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RE OUTA COMMENTS ON THE DRAFT MEDIUM-TERM BUDGET 2020/21 TO 2022/23

1. By way of introduction, the Organisation Undoing Tax Abuse (OUTA) is a proudly South African non-profit civil action organisation, comprising of and funded by people who are passionate about improving the prosperity of our nation. OUTA was established to challenge corruption and maladministration, in particular the abuse of taxpayers' money. We are not affiliated to any political party but mandated by ordinary citizens to act in the interest of the general public.

2. OUTA is further geared towards the harmonious cooperation with government on various levels and seeks to assist government wherever necessary in carrying out its mandate in the interests of the citizens of South Africa.

3. The Covid-19 pandemic has had a significant impact on businesses and individuals financially and will continue to do so for the months to come.

4. While the national lockdown as a result of COVID-19 has led to major hurdles in the budgeting process, the City of Johannesburg has both the capacity and resources to have finalised the draft budget at an earlier stage.

5. OUTA does not believe that the City of Johannesburg has factored in the effect of Covid-19 into its draft budget. This is a "business as usual" budget in a highly unusual time and must be reviewed in depth.

6. Furthermore, the City has given an inadequate amount of time to allow residents and businesses to comment. The draft budget was tabled on 29 May 2020 and the closing date

for submission was 23 June 2020. This is less than 30 days and we are pleading to the City to increase the time for participation until at the very least, 29 June 2020.

7. In the entire 219-page document, the draft budget mentions Covid-19 once – under the health category where the City made available a further R140-million available to boost health services.

8. **Remuneration**

The City of Johannesburg has repeatedly increased its salary bill well in excess of the Consumer Price Index (CPI) since 2009. During that time, they have spent R92.24-billion on employee related costs. Had the City capped employee related costs in line with the CPI, the City would have had an additional R21-billion available for service delivery over the last decade.

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Employee Remuneration (Rands)	10,2 billion	10.7 billion	12,7 billion	15,3 billion	16,1 billion	17,2 billion	18,2 billion
Percentage Increase		4,19%	18,56%	20,80%	5,44%	6,30%	6,30%

The increase, in relation to the previous two years is significantly lower, however the increases 2018/19 (18.56%) and 2019/20 (20.80%) were astronomically high. There appears to be no attempt to rein in this expense which accounts for 27% of the City's total expenditure.

As long as there is above CPI pressure on the salary bill, residents can expect above CPI increases in rates and tariffs.

The City must enter negotiations with representative employee unions and should not feel they are locked into multi-year salary increase agreements considering the exceptional circumstances being faced because of Covid-19.

According to the Draft Budget, employee costs are to rise by a staggering R843,4-million. This is just short of the proposed R1-billion expected to be raised from hiking property rates.

There should be no employee cost increases or remuneration increases in this time. Critical positions should be assessed to ensure that all critical services are rendered but no new positions should be filled at this time.

The City spends more on the executive and council (R1.994 billion) than on community and social services (R1.805 billion), housing (R1.640 billion) or health (R1.340 billion).

Councillors are to receive an excessive 6.4% salary increase. There should be no increases factored into this budget.

The City plans to pay the mayor, the speaker and chief whip more than the legal rate. The draft budget shows the salaries in Table SA23, while the salary limits are in CoGTA notice no.475, Government Gazette 43246 of 24 April 2020.

- The mayor’s salary is budgeted at R1 445 060, against an upper limit of R1 404 260.
- The speaker’s salary is budgeted at R1 174 908, against an upper limit of R1 134 108.
- The chief whip’s salary is budgeted at R1 109 112, against an upper limit of R1 068 312.

This needs to be stopped.

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Councillor Remuneration (Rands)	139,5 million	156,2 million	162,1 million	181,4 million	193 million	205,2 million	218,1 million

Percentage Increase		11,90%	3,77%	11,92%	6,40%	6,30%	6,30%

We are against any increase in councillor or administration remuneration.

9. **Maintenance**

Since 2009, the City has underspent by R28.6 billion on repairs and maintenance. The Treasury norm states a percentage of 8% should be allocated to maintenance. While the salary bill increases yearly the City continues to underspend on Repairs and Maintenance, with this trend not changing as we have seen in this budget. The City must cut unnecessary costs and increase maintenance costs without reducing service delivery or increasing costs to its customers.

Year	2018/19	2019/20	2020/21	2021/22	2022/23
R&M allocation as a percentage of PPE	4.7%	5.9%	5.8%	5.8%	5.8%

It makes little sense that while residents are on a yearly basis repeatedly burdened with above inflation increases in tariffs and rates, South Africa's largest City and the heartland of business and commerce in the African continent, has been unable to meet its Repairs and Maintenance obligations. Residents may consider tariff increases much more favourably if greater emphasis was placed on repairing and restoring City assets rather than meeting salary demands.

Potholes, water loss, sewage spillage, electricity loss and broken traffic lights have become a new norm which is unacceptable. The City should rather focus on keeping its infrastructure intact as to attract more investment instead of trying to up tariffs to compensate for its shortcomings in revenue. Avoidance of water- and electricity losses through adequate infrastructure maintenance alone, will save the City Billions of rands.

