

COJ IDP/BUDGET/TARIFF PROPOSALS FOR YEAR 2024/25

COMMENTS AND QUESTIONS FROM JOBURGCAN, RESIDENTS AND RATEPAYERS ASSOCIATIONS

Detailed analysis attached per our written response

DRAFT PAPER	PAGE NUMBER AND SECTION OF THE REPORT	COMMENT/CONCERN/QUESTION	RESPONSE
<u>2024-25 Draft IDP and Budget</u>	Pg 2: Public meetings	The city has undertaken to do public outreach hybrid meetings. The quality for online participation fell far short at the Region B engagement to be considered meaningful and inclusive. A new meeting must be scheduled where there were technical and access issues. Public meetings should be scheduled for a weekend to encourage wider participation which only occurred in two regions (Region A and Region D). We have sent a request to extend the deadline for submissions to April 30 to the Executive Mayor, Speaker and Municipal Manager.	
	Pg 23: Crime	The levels of violent crime in disadvantaged communities needs urgent attention. The removal of 40 fleet vehicles from the JMPD assets to be diverted to council members protection is not supported by evidence of clear need in the report for enforcement and visible policing.	

	Pg 23: Economic challenges	The biggest factor affecting economic growth is infrastructure issues such as unstable water and electricity supply. Without a clear vision for rapid resilience and investment in infrastructure development and investment, economic growth will continue to evade the city.	
	Pg 26: Climate Change	The report mentions the risk posed by climate change, with no strategic plan to mitigate this. Incentives to industry to reduce emissions, water scarcity resilience programs, water capture, clean energy and reduced polluting public transport from trains to bus services over vehicle based transport is very minimal in the city's development plan. Flooding reduction measures begin with maintenance of the storm water system and road infrastructure, which is not shown as a priority in this report. Greenbelt and wetland conservation to enhance biodiversity is instead seeing an increase in development, illegal dumping and illegal occupation across the city.	

	Pg 27: Infrastructure Challenges	<p>We recommend an urgent review of the JPC property portfolio including inner city building assets and public land earmarked for development to address the city's urgent low cost housing and emergency temporary accommodation crises. Public assets left dormant and insecure are the site of illegal occupations and hijackings which have led to tragic loss of life. The portfolio of JPC and the lack of continued oversight into the operations of this MOE are hampering the City's service delivery objectives while the financial structures are being placed at risk by non-compliance in this department.</p>	
	Pg 27: Infrastructure Challenges	<p>Growth in illegal connections is directly linked to irregular billing, unaffordable increases in tariffs, a lack of law enforcement in development and a lack of infrastructure maintenance by the city. This in turn affects the city's ability to collect revenue and balance the budget. City Power, the SLE and JMPD must be given more powers to secure their assets, impose penalties and increase disconnections while widening their social welfare allocations for free electricity. The proposed prepaid tariff does not support this goal.</p>	

	Pg 28: The 5-Year IDP	<p>In the 5-Year IDP term the city management has seen several changes in administrative management. The current IDP plan does not take into account the drastic decline in revenue collection, twin crises of City Power and Joburg Water losses, rapid economic flight caused by urban decay and service delivery failures, and a dwindling rates paying population. An urgent review of the IDP to realign it with the new challenges of the current unity government is required to realign the IDP and budget to a tighter fiscal landscape focused on maintenance and infrastructure acceleration. The so-called nice to haves in the “wish-list” need to wait for a more stable economic outlook.</p>	
	Pg 31: iGoli 2010	<p>The legacy of iGoli 2010 is a fractured MOE system with entities that operate in silo’s with no oversight of the financial officers from the COJ group CFO. The autonomy of MOE’s is wasteful in both capital, staff costs and obstructive to integrated management to streamline delivery and needs to be brought under a more collaborative platform.</p>	

