



## JPC THIRD QUARTER REPORT 2022/23

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**Bankers** : Standard Bank South Africa

**Auditors** : Auditor-General of South Africa


**Company Secretary** : Gontse Dlamini



**Vision:** Our Vision is to provide Property Management, Property Development, Facilities Management, Property Assets Management and Outdoor Advertising in order to maximise the social, economic and financial benefit to the COJ as well as support the delivery objectives on a cost competitive basis.



**Mission:** JPC is an agent of the City of Johannesburg, responsible for maximising the social, economic and financial value of the CoJ's total property portfolio and enhancing the efficiency of its use. JPC provides Property Asset Management, Property Management, Facilities Management, Property Development and Outdoor Advertising, as well as interacts with the public in respect of the property portfolio. JPC supports the achievement of the CoJ's strategic priorities, including economic and social development and the service delivery of the CoJ.



**Values:** Company values are the ethical foundation of JPC and are therefore fundamental to the JPC's success. Such values are not just important but crucial to the overall ascendancy of JPC.



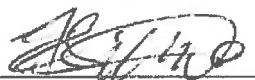


The following values were identified and adopted by JPC:

- Professionalism
- Accountability
- Responsibility
- Customer Service and
- Trust

**OFFICIAL SIGN-OFF:**

It is hereby certified that this quarterly report:

- was developed by the management of JPC SOC Ltd under the guidance of the Executive Management
- considers all the relevant policies, legislation, and other mandates for which JPC SOC Ltd is responsible, and
- accurately reflects the performance that JPC SOC Ltd has achieved in the third quarter of the 2022/2023 Financial Year.

<b>Mr. Sipho Mzobe CA (SA)</b>  <b>Acting Chief Financial Officer</b>	<u>20/04/2023</u> Date of approval
<b>Ms. Helen Botes</b>  <b>Chief Executive Officer</b>	<u>08/05/2023</u> Date of approval
<b>Mr. Enos Sithole</b>  <b>Chairperson of the Board</b>	<u>09/05/2023</u> Date of approval
<b>Ms. Lulama Ndlovu</b>  <b>Executive Director: Economic Development</b>	<u>09/05/2023</u> Date of approval
<b>Cllr. Nomoya Mnisi</b>  <b>Member of the Mayoral Committee Economic Development</b>	<u>11/05/2023</u> Date of approval

Acronyms & Abbreviations			
Acronym	Name/phrase	Acronym	Name/phrase
<b>AFS</b>	Annual financial statements	<b>IOC</b>	Integrated Operations Centre
<b>AG</b>	Auditor-General	<b>IT</b>	Information Technology
<b>AGM</b>	Annual General Meeting	<b>ITIL</b>	Information Technology Infrastructure Library
<b>AGSA</b>	Auditor-General of South Africa	<b>JPC</b>	City of Joburg Property Company SOC Ltd
<b>IAC</b>	Independent Audit Committee	<b>KPI</b>	Key Performance Indicator
<b>AIDS</b>	Acquired Immune Deficiency Syndrome	<b>LLF</b>	Local Labour Forum
<b>ARC</b>	Audit and Risk Committee	<b>MDG</b>	Millennium Development Goal
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>ME</b>	Municipal Entity
<b>BSA</b>	Business Software Alliance	<b>MFMA</b>	Municipal Finance Management Act, 2003
<b>CAPEX</b>	Capital Expenditure	<b>MMC</b>	Member of the Mayoral Committee
<b>CBP</b>	Community-Based Planning	<b>MOE</b>	Municipal Owned Entity
<b>CCMA</b>	Commission for Conciliation, Mediation, and Arbitration	<b>MOU</b>	Memorandum Of Understanding
<b>COJ</b>	City of Johannesburg Metropolitan Municipality	<b>MSA</b>	Municipal Systems Act, 2003
<b>CSI</b>	Corporate Social Investment	<b>NED</b>	Non-Executive Director
<b>DED</b>	Department of Economic Development	<b>NGO</b>	Non-Governmental Organisation
<b>EAC</b>	Executive Adjudication Committee	<b>OHASA</b>	Occupational Health and Safety Act, 1993
<b>EAP</b>	Employee Assistance Programme	<b>OPEX</b>	Operational Expenditure
<b>EE</b>	Employment Equity	<b>PIMS</b>	Property Information Management system

Acronyms & Abbreviations			
Acronym	Name/phrase	Acronym	Name/phrase
<b>EPWP</b>	Expanded Public Works Programme	<b>POC</b>	Proof of Concept
<b>FMM</b>	Facilities Management and Maintenance	<b>RDP</b>	Reconstruction and Development Programme
<b>FRACC</b>	Fraud and Corruption Committee	<b>REMCO</b>	Remuneration and Human Resources Committee
<b>GDS 2040</b>	Growth and Development Strategy 2040	<b>RFP</b>	Request For Proposal
<b>GIS</b>	Geographic Information System,	<b>SAPOA</b>	South African Property Owners Association
<b>GIAS</b>	Group Internal Audit Services	<b>SCM</b>	Supply Chain Management
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>SDA</b>	Service Delivery Agreement
<b>GRI</b>	Global Reporting Initiative	<b>SDBIP</b>	Service Delivery Budget Implementation Plan
<b>HIV</b>	Human Immunodeficiency Virus	<b>SDJOC</b>	Service Delivery Joint Operations Committee
<b>IAS</b>	International Accounting Standards	<b>SHE</b>	Safety, Health, and Environment
<b>ICT</b>	Information and Communication Technology	<b>SMMEs</b>	Small, Medium and Micro-Enterprises
<b>IDP</b>	Integrated Development Plan	<b>SOC</b>	State-Owned Company
<b>IFRS</b>	International Financial Reporting Standards	<b>WSP</b>	Workplace Skills Plan
<b>IIRC</b>	International Integrated Reporting Council	<b>YTD</b>	Year-To-Date
<b>ILP</b>	Individual Learning Plan	<b>GLU</b>	Government of Local Unity

