therefore unable to spend at appropriate levels on its repairs to existing assets or purchase of new assets thus impacting negatively on service delivery.

The following table depicts the ratios for the City of Johannesburg over a period of 8 years:

YEAR	RATIO
2016/17 Actual*	2,80%
2017/18 Actual	4,20%
2018/19 Actual	4,70%
2019/20 Actual	3,70%
2020/21 Actual	3,60%
2021/22 Actual **	3,50%
2022/23 Adjusted Budget	6,40%
2022/23 Actual	5,00%
2023/24 Budget	6,90%

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Explanatory notes:

* Ratio adjusted to 4,7% in the subsequent Medium-term Budget 2019/20-2021/22

**Ratio adjusted to 5,11% in the Integrated Annual Report: 2022/23

Various discrepancies were noted in the reporting of expenditure on repairs and maintenance. For example, the actual expenditure for 2016/17 was originally reported as R1 867 828 000 but subsequently amended to R3 054 447 000. Similarly, the actual ratios for the years 2016/17 and 2021/22 was reported as 2,8% and 3,5%, respectively, but subsequently amended to 4,7% and 5,11%.

It is unclear whether the carrying values of Property, Plant and Equipment and Investment Property were used consistently for calculating the ratios during the period of assessment given that clarity was not provided consistently.

The difference between the ratios indicated for budgeting purposes and actual performance are concerning. For example, for the year 2022/23 the ratio in the Adjustments Budget is depicted as 6,4% whilst a ratio of 5% is reported in the Integrated Annual Report 2022/23.

Audit of contractors and projects: The IDP is lacking in year on year reporting of large scale projects from housing to new resources infrastructure. The AG report into lack of consequences for poor or under-performing contractors is outlined in the COJ Annual Report 2022/23. The IDP must contain information on project spend and cost management of its capex projects in the wards but despite some reporting given in person at regional meetings, Regional IDP feedback is littered with vague responses, no clear timelines of postponed projects and large scale rejections of projects due to cost issues.

Water Services: In its 2022/23 Annual report the City showed water losses of R2,9 billion whilst sales of water amounted to R8,5 billion. Furthermore Joburg Water's Business Plan reveals that R64 billion is needed to replace and refurbish failing infrastructure. It is unclear whether this was for new supply and demand infrastructure but the plan also mentioned that there was a water and sanitation infrastructure backlog totalling a staggering R24 billion. It is therefore crucial that the City ensures the sufficient ringfencing of water revenue to its intended purpose of providing water services to ensure that sufficient funds are allocated to infrastructure development and maintenance in Joburg Water. That fact that R700 million in grants was not spent in the last financial year is of concern.

Building 4,
Boskruin Village Office Park
Cnr President Fouche & Hawken Road
Bromhof, 2188

Tel: 087 170 0639
Email: info@joburgcan.org.za

Conclusion:

We request a reopening to public participation of the City Of Johannesburg IDP, Budget, Rates Policy, Rates Bylaw and proposed tariffs 2024/25.

We request detailed responses to our concerns over remuneration, board member expansion at MOE's, maintenance spending, prepaid electricity tariffs and the sanitation and waste removal tariffs. We request that our concerns be included in the budget and IDP debate and direct questions be allowed in this regard during the budget tabling to council.

We deem the product of the IDP, Budget and proposed tariffs as not in line with the lawful requirements as set out in the legislation and in need of amendment to be made compliant.

We thank the City for the opportunity to respond, despite the timeline constraints and ask that observations be incorporated into the council review of these reports.

Regards,

Julia Fish

Manager: JoburgCAN

Julia.fish@joburgcan.org.za