10. **City Manager Office**

The City spends more on the City Manager's Office than it does on health services. Spending on the City Manager's office goes up 16%, a year-on-year increase of R201 million.

11. **Property Rates**

The across-the-board 4.9% property rates increase will raise an additional R1 billion according to the budget. OUTA believes that no remuneration increases will save the City R843,4-million which is almost equivalent to the property rates increases. Thus, we believe that there should be no property rates increases in this budget.

Service	**2020/21 Increase**	**2021/22 Increase**	**2022/23 Increase**
Property Rates	4,90%	4,80%	4,80%

OUTA disagrees with the proposed property rates increase.

The City plans to raise an additional R1-billion from its increase in property rates yet there seems to be no substantive benefit for ratepayers due to this increase. Instead the increase in rates will merely finance the salary increments for municipal staff and City councillors. The increase in property rates is wholly within the control of the City. CoJ has the authority, without any intermediary regulator, to dictate the rise in this tax. The City should exercise this power and authority and table a 0% before Council.

12. Tariff increases

OUTA disagrees with the proposed tariff increases and we are of the opinion that there should be no tariff increases on any of these suggestions. Costs need to be cut and these services need to be rendered at a high quality without any increase in tariffs or surcharges.

Service	**2020/21 Increase**	**2021/22 Increase**	**2022/23 Increase**
Electricity Provision	8,10%	5,22%	10,00%
Water Provision	8,60%	8,60%	8,60%
Sanitation Services	8,60%	8,60%	8,60%
Refuse Collection	5,20%	4,70%	5,00%

Every attempt should be made to have a zero increase in tariffs and not add to the burden faced by residents by burdening them with further costs.

The City proposes to increase all electricity tariffs by an average of 8.1%, based on the National Energy Regulator (NERSA) guideline increase to municipalities. But the NERSA guideline increase for municipalities to charge their customers, published on 20 March, is 6.24% not 8.1%.

The City of Joburg and City Power propose a new fixed charge on the prepaid tariffs (a capacity charge). This is R230 a month (incl VAT) on domestic prepaid and R460 (incl VAT) on business prepaid. This applies to direct and indirect customers (indirect customers buy their electricity from a reseller). There are no exemptions for indigent households. There is no clear costing to justify this charge, no attempt to explain the practicalities of applying it – particularly for indirect customers – and it backtracks on alleged previous promises to domestic consumers that there are no fixed charges on prepaid. This fixed charge will increase over three years to the same as that on post-paid tariffs, which is an unreasonable increase to consumers.

The new capacity charge would cost the domestic prepaid customers alone approximately R773 million in one year (R230pm x 12 months x 280 000 domestic prepaid customers). After the VAT is deducted, this is R672 million for City Power. This excludes the additional revenue from the business customers, who pay double the charge. In addition, the budget says that indirect customers will also be required to pay this fixed charge. How many indirect customers are there? This revenue does not seem to reflect in the budget (City Power's revenue is budgeted to increase 5.5% from R16.172 billion to R17.069 billion, which the budget ascribes to the overall tariff increase). Does the City plan to use this revenue for something else?

Despite the hefty increases, the spending on maintaining electricity infrastructure goes up only 4% which is insufficient to curb distribution losses etc. City Power loses 29% of the electricity it buys, due to technical losses and theft. The budget says it plans to reduce this to 25.5% but does not say how. Even if this target is met, the losses are extremely high, and it is unreasonable to expect consumers to compensate for the City's failure to manage this problem. The budget fails to include electricity distribution losses (this should be in Table SA8: Performance indicators and benchmarks).

13. Debtors

Outstanding debtors are 20% of revenue for 2019/20; the City hopes to decrease this to 17% for 2020/21 (Table SA8). This shows that the City has been failing to manage debt in the past. It is unreasonable to expect customers to pay more to compensate for the City's failure to manage debt collection. We also believe that debtors will now naturally increase due to the pandemic, which calls on the City to adjust its budget.

14. In summary, OUTA submits the following:

14.1 The City should increase the time for public participation until 29 June 2020 to provide the public with a full 30 days to comment.

14.2 There should be no increases in remuneration for any City officials or Councillors in the new budget.

14.3 The fact that the City plans to pay the mayor, the speaker and chief whip more than the legal rate needs to be investigated.

14.4 The Treasury norm in budgeting for maintenance at a percentage of 8% should be met.

14.5 There should be no increase in expenditure on the Municipal Managers' Office.

14.6 There should be no increase in property rates.

14.7 There should be no increase in electricity provision tariffs and no surcharges.

14.8 There should be no increase in water provision tariffs.

14.9 There should be no increase in Sanitation Service tariffs.

14.10 There should be no increase in refuse removal tariffs.

15. **Conclusion**

OUTA calls on a 0% remuneration increase and 0% tariff increase for the new financial year. We also believe that there should be cost cuts without reducing the quality of service delivery to the City's customers.

It is up to the 270 councillors in the City of Johannesburg to decline these increases as a show of solidarity with the constituencies they serve in this trying time. The City must put its customers first.