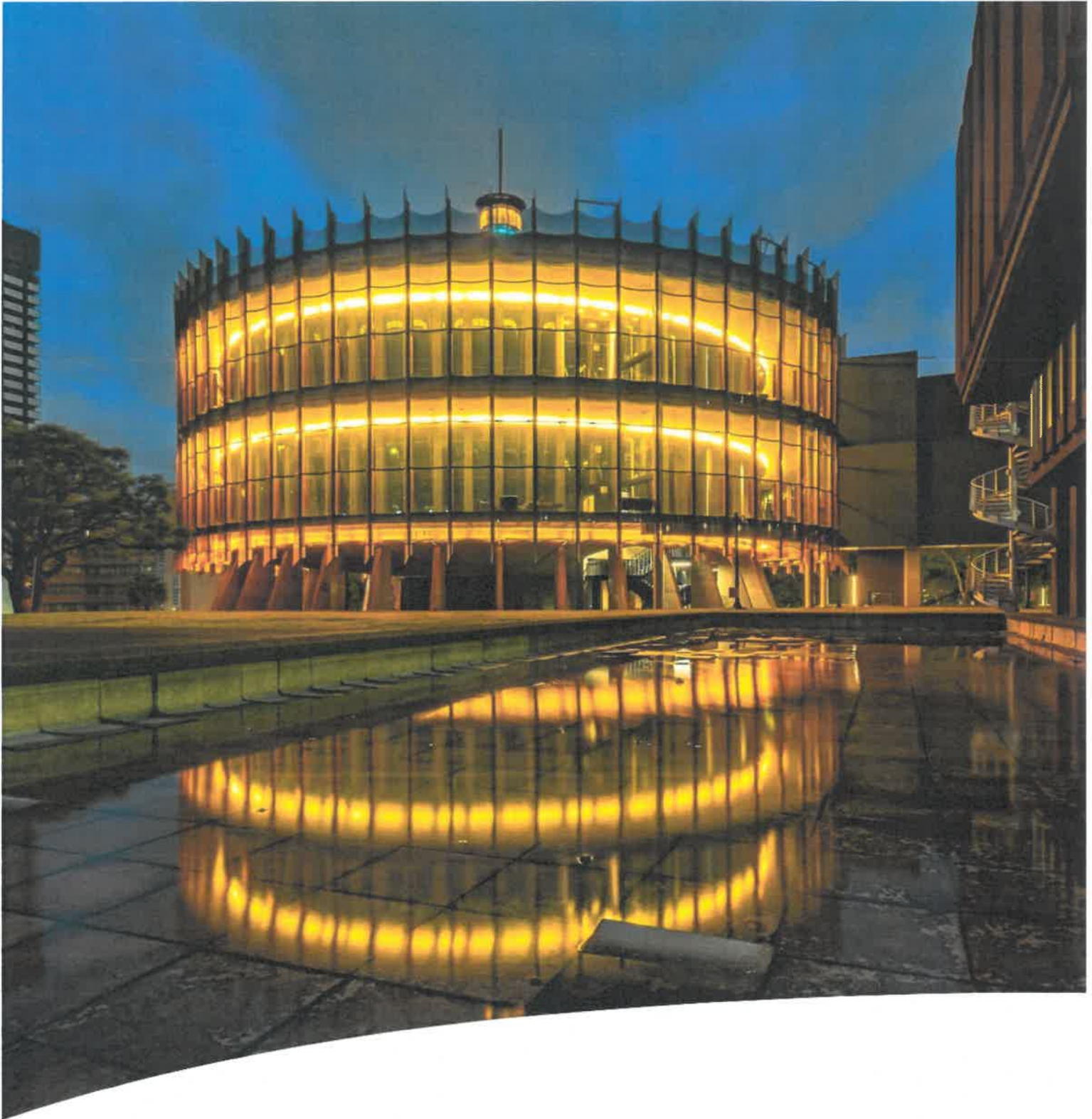


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## **Chapter 1: Leadership and Corporate Profile**

## Section 1: Chairperson's Overview Report



I am privileged as Board Chairperson to present the JPC's third-quarter report for the 2022/23 Financial Year on behalf of the JPC Board of Directors ("the Board"), covering 01st January to 31st March 2023. The third-quarter report reflects a synopsis of the organisational and financial performance, which remains a challenge owing to several factors that the entity has had to deal with recently, such as the instability within the entity.

I wish to extend a warm welcome to the new members of the Board of Directors appointed and inducted by the Shareholder following the Annual General Meeting (AGM) held on the 1st of March 2023. The Board is all set to fulfill its role and responsibilities and will support the Management team in implementing JPC's mandate to improve organizational and financial performance of the entity.

### Organisational Context

The Board takes cognizance of the operating context in which COJ as the Shareholder functions under and appreciates the developmental analysis which the Shareholder must deal with namely:

- One of the worst economic recession
- Increasing poverty and deprivation
- The city's population will continue to increase, and the implications thereof on the spatial landscape coupled with resource scarcity and the need for innovation in order to achieve social cohesion and inclusion
- Unemployment remains high and continues to rise, particularly among the youth i.e. youth unemployment rate is 53%
- Financial sustainability: focus on improving revenue collection, implementation of prudent financial management

Based on this developmental analysis, it is imperative that the Entity address the challenges it faces and remains committed to turning its operations around. Notwithstanding the challenges faced, there are opportunities to continue to bolster investor confidence, and attract new investments, thus creating an enabling environment for sustained economic growth and job opportunities. The crucial factor is that the Entity has continued support from the Shareholders to diversify income streams across its mandate, to stabilize its financial position.

The Board has noted positively that JPC achieved an unqualified audit opinion with findings, but are concerned with the current performance against predetermined objectives which sits at 30%. Currently, only 35% of the overall Capex budget of R101 million has been spent for the YTD.

Given that we are in the final quarter, JPC will be expected to accelerate project delivery to meet the commitment that organisation made to the client departments and communities.

JPC reports a year-to-date profit of R69.5 million, attributed to limited spending on R&M to date, interest income on a positive sweeping account, and the over-recovery of the subsidy prior to the rebasing of the subsidy. As a result, the solvency ratio has marginally increased from 0.97:1 to 1:1 which implies that JPC is factually solvent and remains commercially solvent with adequate financial resources to maintain payments to external creditors.

**Strategic focus**

During its tenure, the Board will give oversight and strategic guidance to management to overcome the challenges and build on the opportunities as guided by COJ's strategic objectives as well as improve on internal controls, good corporate governance, financial discipline, transparency, service delivery excellence and transformation.

I want to take the opportunity to extend my appreciation for the efforts and contributions of my fellow members of the Board. On behalf of the Board, I can guarantee our stakeholders of the Board's dedication to the continued provision of excellent services to COJ residents within the limited available resources.

Accordingly, I submit the JPC's Third Quarter review on behalf of JPC's Board of Directors.



**Mr. Enos Sithole**  
**Chairperson of the Board**

## Section 2: Chief Executive Officer's Overview



The JPC's 2022/2023 third-term report provides an overview of organisational and financial performance and covers the period 1 January 2023 to 31 March 2023.

The quarterly report outlines the projects and interventions undertaken with the aim of contributing towards creating an enabling environment for investment attraction, job creation, and SMME support. Due to instability caused by the suspension of key members of the management team, performance was reduced in this quarter. Management is proactively addressing the performance bottlenecks and working with the Board to stabilize

and improve:

- Organisational Performance
- Financial Sustainability
- Staff Engagement and Morale

The quarter under review has seen a new board appointed following the Shareholder's Annual General Meeting (AGM) on the 1st of March 2023. A board induction session was held on the 22nd and 23rd of March under the guidance of the COJ Governance department and offered an opportunity for the new Board of Directors to have a smooth transition into their role by providing insight into the following in line with the mandate of the Government of Local Unity (GLU) and the Mayoral priorities:

- JPC's mandate as outlined in Service Delivery Agreement
- 2022/23 Business Plan and Budget
- JPC's Strategic Flagship Programme
- Challenges currently facing the entity as well as mitigating measures thereof

### Financial Performance

The financial performance of JPC for quarter three discloses a year-to-date surplus of R69.5 million. JPC is currently owed R1.08 billion from trade and intercompany debtors with cash collections in excess of R313.6 million being achieved for the YTD for trade receivables. JPC has a current ratio of 0.96:1 as compared to the norm of 1:1, the ratio has marginally improved from the 2022 financial year-end. JPC has a solvency ratio of 1:1 against the norm of 2:1 and is factually solvent, as the financial statements indicate that there are sufficient assets to cover all liabilities.



### **Performance against Predetermined Objectives**

JPC managed to achieve only 30% of the targets because of the organizational instability that hampered internal operations and processes. As the management team, we are mobilising our efforts to turn around the organisational and financial performance by focusing on and improving these performance metrics:

- Capex expenditure: implement measures that fast tracks capital projects implementation
- Resolution of Internal and External Audit Findings
- Financial Liquidity & Solvency ratios: focus on improving revenue collection, implementation of prudent financial management
- Governance: focus on the creation and building of partnerships across all sectors\_ IGR, private sector, and communities
- Build and Capacitate our staff: Skills Development initiatives

Furthermore, in addressing some of our capacity constraints, an additional budget of R28 million has been provided for employee costs which will relieve JPC of the burden of current capacity challenges in critical vacancies.


### **Way forward:**

The entity's efforts will be directed to these strategic interventions and initiatives as part of bringing change and striving for improved organisational performance and financial sustainability:

- Intensification of stakeholder engagements & communications
- Office Accommodation Leases Renewal program
- Commencement of the refurbishment plan for Metro Centre
- Sign off on development agreement for Southern Farms and project launch
- Review and Development of Financial Turnaround Strategy

I wish to extend my gratitude to the COJ as a shareholder for their cooperation and the continuous support and guidance received and look forward to working with the Board and the MMC for Economic Development.

In conclusion, I am confident that in the coming months, JPC will realise its strategic mandate and objectives set for the year.



**Ms. Helen Botes**  
**Chief Executive Officer**

### Section 3: Acting Chief Financial Officer Foreword



The 2023 midterm budget review concluded in Q3 with JPC having to implement reductions in its budget for the remainder of the financial year. The rebasing required JPC to reflect on its operations and service delivery to ensure that maximum value can be extracted from limited financial resources in the short and medium term. Given JPC's mandate and close relationship with the COJ, the cashflow challenges being experienced by the COJ have a direct impact on the finances of JPC. This is already visible with the related party debtors rapidly increasing due to limited or non-payment by the COJ.

In total, the budget was shed by R92.5 million as part of the City's budget rebasing for the 2023 financial year and the financial years ahead. Budgets across the City have been rebased to ensure the City has sufficient liquidity for the current year and future financial years. Most significantly impacted by the adjustment budget was the subsidy of JPC, which funds JPC's employee costs and expenditure for facilities management, with a reduction of R53.6 million. The reduction in subsidy means JPC will be R13.4 million a month short of not only revenue but also cash for the remainder of the financial year.