	Pg 32: Energy Mix	<p>A lack of detail here is restricting the city's future income sources. Without incentives, centralised resilience plans and language such as "should" rather than a strategic detailed mechanism is taking paying customers off the grid to self-funded solutions. This is an urgent need of the city to both secure electricity supply to its own functions and infrastructure such as pump stations and health care facilities, reduce vandalism and theft, and to attain climate change objectives. Loadshedding threats to the city have been a reality for almost two decades and there is still no city funded answer to the challenge. Placing the burden on customers to reduce consumption rather than obtaining clean energy reduces COJ finances, rather than increasing investment.</p>	
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	Pg 34: Good governance	<p>The annual report 2022/23 reflects that the City is underperforming on most if not all of its strategic priorities especially on good governance. Only two MOE's received clean audits. The trend towards wasteful, fruitless and irregular expenditure is supported by a City mechanism that still operates as a paper city with poor financial systems support. Section 79 committees are hampered by a lack of reporting from entities and departments. Vague statements of wishing to obtain clean audits without holding municipal employees liable for failing audits are hollow and not reflected in the annual reports.</p>	
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	Pg 36: Active Citizenry	<p>JoburgCAN submitted responses as per Section 127 of the Municipal Finance Management Act (MFMA) 56 of 2003. These were to be tabled to MPAC and incorporated into the council recommendations and debate on the AR. Our submission was ignored and MPAC was informed there were zero public submissions. The regional public participation meetings on the IDP/Budget/Tariff process have been hampered by technical difficulties and access issues. There is no legal mechanism for civil society to engage the COJ on issues such as delivery and have oversight of tender irregularities as PAIA applications into the city's activities are largely ignored. The establishment of a water forum to address the water crises in Johannesburg is yet to have an assigned COJ official. Co-governance which is sustainable with wayleaves granted to LCO's to assist the city with maintenance and entity co-operation is not being prioritised in the city. The city is largely deaf to resident complaints about a lack of transparency, accountability and collaboration. This priority as stated in the IDP report is a false statement.</p>	
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	Pg 38: Smart City	<p>We note with concern the move of the MTC to the Transport MMC portfolio with its operating expenditure budget of R594 million as well as a three-year capital budget of R21 million. Broadband services and smart technology is an Economic Development priority and has no overlap with transport. COJ must make the minutes of the meeting that agreed this reallocation available for public scrutiny. Attending public meetings in region halls as part of the IDP outreach system has shown that the City Free public Wi-Fi that should be available at these spaces does not work, and has no internet connection. Residents are paying hefty prices for a system that does not work despite this being a priority project. The COJ email system is also a shambles with access for staff often interrupted and effectively killing their ability to work, especially as they have to do so remotely with the closure of the Metro Centre. This is entirely unacceptable and a clear show of non-delivery.</p>	
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	Pg 42: Governing	<p>The separation of functions between executive and legislative bodies is non-existent and untransparent. The City Manager scorecard overseen by the Executive Mayor is not a public accountability tool, and done behind closed doors blurring the lines between functions. This scorecard must be public, informed by service delivery benchmarks and tied to the IDP. As seen in the ongoing legal objections to the appointment of the current City Manager Floyd Brink, shows this position is a political appointment facilitated by the legislative council.</p> <p>Political interference in administrative decisions is also impacting service delivery and actual budget spend, i.e. VIP protection.</p>	
	Pg 49: Ombudsman	<p>The turnaround time of the Johannesburg Ombudsman is of serious concern. This office needs to be expanded and resourced to provide faster delivery and accountability of the City's activities.</p>	
	Pg 52: Entities	<p>There needs to be a better cross entity communication, coordination and collaboration structure. The reinstatement list of Joburg Water repairs outstanding, in some cases for years across the city, for JRA to repair are excessive, dangerous and cause further damage to JW infrastructure. Supervision needed across all repairs in the city to decrease duplication and continued need to attend to the same issue.</p>	

	Pg 54: Spatial Planning	The City is not utilising government owned land and properties for spatial planning. Opportunities in the inner city in abandoned buildings, occupied open spaces and hijacked buildings needing maintenance and seizure should be prioritised over high cost developer owned suburban densification.	
	Pg 62: Nodal review	A lack of a hierarchy of plans from city to region to suburb has left too much ambiguity in where and how densification should be happening. The MPT's are running almost two years behind applications leaving the City paralysed to plan and develop in a strategic way. We need to fund and support precinct plans to limit the number of inappropriate applications in suburban or greenbelt zones.	
	Pg 87: Sustainable Delivery	Stated that the city has expanded access to basic water allocation - the process has actually decreased access as indigent households are penalised for debt, and year on year renewals do not capture the most needy in communities. Remove basic allocation for households above a certain value and reallocate the resources to low income areas with reduced registration red tape.	

	Pg 92: Billing War Room	<p>The inability of the billing service to respond, engage and resolve disputes has created a trust deficit between residents and COJ. Regional billing departments take several emails and in person visits to merely receive a reference number. Services are cut despite disputes being lodged, and processes followed. The City's stance to demand payment and enter into payment plans when there is a dispute is irrational and unlawful. Communication, tracking mechanisms, escalations and turnaround times on responses need regional oversight.</p>	
	Pg 94: Financial Viability	<p>"National Treasury informs you of the intention to stop an amount of R4m from your 2023/24 PPPSG allocation of R55m, R614.1m from your 2023/24 USDG allocation of R1.5bn, R400m from your 2023/24 PTNG allocation of R1.2bn, to stop an amount of R117,2m from your 2023/24 ISUPG allocation of R715m, and to stop an amount of R17,7m from your 2023/24 NDPG allocation of R134,7 in terms of section 18 of the 2023 DoRA [Division of Revenue Act]" due to an underspend of 55% on these grants. The City must account for why it is not able to implement projects as allocated and spend national grants specifically allocated to infrastructure and development. The intention to spend an additional R3mil per month on personal security further places the City's financial viability under strain.</p>	

	Pg 96: Energy Mix	COJ must implement capacity for households to feed excess solar energy back into the grid, or risk customers removing themselves from city infrastructure entirely and reduce the city's future income streams. City must improve registration of home solar systems and fast track sale platforms to stabilise the grid during daytime peak production.	
	Pg 98: Energy Mix	The report states that vandalism and theft are a big threat to the system, but are obstructive when communities attempt to secure and co-manage solutions with the city. Allow wayleaves and service level contracts with viable associations to protect and secure local infrastructure such as substations and allow local solar streetlight and traffic light sponsorship programs.	