Other significant budget adjustments that have a direct impact on JPC's service delivery include the reduction of the budget for repairs and maintenance by R48.4 million and a decrease in cleaning materials by R19.4 million. Similar to the subsidy these expense budgets have been rebased and any shortfalls in the budget that arise in this financial year will become a chronic funding challenge in the financial years ahead. An additional budget of R28 million has been provided for employee costs which will relieve JPC of the burden of current capacity challenges in critical vacancies and prevent any budgetary shortfalls for the financial year.

The supply chain has been actively pursuing the execution of procurement for goods and services to assist the entity with achieving its KPIs for this financial year. Given the recent instability with senior and executive management, these endeavors have stagnated and will be addressed with the continuation of the Adjudication Committee to again mobilise the demand management of the entity.

The financial performance of JPC for quarter three discloses a YTD surplus of R69.5 million. JPC achieved profitability by virtue of limited spending on R&M to date, interest income on a positive sweeping account, and the over-recovery of the subsidy prior to the rebasing of the subsidy. Expenditure is anticipated to increase in



Q4 for R&M and employee costs, and the subsidy is also expected to be reduced as a result of the budget rebasing and the impact of this reduction will be recognised by the end of Q4.

The financial position of JPC has marginally improved since the conclusion of the 2022 financial year. As a result, the solvency ratio has marginally increased from 0.97:1 to 1:1 which implies that JPC is factually solvent and remains commercially solvent with adequate financial resources to maintain payments to external creditors. Emphasis will be placed on reducing related party debt in the coming months by managing cash inflows with outflows to progressively improve the net asset position of the entity. The rebasing of the budget and even more stringent cost management will require JPC to balance cash inflows and outflows.

JPC continues to incur irregular expenditure on the fleet as the contract with Afrirent, through the COJ, is ongoing. For the year-to-date, the expenditure totals R14.7 million. For the time being, fleet services from Afrirent have been intermittent across the COJ as the renewal of the fleet contract remains a contentious issue for the COJ resulting in Afrirent and Avis periodically grounding all non-specialised vehicles in the COJ until resolutions are found.

During the 2022 external audit, the AGSA identified office lease accommodation that was still being occupied and paid by JPC on a month-to-month basis. The AGSA applied Circular 62 of the MFMA to all office accommodation leases and raised a finding for non-compliance on leases where the expenditure had exceeded 15% of the contract value. Based on this application of Circular 62, management has provisionally quantified the entity's non-compliance to Circular 62 to be R109 million for the YTD. UIFW is disclosed in Chapter 5.

In quarter four the entity's efforts will be guided towards the closure of the financial year end with audit preparation commencing in earnest. The next phase of the property verification of the COJ/Portfolio lease register will continue during Q4 with the scope for the outdoor advertising verification to be drafted and advertised during the same period. JPC will also continue its drive to ensure that CAPEX spending and R&M of facilities are utilised with frugality and efficiency.



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**Mr. Siphon Mzobe CA (SA)**  
**Acting Chief Financial Officer**

## Section 4: Overall Company Performance

This section of the report will then focus on the organisational performance in respect of the corporate scorecard.

OVERVIEW OF THE ENTITY	
<p><b>In the period under review, the entity has:</b></p> <ul style="list-style-type: none"> <li>✓ Achieved 6 (30%) of its 20 KPIs Due.</li> <li>✓ The financial performance of the JPC for the third quarter illustrates a surplus of R69.5 million and a cash position of a positive R197.2 million</li> <li>✓ The liquidity and solvency ratio is 0.96:1 and 1:1 respectively. The solvency ratio implies that JPC is factually solvent and remains commercially solvent with adequate financial resources to maintain payments to external creditors.</li> <li>✓ 1 KPI is not due in this quarter under review</li> </ul>	
Highlights	Lowlights
<ul style="list-style-type: none"> <li>✓ R36 716 493.47 investment spent on projects within COJ boundaries based on construction value on the ground.</li> <li>✓ Twenty-four (24) properties relate to the transfer of residential homes to beneficiaries in respect of the City's service delivery mandate for the provision of housing.</li> <li>✓ The BEE spend of 100% on all goods and services acquired by both JPC and Portfolio is an indication of JPC's commitment to transformation.</li> </ul>	<p>The entity has not achieved 14 (70%) of twenty (20) KPIs due to the following reasons:</p> <ul style="list-style-type: none"> <li>✓ Quarters 1 – 3 were focused on planning and completing SCM processes and will see an improvement in performance in the forthcoming quarters.</li> <li>✓ 35% year-to-date Capex Spend – Most Capex projects at this stage are committed and will be spent in the financial year</li> </ul>

The dashboard below reflects the targets on the corporate scorecard

KPI	JPC Overall Performance			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Achieved	9	7	6	
Not Achieved	6	12	14	
KPI at Risk	6	12	14	
KPI not yet due	7	3	1	

	Target Exceeded		Target not achieved
	Target Achieved		Not yet due


Together with the Mid-term adjustment budget, the City undertakes a review of its KPIs and targets through a regulated deviation process. The Council-approved deviation has resulted in a reduction in the number of KPIs that JPC reports on from 22 to 21 KPIs. The following adjustments have been effected on the JPC scorecard based on approved deviation:

- The KPI that relates to the acquisition of properties for Inner City redevelopment has been deferred due to budget constraints.
- The KPI which relates to the Rand value of income raised was amended to reflect the correct quarterly and annual targets.

**STRATEGIC PRIORITY: ECONOMIC DEVELOPMENT**

**1.1. UNLOCKING INVESTMENTS THROUGH PROPERTY TRANSACTIONS & DEVELOPMENTS**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
R2 billion	R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract	R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract	R1.4 billion investment attracted/ business facilitated within COJ boundaries based on a signed contract		R1.4 billion investment attracted/ business facilitated within COJ boundaries based on a signed contract
Actual	R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract	R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract	R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract		R0 investment attracted/ business facilitated within COJ boundaries based on a signed contract

 **Target not achieved.** Due the Soweto Gateway transaction having to be re-advertised due to non-responsive bids recieved. EAC has however approved the Southern Farms transaction and the agreement will be signed in Quarter 4. This will result in this KPI being achieved in the current financial year.

## 1.2. INVESTMENT SPEND WITHIN COJ BOUNDARIES BASED ON CONSTRUCTION VALUE ON THE GROUND

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
R300 million	R0 investment spend on projects within COJ boundaries based on construction value on the ground	R50 million investment spend on projects within COJ boundaries based on construction value on the ground	R125 million investment spend on projects within COJ boundaries based on construction value on the ground		R175 million investment spend on projects within COJ boundaries based on construction value on the ground
Actual	R116 426 981.21 investment spend on projects within COJ boundaries based on construction value on the ground	R53 411 515.411 investment spend on projects within COJ boundaries based on construction value on the ground	R245 716 493.47 investment spend on projects within COJ boundaries based on construction value on the ground		R415 554 990.47 investment spend on projects within COJ boundaries based on construction value on the ground



**Target exceeded**

## 1.3. JOB OPPORTUNITIES CREATED

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
735	184 Job Opportunities Created	184 Job Opportunities Created	184 Job Opportunities Created		552 Job Opportunities Created
Actual	61 Job opportunities created	32 Job Opportunities Created	20 Job Opportunities Created		113 Job opportunities created



**Target not achieved.** The repairs and maintenance projects will commence in quarter 4, leading to the achievement of the annual target for this KPI.

#### 1.4. SMME'S SUPPORTED THROUGH PROPERTY TRANSACTIONS

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
500	0 SMME's supported	167 SMME's supported	167 SMME's supported		334 SMME's supported
Actual	61 SMME's supported	10 SMME's supported	16 SMME's supported		87 SMME's supported



**Target not Achieved.** The repairs and maintenance projects will commence in quarter 4, leading to the achievement of the annual target for this KPI

#### 1.5. ASSET VERIFICATION PROJECT

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	0% Asset Verification Project	25% Asset Verification Project	60% Asset Verification Project		75% Asset Verification Project
Actual	0% Asset Verification Project	0% Asset Verification Project	12% Asset Verification Project		12% Asset Verification Project



**Target Not Achieved.** The service provider has commenced with the assets verification and to date, 3211 properties have been verified, the process of checking for ownership of the property with the deed office for completeness is at an advanced stage. It is envisaged that this KPI will be achieved in the coming quarter.

#### 1.6. ANALYSIS OF LAND PARCELS THAT ARE CATEGORISED FOR LEASING OPPORTUNITIES

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
10	0 Analysis of Land parcels that are categorised for leasing	3 Analysis of Land parcels that are categorised for leasing	3 Analysis of Land parcels that are categorised for leasing		6 Analysis of Land parcels that are categorised for leasing
Actual	0 Analysis of Land parcels that are categorised for leasing	0 Analysis of Land parcels that are categorised for leasing	3 Analysis of Land parcels that are categorised for leasing		3 Analysis of Land parcels that are categorised for leasing



**Target Achieved**




**1.7. ASSET MANAGEMENT PLANS FORMULATED**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
300	75 asset management plans formulated	75 asset management plans formulated	75 asset management plans formulated		225 asset management plans formulated
Actual	75 asset management plans formulated	75 asset management plans formulated	75 asset management plans formulated		225 asset management plans formulated

 **Target Achieved**

**1.8. NUMBER OF PROPERTIES ACQUIRED ON BEHALF OF THE CITY DEPARTMENTS AND ENTITIES**


Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
19	Acquisition of 4 properties	Acquisition of 4 properties	Acquisition of 4 properties		Acquisition of 12 properties
Actual	Acquisition of 3 property	Acquisition of 3 properties	Acquisition of 1 property		Acquisition of 7 properties

 **Target not achieved.** Due to one agreement being concluded. There are however 30 acquisition reports for servitudes that have been approved by Council and the registration of these servitudes is anticipated to be completed within the fourth quarter, resulting in this target being achieved.

**1.9. RELEASE OF 140 PROPERTIES ON SOCIAL AND ECONOMIC LEASES INCLUDING SERVITUDES AND SALES**


Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
140	0 Number of properties released on social and economic leases including servitudes and sales	40 Number of properties released on social and economic leases including servitudes and sales	50 Number of properties released on social and economic leases including servitudes and sales		90 Number of properties released on social and economic leases including servitudes and sales
Actual	12 properties released on social and economic leases including	12 properties released on social and economic leases including	16 properties released on social and economic leases including		40 properties released on social and economic leases including

servitudes and sales	servitudes and sales	servitudes and sales		servitudes and sales
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 **Target Not Achieved.** A total of 106 transactions are to be submitted for approval from various governance structures. A total of 44 transactions were not signed by the previous MMC for Economic Development. This KPI will now be achieved as these reports have now been signed by the current MMC, resulting in this KPI being achieved this financial year.


#### 1.10. IMPLEMENT TRAINING AND DEVELOPMENT INITIATIVE TO ADDRESS COMPETENCY GAPS

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
500	125 Number of employees trained	125 Number of employees trained	125 Number of employees trained		375 Number of employees trained
Actual	100 of employees trained	1070 Number of employees trained	0 Number of employees trained		1170 Number of employees trained

 **Target Not Achieved.** Due to non-responsiveness, the RFQs were issued again on 03 March 2023 and closed on 10 March 2023. Only one quotation was received from the panel and the pricing was excessively high and not competitive. The SCM process has been re-commenced and it is envisaged that the annual target will be achieved by the end of quarter 4.

#### 1.11. INCOME GENERATED THROUGH PROPERTY TRANSACTIONS

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
R105 million	R20m income raised from leases and servitudes sales	R24m income raised from leases and servitudes sales	R30.5m income raised from leases and servitudes sales		R74.5 income raised from leases and servitudes sales
Actual	R23.9 million income raised from leases and servitudes sales	R27.6 million income raised from leases and servitudes sales	R26.5 million income raised from leases and servitudes sales		R78 million income raised from leases and servitudes sales

 **Target Not Achieved.** Transactions reports for leases have been submitted for approval and 36 transactions have been advertised. Once the Council and SCM processes are completed, then the income raised will increase. We have also encountered resistance from informal traders to pay rent, which negatively affects this KPI. The mitigation measure in place to address this is to focus on

security and cleaning concerns raised by informal traders and conclude the verification process in collaboration with DED.

### 1.12. SPEND OF ALLOCATED CAPEX

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	20% spend on allocated Capex	30% spend on allocated Capex	35% spend on allocated Capex		85% spend on allocated Capex
Actual	6% spend on allocated Capex	6.63% spend on allocated Capex	27% spend on allocated Capex		35% spend on allocated Capex



**Target Not Achieved.** During the quarter under review, the bid adjudication committees to award capex projects could not sit as the committee could not quorate due to suspensions of senior committee members.

### 1.13. PERCENTAGE SPENT ON OPERATING BUDGET AGAINST APPROVED OPERATING BUDGET


Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	25% Percentage spent on operating budget against approved operating budget	50% Percentage spent on operating budget against approved operating budget	75% Percentage spent on operating budget against approved operating budget		75% Percentage spent on operating budget against approved operating budget
Actual	75% Percentage spent on operating budget against approved operating budget	76% Percentage spent on operating budget against approved operating budget	85% Percentage spent on operating budget against approved operating budget		85% Percentage spent on operating budget against approved operating budget



**Target Achieved**

**1.14. PERCENTAGE OF SPENT ON REPAIRS AND MAINTENANCE TO PROPERTY, PLANT AND EQUIPMENT IN RESPECT OF JPC FACILITIES**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	0% of spend on repairs and maintenance to property plant and Equipment	100% of spend on repairs and maintenance to property plant and Equipment	100% of spend on repairs and maintenance to property plant and Equipment		100% of spend on repairs and maintenance to property plant and equipment
Actual	4.14% of spend on repairs and maintenance to property plant and Equipment	4.33% of spend on repairs and maintenance to property plant and Equipment	11.2% of spend on repairs and maintenance to property plant and Equipment		11.2% of spent on repairs and maintenance to property plant and Equipment

 **Target Not Achieved.** The total Budget for JPC repairs and maintenance is **R28 million** catering for Planned, Emergency, materials, and OHASA. Progress: 15 PC refurbishments completed while repairs & maintenance for Meadowlands and Ennerdale are still at awarding stages and will commence in the fourth quarter, thus leading to an improvement with regards to the percentage spent on repairs and maintenance.


**1.15. PERCENTAGE OF VALID INVOICES PAID WITHIN 30 DAYS OF INVOICES DATE**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	100% of valid invoices paid within 30 days of invoices date	100% of valid invoices paid within 30 days of invoices date	100% of valid invoices paid within 30 days of invoices date		100% of valid invoices paid within 30 days of invoices date
Actual	100% of valid invoices paid within 30 days of invoices date	100% of valid invoices paid within 30 days of invoices date	100% of valid invoices paid within 30 days of invoices date		100% of valid invoices paid within 30 days of invoices date

 **Target Achieved**


**1.16. PERCENTAGE REDUCTION IN UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL (UIFW) EXPENDITURE INCURRED CITYWIDE**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
50%	15% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide	15% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide	15% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide		15% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide
Actual	0% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide	0% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide	0% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide		0% reduction in unauthorised, irregular, fruitless, and wasteful expenditure incurred citywide

 **Target Not Achieved:** The expansion/variation of lease contracts was more than the permitted 15% per Circular 62 on expired leases. To mitigate this, approval has been obtained from the Accounting Officer (City Manager) for the payment of irregular expenditure in respect of expired leases up to 28 February 2023. This approval also caters to permission to enter into new 12-month corporate leases.

**1.17. REGULAR INSPECTIONS TO CRACK DOWN ON ILLEGAL BUILDING AND LAND USE**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
3500	0 Inspections of CoJ owned properties	0 Inspections of CoJ owned properties	1750 Inspections of CoJ owned properties		1750 Inspections of CoJ owned properties
Actual	0 Inspections of CoJ owned properties	0 Inspections of CoJ owned properties	0 Inspections of CoJ owned properties		0 Inspections of CoJ owned properties

 **Target Not Achieved.** Due to limited resources relating to staffing levels within the stakeholder management departments. At this stage, collaboration with the property management team is considered a measure to fast-track this KPI. The achievement of this KPI is not envisioned in this financial year.