	Pg 100: Integrated planning	<p>A lack of integrated planning allowing densification without structural infrastructure development is showing strain across the city, particularly with power and water delivery. The expansion of corridor of freedom areas has placed an untenable burden on systems like the Crosby (Hursthill) and Bruma reservoir systems. Planning should be collaborative and staggered and the city needs to address distributing development levies from proposed developments towards local rates areas to prioritise the infrastructure upgrade and maintenance backlog.</p>	
	Pg 103: TEA	<p>The lack of city TEA and transformation of city held property into TEA has caused a major public space occupation issue across the city. The lack of transitional and emergency housing to allow for evictions on public land and the securing of JPC property has already opened the city up to legal liability and resulted in multiple tragic occurrences such as the fire that claimed 77 lives in 2023. The fact that TEA is granted less than four lines in the plan is unacceptable and a dereliction of duty. Low income housing and TEA as mentioned here are not the same issue. The City is not using all of its powers to attach derelict and abandoned property for the safe use of TEA as well as engaging civil society organisations to assist.</p>	

	Pg 104: Student Accommodation	The development planning departments approval of student communes in residential areas surrounding institutions of higher learning is creating an oversupply of unaccredited and under inspected stock that takes advantage of students rather than supporting high quality safe development.	
	Pg 115: Backlogs	“Johannesburg Water pipe replacements per year should amount to R1,090 million for water pipes and R941 million for sewer pipes to meet the pipe renewal target of replacing 1.5% of its asset value per year. Over the past ten-year period, Johannesburg Water has never met the 1.5% renewal rate due to funding limitations” JW has not fulfilled in five years even a single year's requirement. The city needs to address this as a crisis, and reallocate funds from other programs to urgently address this.	
	Pg 163: Human Settlements Budget	The city has considerable rental stock across its human settlement portfolio from low-income housing to retirement home facilities and more. The human settlements budget for 2024/25 is R1 339 035 growing to R1 655 612 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?	
	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.	

Draft 2024/25 Budget Book	pg 27: Employee Costs	There is no explanation for the allowances given to the Executive Mayor for example, exceeding of the upper limits of his remuneration. 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.	
	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.	
	pg 50: Tariff setting Schools	The property rates increase is listed as 4.8%, but schools will have an added increase that almost doubles their rates. This is unclear and has not been effectively communicated or justified.	
	pg 52: Tariff setting water and sanitation	<p>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 on 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.</p> <p>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.</p>	
	pg 52: Tariff setting water and sanitation	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	

		<p>fair and reasonable allocation of costs used for tariff setting and differentiation between categories of 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.</p> <p><u>The differentiation between the alternative domestic sanitation tariffs are considered unfair and discriminatory.</u></p> <p>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></p>	
	<p>pg 53: Removal of flats category</p>	<p>The budget books allocates that households defined as flats will now be seen as multi-dwellings and under the value of R700k. Complexes are defined in the budget as “multi-dwellings” when the City wants to bill them for high sanitation tariffs, but inexplicably not as “multi-dwellings” which are able to access prepaid water meters (which would then link sanitation to water usage). This is discriminatory.</p>	
	<p>pg 60: Refuse Charge</p>	<p><u>The users of municipal services should be treated equitably in the application of tariffs.</u> 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 <u>not treated equitably (fairly – equal in importance).</u> 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.</p> <p>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 <u>no resemblance to the use of the</u></p>	

		<p><u>service</u> 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.</p> <p>Differentiation may not amount to unfair discrimination. The refuse charge is considered to amount to <u>unfair discrimination</u> (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.</p> <p>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.</p> <p>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.</p>	
	pg 72: Electricity charges	<p>There is 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 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.</p>	
	pg 114: Rates Policy	<p>The budget book states that the policy is revised annually however the rates bylaw has been largely overhauled. This has not been communicated fully to applicants and a tracked changes review of the policy must be made available as part of PPP. We reject the deadline for submissions on the changes to the rates policy as insufficient information is available at present to make such input. We reserve our rights to object to the changes of the policy.</p>	

	<p>pg 139: Personnel numbers</p>	<p>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.</p> <p>Councillors: from 12 positions (2022/23) to 292 (2023/24) to 270 (2024/25).</p> <p>Board members of municipal entities: from 14 members (2022/23) to 75 (2024/25).</p> <p>Municipal manager and senior managers: from 162 positions (2022/23) to 233 (2024/25).</p> <p>Other managers: from 561 positions (2022/23) to 3 591 (2024/25).</p> <p>Professionals: from 9 472 positions (2022/23) to 22 171 (2023/24) to 20 364 (2024/25).</p>	
	<p>pg 143: Table SA34c</p>	<p>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.</p> <p>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 R1867828 but subsequently amended to R3054447. 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%.</p> <p>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.</p>	