**1.18. PERCENTAGE ACHIEVEMENT OF SERVICE STANDARDS LEVELS IN TERMS OF THE SHAREHOLDER COMPACT (SERVICE STANDARDS LEVELS)**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	100% Compliance to CoJ service standard	100% Compliance to CoJ service standard	100% Compliance to CoJ service standard		100% Compliance to CoJ service standard
Actual	100% Compliance to CoJ service standard	80% Compliance to CoJ service standard	100% Compliance to CoJ service standard		100% Compliance to CoJ service standard

 **Target Achieved**


**1.19 AUDIT OPINION**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
Unqualified Audit Target	N/A	Unqualified Audit	N/A		Unqualified Audit
Actual	N/A	Unqualified Audit	N/A		Unqualified Audit

 **ManTarget Not Due in this quarter**

**1.20 PERCENTAGE RESOLUTION OF EXTERNAL AUDIT FINDINGS**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	N/A	100% resolution of Auditor General findings	100% resolution of Auditor General findings		100% resolution of Auditor General findings
Actual	N/A	44% resolution of Auditor General findings	65% resolution of Auditor General findings		65% resolution of Auditor General findings


 **Target Not Achieved.** Management has embarked on a drive to implement and monitor action plans to resolve the six outstanding findings. These unresolved findings relate to supply chain, finance, and the audit of predetermined objectives (AOPO). The AOPO findings will be resolved as a follow-up audit to verify that there is consistency between the means of verification and the



technical indicator description is undertaken in the fourth quarter. Furthermore, investigations relating to wasteful and fruitless expenditure are planned to commence in the fourth quarter.

**1.21 PERCENTAGE RESOLUTION OF INTERNAL AUDIT FINDINGS**

Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Actual
100%	100% resolution of Internal audit findings	100% resolution of Internal audit findings	100% resolution of Internal audit findings		100% resolution of Internal audit findings
Actual	60% resolution of internal Audit findings	24% resolution of internal Audit findings	26% resolution of internal Audit findings		26% resolution of internal Audit findings

 **Target Not Achieved.** Due to slow progress being made in resolving legacy internal audit findings for OHASA, because of budgetary constraints. At this stage, the allocated budget for OAHASA is R980 000.00. This is however not sufficient to address OHASA, resulting in the time taken to resolve this being prolonged.

## **Section 5: Corporate Profile and Overview of the Entity**

The City of Joburg Property Company SOC Ltd (JPC) was, in established 2000, as a private company and is wholly owned by the City of Johannesburg (COJ). The company converted into a State-owned Company after the implementation of the Companies Act of South Africa, 2008 (Act No. 71 of 2008). JPC must comply with the legislative framework and reporting requirements applicable to any company in South Africa.

This includes but is not limited to, the Companies Act. As an independent municipal entity, the company is also subject to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). The entity has 1559 employees who are based at the Head Office and depots. JPC derives its mandate from a signed service delivery agreement with its sole shareholder, the COJ. The core functions of JPC are:

### **1. Asset Management**

It aims to implement sound asset management practices, including access to new assets, sustainably and affordably. Asset Management objectives include:

- Land strategy development and implementation – the land strategy guides new business development and focuses on monitoring and evaluating the optimisation of the portfolio i.e. to create a high-yielding asset;
- Assets Register – ensure a compliant asset register, account for movements, safekeeping title deeds, and property valuations;

### **2. Property Development**

It aims to maximise the return on City-owned land. The objectives for public land development are a trifecta of returns, namely:

- Delivering on City objectives – the priorities identified in the Service Delivery Budget Implementation Plan (SDBIP), IDP, and GDS strategy;
- Transforming the property industry – empowering emerging developers and contractors, supporting the City's youth program, and guidance on development for enterprises;
- Creating high-yielding property assets with a sustainable income stream – A large portion of the City's assets are vacant land with inherent low asset value and associated low returns. However, should this value be unlocked through developments, a base of long-term recurring income can be created by facilitating the development of properties with high potential.

### **3. Facilities Management and Cleaning Services**

This encompasses multiple disciplines to ensure functionality, comfort, safety, and efficiency of the property and built environment. It is largely rooted in facilities upkeep and improvement of the physical building. Implementation of new sustainability and green initiatives. Lastly, service offering in this function extends to the provision of cleaning services.

#### 4. Property Management

This function involves maximising the efficiency of the COJ's portfolio of properties: the creation of rental income on properties leased, identification of leasing opportunities including outdoor advertising leases i.e. street furniture, street pole advertising, cell mast sites erected on COJ land, and or assets.

#### Section 6: Strategic Objectives

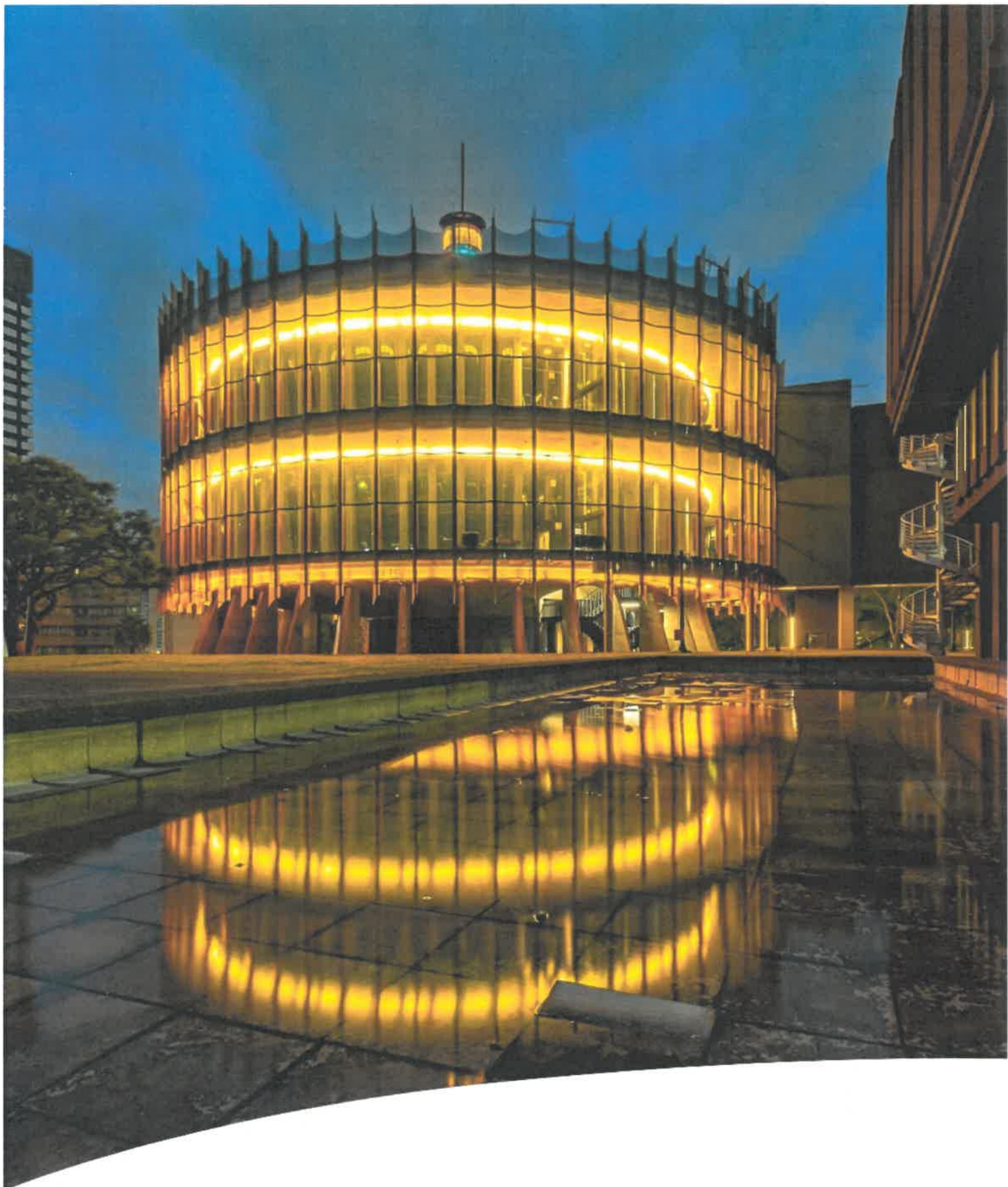
JPC's corporate strategy is aligned with the Growth and Development Strategy (GDS) 2040, the Integrated Development Plan (IDP), and the Mayoral Priorities. JPC recognises and emphasises its role as an economic and social property company to achieve positive developmental outcomes. The City had confirmed eleven (11) Mayoral priorities following the political transition of the Government of Local Unity (GLU) of which the entity contributes to the following:



JPC is in alignment with the mayoral priorities and has the following long-term strategic objectives:

- Supporting economic development;
- Supporting community development and social initiatives;
- Utilising the property portfolio to address social imperatives and priorities;
- Building Co-operative and intergovernmental partnerships;
- Utilising the portfolio as a vehicle for transformation;
- Ensuring efficient, economic, and effective service delivery to clients, customers, and stakeholders; and;
- A financially and administratively sustainable and resilient city

Mayoral Priorities	JPC's contribution to the priorities included in the annual corporate scorecard:
Sustained Economic Growth	<ul style="list-style-type: none"> <li>• R2 billion Investment / Rand value attraction of investment on COJ property</li> <li>• R300 million investment spend on COJ property / Construction value on the ground</li> <li>• Acquisition of properties for Inner-City property redevelopment projects in line with Block by Block approach</li> <li>• Acquisition of 19 properties on behalf of Departments and Municipal Entities for the advancement of City's service delivery objectives.</li> </ul>
Job Opportunities Creation	<ul style="list-style-type: none"> <li>• 735 Jobs opportunities created through property transactions</li> <li>• 500 SMMEs supported through property transactions</li> <li>• 500 employees trained to address competency gaps</li> </ul>
Good Governance	<ul style="list-style-type: none"> <li>• Analysis of 10 land parcels that are categorised for leasing opportunities in terms of: <ul style="list-style-type: none"> <li>❖ Real Estate Market Analysis (Large Land Parcels)</li> <li>❖ Best Use Studies</li> </ul> </li> <li>• Audit Opinion / Unqualified audit opinion (Clean audit)</li> <li>• 50% reduction in unauthorized, irregular, fruitless, and wasteful (UIFW) expenditure incurred citywide</li> <li>• 100% resolution of External audit findings</li> <li>• 100% resolution of Internal audit findings</li> <li>• 100% of valid invoices are paid within 30 days of the invoice date</li> <li>• 100% completion of Assets Verification Project</li> </ul>
Financial Sustainability	<ul style="list-style-type: none"> <li>• R105 million income raised from from acquisition, outdoor advertising, leases, servitudes, and sales</li> <li>• 100% spent on the operating budget against the approved operating budget</li> <li>• 100% spent on repairs and maintenance to property, plant, and equipment. In respect of JPC Facilities.</li> <li>• 140 properties released on social and economic leases including servitudes and sales</li> <li>• 100% spend of the allocated capital expenditure budget</li> <li>• 300 asset management plans formulated</li> </ul>
Active and Engaged Citizenry	<ul style="list-style-type: none"> <li>• 100% achievement of service standards</li> </ul>
Safe City	<ul style="list-style-type: none"> <li>• 3500 Site Inspections of CoJ-owned properties to reduce urban decay</li> </ul>



## **Chapter 2: Governance**



## **Section 1: Corporate Governance Statement**

### **Governing Principles**

JPC's decision-making and administration comply with the MFMA, MSA, and the Companies Act. JPC has also voluntarily elected to follow King IV Report on Corporate Governance for South Africa, 2016 as it relates to best practices that pertain to corporate governance. The Board composition complies with the Memorandum of Incorporation (MOI), and the Shareholder's Compact.

### **Current Composition of the Board**

At its 22nd Annual General Meeting held on 01 March 2023, the following Non-Executive Directors were retired by the Shareholder, namely: - Adv. Brenda Madumise, Mr. Barry Sneece, Ms. Boitumelo Mthimkhulu, Mr. Bongani Mgoza, Ms. Khanyisile Mabaso (previously Ng'ambi), Mr. Rory Gallocher, Mr. Slingsby Mda, and Mr. Thilivhali Ramawa.

JPC welcomes the new Non-Executive Directors appointed effective from 01 March 2023, at the City's Shareholder Annual General Meeting, namely: - Mr. Enos Sithole: (Board Chairperson), Ms. Bettycourt Teffo, Adv. Dali Mpofo, Ms. Ellen Rakodi, Mr. Fulufhelo Ratshikhopha, Ms. Londiwe Mthembu, Mr. Mxolisi Zondo, Mr. Ntalo Mabundza, Ms. Ntombikayise Tini, Mr. Sabelo Mtolo, and Adv Tshepang Thatelo. Ms. Helen Botes (Chief Executive Officer) was re-appointed as Executive Director and Mr. Siphso Mzobe (Acting Chief Financial Officer), was also re-appointed as Executive Director of the entity.

The appointment of Board Members is in accordance with the COJ Group Policy on Shareholder Governance. When selecting board members the shareholder has ensured that the Board of Directors wholly supports the development of the JPC's current and future business operations.

Diversity on the Board of Directors is assessed by different key factors such as competence, skills, and expertise in different business fields, and lastly gender representation. All the directors bring to the Board a wide range of expertise, as well as significant financial, commercial, and technical experience and knowledge, diversity, and independent judgement.

### **Role of the Board**

The Board retained full control over the Company and remains accountable to the COJ, the sole shareholder, its stakeholders, and the citizens of Johannesburg. A service delivery agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the COJ. The Board provides quarterly, bi-annual, and annual reports on its performance and service delivery on behalf of the COJ, as stipulated by the SDA, the MFMA, and the MSA.



The Board sets the direction of the JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting, based on agreed performance criteria and defined written delegations to Management for detailed planning and implementation of such objectives and policies.

The Board of Directors has incorporated COJ's corporate governance protocol into its Charter, which regulates its relationship with the COJ as its sole member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King Code IV. The Charter sets out the composition and powers of the Board.

The Board has delegated certain functions to the following well-structured Committees:

- Audit and Risk Committee (ARC),
- Transactions and Service Delivery Committee, and
- Remuneration, Human Resource Committee (REMCO), incorporating Transformation, and Social and Ethics Committee (SEC).

## Section 2: Board Committees

Reference	JPC BOARD	AUDIT AND RISK COMMITTEE	TRANSACTIONS & SERVICE DELIVERY COMMITTEE	HUMAN RESOURCES, SEC AND TRANSFORMATION COMMITTEE
Chairman NED	Enos Sithole	Sabelo Mtolo	Mxolisi Zondo	Tshepang Thatelo
Member NED	Bettycourt Teffo	Yongama Pamla	Bettycourt Teffo	Ntombikayise Tini
Member NED	Dali Mpofu	Xola Lingani	Fulufhelo Ratshikhopha	Ellen Rakodi
Member NED	Ellen Rakodi	Rachel Makwela	Ntalo Mabundza	Dali Mpofu
Member NED	Fulufhelo Ratshikhopha	Thabang Chiloane	Londiwe Mthembu	Enos Sithole
Member NED	Londiwe Mthembu	Fulufhelo Ratshikhopha		
Member NED	Mxolisi Zondo			
Member NED	Ntalo Mabundza			
Member NED	Ntombikayise Tini			
Member NED	Sabelo Mtolo			
Member NED	Tshepang Thatelo			
Member ED	Helen Botes	Helen Botes	Helen Botes	
Member ED	Sipho Mzobe	Sipho Mzobe	Sipho Mzobe	
COSEC	Gontse Dlamini	Gontse Dlamini	Gontse Dlamini	
Invitee	Group Governance	Group Governance	Group Governance	
Invitee	DED	DED	DED	

**BOARD AND COMMITTEE MEETING FOR THE PERIOD ENDING 31 MARCH 2023**

MEETINGS HELD DURING IN THE QUARTER	JPC BOARD	AUDIT AND COMMITTEE	RISK	TRANSACTIONS & SERVICE DELIVERY COMMITTEE	HUMAN RESOURCES, SEC AND TRANSFORMATION COMMITTEE
MEETING	26 January 2023	16 January 2023		18 January 2023	20 January 2023
SPECIAL AD-HOC BOARD COMMITTEE	1 February 2023				
SPECIAL INAUGURAL BOARD MEETING	23 March 2023				
MMC-CHAIRPERSON'S QUATERLY	16 February 2023				
COJ AGM	01 March 2023				
COJ INDUCTION	15 March 2023				
JPC INDUCUTION	22 – 23 March 2023				

During the Period under review, the Board approved the following:

ITEM	DATE APPROVED
1. Scorecard Deviation Report 2022/2023	26 January 2023
2. Proposed Business Plan 2023/2024	26 January 2023
3. JPC Midterm Performance Report 2022/2023	1 February 2023
4. Board-Sub-Committee Composition	23 March 2023

### Section 3: Entity Remuneration Policy

#### Entity Remuneration Policy

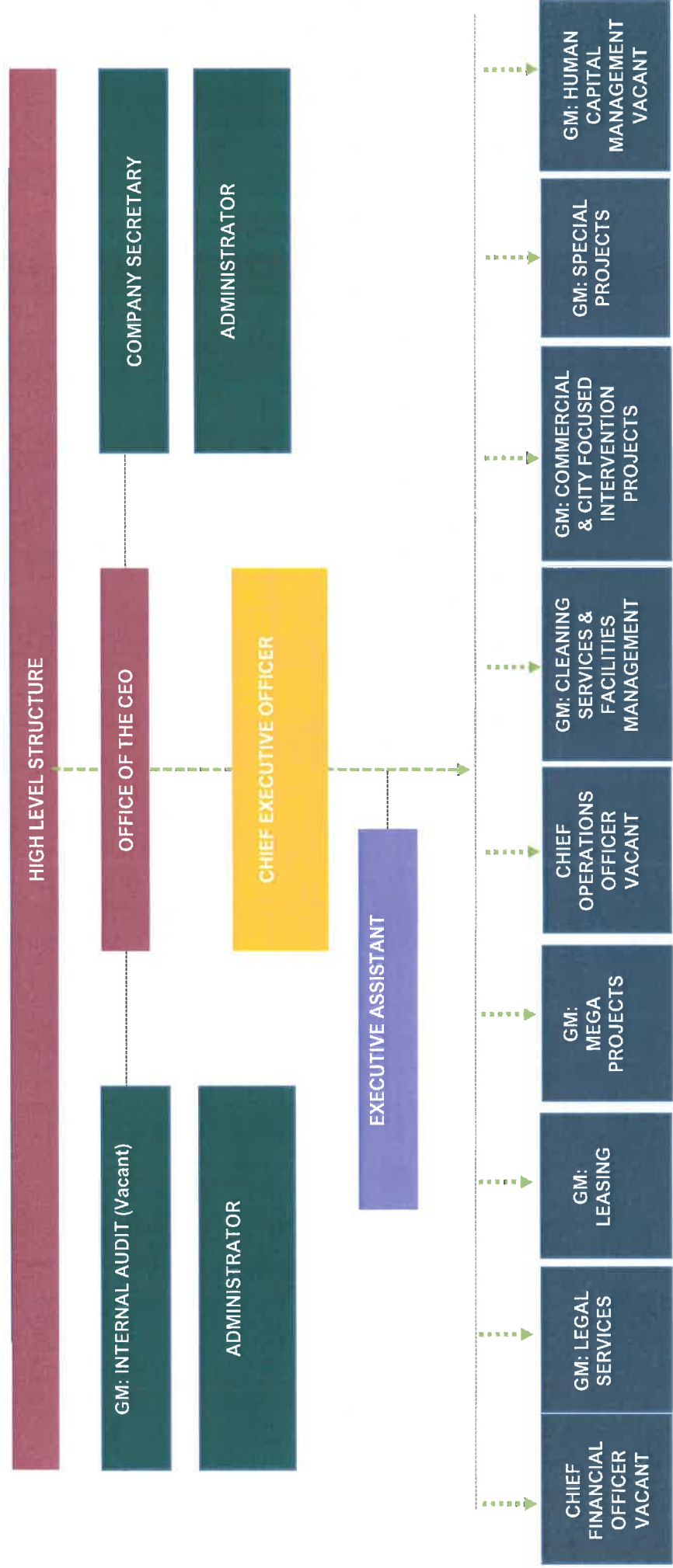
The Directors of the Board are appropriately rewarded as prescribed by the director's emoluments framework.

Name of Director	YTD Directors Payments as at 30 March 2023
Mr S Mda	258 000.00
Mr X Lingani	23 000.00
Adv. B Madumise	200 000.00
Mr B Sneeceh	176 000.00
Mr T Ramawa	184 000.00
Miss B Mthimkhulu	136 000.00
Mr B Mgoza	197 000.00
Mr R Gallocher	182 000.00
Miss K Ng'ambi	154 000.00
<b>Total</b>	<b>1 510 000.00</b>
<b>INDEPENDENT MEMBERS</b>	
Mr K Asare-Bediako (Independent)	56 000.00
Miss T Ndadza (Independent)	64 000.00
Mr L Langalibalele (Independent)	64 000.00
<b>Total</b>	<b>184 000.00</b>

**Executive Management Third-Quarter Remuneration for the 2022/2023 Financial Year**

YTD EXECUTIVE SALARIES AS AT JULY TO MARCH 2023											
Name	BASIC SALARY	BASIC SALARY BACKPAY	TRAVEL ALLOWANCE	HOUSING ALLOWANCE	PFA/ARREARS ALLOWANCE	NON-PENSIONABLE ALLOWANCE	LEAVE ENCASHMENT	ACTING ALLOWANCE	13th CHEQUE	COMPANY CONTRI.	TOTAL
Helen Botes	R2 036 063	R36 875	R187 500	R-	R29 500	R5 454	R-	R-	R-	R15 563	R2 310 954
Sizeka Tshabalala	R1 195 091	R-	R90 000	R-	R-	R-	R48 065	R19 117	R-	R182 953	R1 535 226
Mduduzi Makhunga	R1 210 345	R-	R72 000	R-	R-	R-	R-	R-	R-	R184 808	R1 467 153
Sipho Mzobe	R1 188 167	R-	R90 000	R8 170	R-	R-	R-	R68 257	R-	R183 024	R1 537 618
Tshepo Mokataka	R1 271 362	R-	R-	R-	R-	R-	R-	R38 559	R-	R193 065	R1 502 986
Imraan Bharmjee	R1 567 840	R-	R72 000	R-	R-	R-	R-	R-	R-	R215 389	R1 855 229
Sifiso Mabizela	R691 319	R-	R-	R9 106	R4 000	R-	R36 870	R82 528	R76 813	R107 883	R1 008 518
Phaqa Mhlongo	R1 328 351	R-	R-	R-	R-	R-	R-	R-	R-	R153 752	R1 482 102
Kgatuke Mthibela	R1 070 540	R-	R67 500	R135 000	R-	R-	R42 606	R-	R-	R75 039	R1 390 686
Dlamini Gontse	R849 935	R-	R-	R9 106	R-	R-	R36 263	R-	R94 437	R109 062	R1 098 803
<b>Total</b>	<b>R12 409 013</b>	<b>R36 875</b>	<b>R579 000</b>	<b>R161 382</b>	<b>R33 500</b>	<b>R5 454</b>	<b>R163 804</b>	<b>R208 461</b>	<b>R171 251</b>	<b>R1 420 536</b>	<b>R15 189 275</b>

## High-Level Structure





#### Section 4: Risk Management

The JPC policy and framework on risk management is aligned with the CoJ group policies, ISO 31000, and the King Code of Corporate Governance. The Audit and Risk Committee is mandated to oversee the Risk Management function and ensure that there is an effective system of risk management in place within the company.

There are fifteen (15) strategic risks that have been identified and are being managed, monitored, and progress reported on. There was no significant improvement or changes in the risk as compared to quarter 2 of 2022/23 due to organizational instability that has hampered progress with regard to the mitigating plans. However, management is committed to improving the risk in the next quarter of 2022/23.

The table below outlines the strategic risks in the risk register.

No	Risk Description	Inherent rating	Residual rating
1	Inability to maximise revenue	Very High	High
2	Possible loss of life due to the occupation of buildings that are not OHASA compliant	High	Medium
3	Loss of value of city-owned land and properties due to invasion, vandalism, fraud and corruption, and theft.	Very High	Medium
4	Lack of Financial viability of cleaner insourcing and prevalent unhygienic conditions prevailing at COJ buildings	Very High	High
5	Reputational and Financial losses due to Non-compliance with legislation, policies, and procedures	High	Low
6	Inability to attract investment	High	Medium
7	Inadequate Contract Management	Very High	High
8	Inadequate ICT delivery and electronic storage system	Very High	Medium
9	Inadequate internal and external stakeholder management resulting in a negative brand reputation	Very High	High
10	A perceived lack of trust between Management and the board .	Very High	High
11	Theft and loss of assets due to lack of physical security at premises.	Very High	High
12	Threat to the future existence of JPC due to lack of land banking under acquisition	High	High
13	Inadequate maintenance of COJ properties	High	High
14	Inadequate Human Capital management	High	High
15	Lack of adequate Document Storage and Security	High	High

<b>IMPACT</b>	<b>5 Critical</b>	Low 5	Moderate 10	High 15	Very high 20	Very high 25
	<b>4 Major</b>	Low 4	Moderate 8	High 12	High 16	Very high 20
	<b>3 Moderate</b>	Low 3	Moderate 6	Moderate 9	High 12	High 15
	<b>2 Minor</b>	Low 2	Low 4	Moderate 6	Moderate 8	Moderate 10
	<b>1 Rare</b>	Low 1	Low 2	Low 3	Low 4	Low 5
<b>LIKELIHOOD</b>	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain	

Risk Register Legend in terms of impact and likelihood

RISK MITIGATION		RISK IMPLICATIONS
<b>Inability to maximise revenue</b>	<ul style="list-style-type: none"> <li>• Implementation of the outdoor advertising master plan as it depends on the City's finalisation of the new by-laws.</li> <li>• Develop Financial Turnaround Strategy (i.e. Growth of outdoor income; increasing land sales, land acquisitions, property development, property management, and repairs &amp; maintenance for other depts.)</li> <li>• Review and Implementation of Facilities Management Strategy.</li> <li>• Timely renewal of leases so that revenue generation can be enhanced as per the pipeline of transactions.</li> <li>• Formalization of traders' leases and collection of rentals from Informal traders also depended on the Department of Economic Development's informal trading policy.</li> </ul>	<b>Medium to Long-term</b>
<b>Possible loss of life due to the occupation of buildings that are not OHASA compliant</b>	<ul style="list-style-type: none"> <li>• Implementation of facilities management strategy and assessment of all properties to allow the assessment of repairs and maintenance.</li> <li>• Proactive implementation of Repairs and Maintenance strategies.</li> <li>• Acceleration of setting up effective governance structures on OHSA</li> <li>• Identify the capacity needed to conduct inspections.</li> <li>• Develop MOU with all Law Enforcement Agencies to tackle crime in our buildings/properties.</li> <li>• Quarterly meetings with the residents to identify their needs and problems. Educate the residents about cleanliness until it makes sense to them.</li> <li>• The JPC-approved Organogram be filled with competent officials in order to effectively execute the CBAs of Corporate Buildings.</li> <li>• Working with the relevant COJ team such as OHASA, EMS, and department of labour on the non-compliant building.</li> <li>• A follow-up is to be made on the commitment made by entities and departments on OHASA issues.</li> <li>• Encourage Public Private Partnerships to redevelop the properties</li> </ul>	<b>Medium to Long-term</b>
<b>Loss of value of city-owned land and properties due to invasion, vandalism, fraud and corruption, and theft.</b>	<ul style="list-style-type: none"> <li>• Audit and verification of the asset register.</li> <li>• Approval and implementation of the Land Strategy and Asset Management Plans.</li> <li>• Increase capacity for projects and leased Asset Management.</li> <li>• The lease renewal process is to be started timeously and at least 6 months before the contract ends to provide sufficient time for the tender process.</li> <li>• Continuous promotion of fraud prevention and fraud hotline awareness with GFIS.</li> </ul>	<b>Long-term</b>
<b>Lack of Financial viability of cleaner insourcing and prevalent unhygienic conditions prevailing at COJ buildings</b>	<ul style="list-style-type: none"> <li>• Reviewing placing cleaning staff at JPC or obtaining the requisite salary budget from CoJ.</li> <li>• Capacitated the cleaning with sufficient cleaning staff, equipment material, cleaning supervisor, and management.</li> <li>• Approval and adoption of the hybrid model for cleaning.</li> <li>• SLA is to be signed with all the city departments regarding the recoverability of the cleaning services rendered.</li> </ul>	<b>Medium-term</b>
<b>Reputational and Financial losses due to Non-compliance with legislation, policies, and procedures</b>	<ul style="list-style-type: none"> <li>• Monitor changes in labour and statutory laws, and ensure adherence.</li> <li>• Ongoing Probity and regulatory and legislative compliance reviews of bid processes.</li> <li>• Quarterly reporting on JPC compliance checklist.</li> <li>• Quarterly reporting on JPC compliance checklist.</li> <li>• HR Conducts awareness workshops annually.</li> <li>• Reviewing all the policies annually.</li> </ul>	<b>Short-medium term</b>

DESCRIPTION OF RISKS	RISK MITIGATION	RISK IMPLICATIONS
	<ul style="list-style-type: none"> <li>Update JPC Compliance Management Framework which is aligned with the City-Wide Compliance Management Framework.</li> <li>Consequences management to be implemented.</li> <li>Work with GFIS on fraud corruption issues and implement them based on consequence management measures.</li> </ul>	
<b>Inability to attract investment</b>	<ul style="list-style-type: none"> <li>PPP implementation/Investment summit.</li> <li>Hold an investors' property conference/summit to attract investors to the City.</li> <li>Engage the property funders to fund CoJ developments.</li> <li>Develop friendly bid specifications.</li> <li>Timeous evaluation and adjudication of RFP responded to</li> <li>Timeous conclusion of the property development agreement and leases.</li> </ul>	<b>Medium to Long-term</b>
<b>Inadequate Contract Management</b>	<ul style="list-style-type: none"> <li>Budget to be secured for Legal Services to appoint dedicated Contract Management officials.</li> <li>Portfolio management will appoint dedicated staff to manage and monitor new and current leases of facilities.</li> <li>Integrated automated contract management system to be implemented.</li> </ul>	<b>Medium-term</b>
<b>Inadequate ICT delivery and electronic storage system</b>	<ul style="list-style-type: none"> <li>Project for ERDMS and POPI at SCM awaiting dates from BSC, this project will extract business analytics for every documented process within-in each department in order to extract a methodology and framework that will incorporate Electronic documents and records management with POPI/A compliance and regulatory compliances.</li> <li>Additional training would be required for new employees to use the system</li> <li>HR induction pack for all new recruits, that should also cover IT induction to JPC</li> </ul>	<b>Medium-term</b>
<b>Inadequate internal and external stakeholder management resulted in a negative brand reputation</b>	<ul style="list-style-type: none"> <li>Re-establishment of the marketing and communications unit.</li> <li>Integrate internal and external communication channels through policy and strategy.</li> <li>communicate clear Change management processes.</li> <li>Rebrand the organisation .</li> <li>Cascade down the stakeholder matrix to all JPC employees.</li> <li>Implementation of business processes and systems integration (link the JPC Call Centre to PIMS, TRIM) which will improve the tracking and monitoring of stakeholder and client inquiries.</li> <li>Client Business Organisation (CBO) to Respond timeously to all queries.</li> <li>External stakeholder engagement aligning JPC strategic objectives. Property indaba and outdoor indaba.</li> </ul>	<b>Short-medium term</b>
<b>A perceived lack of trust between Management and the board.</b>	<ul style="list-style-type: none"> <li>Approval of Board &amp; Sub committees Terms of Reference and delegation of authority to management.</li> <li>Delegation of Authority (DOA) is to be approved by the Board.</li> <li>Scorecard and business plan to be approved by the Board.</li> <li>CEO scorecard to be approved by the Board</li> </ul>	<b>Medium-term</b>

RISK MITIGATION		RISK IMPLICATIONS
	<ul style="list-style-type: none"> <li>Quarterly Board and Management relationship and building Engagement sessions.</li> <li>Management to implement all approved Board resolutions</li> </ul>	
<b>Theft and loss of assets due to lack of physical security at premises.</b>	<ul style="list-style-type: none"> <li>Installation of technological security (CCTV, biometrics).</li> <li>Develop Security guard access control protocol for JPC buildings and sign SLA with Service Provider.</li> <li>Assess CCTV and access control requirements for JPC and budget for funding.</li> </ul>	<b>Short-medium term</b>
<b>Threat to the future existence of JPC due to lack of land banking under acquisition</b>	<ul style="list-style-type: none"> <li>Approval and implementation of Land strategy.</li> </ul>	<b>Medium-long term</b>
<b>Inadequate maintenance of COJ properties</b>	<ul style="list-style-type: none"> <li>Proactive implementation of Repairs and Maintenance strategies by JPC.</li> <li>Quarterly meetings with the residents to identify their needs and problems. Educate the residents about cleanliness until it makes sense to them.</li> <li>Assessment of properties to allow the assessment of repairs and maintenance to be increased from the current 16 corporate buildings to all properties housing CoJ staff.</li> <li>Implement a comprehensive facilities management plan for all properties of the City.</li> <li>Facilities management plan to be informed by needs analysis/condition assessments. Inspection of properties allocated to departments and entities to ensure that the properties are well maintained. Repairs on leased properties to be affected by the lessees and their condition regularly inspected.</li> <li>Fill scarce skills in line with the approved budget for critical vacancies</li> <li>Audit and verification of the asset register</li> </ul>	<b>Medium-long term</b>
<b>Inadequate Human Capital management</b>	<ul style="list-style-type: none"> <li>Implementation of a wellness programme.</li> <li>Approval of the wellness strategy.</li> <li>Approval of the HR policies.</li> <li>Review corporate KPIs.</li> <li>Review the HR strategies.</li> <li>Review and implement all organization policies.</li> <li>Review and implement organizational structure in line with the strategy.</li> <li>Ailing the strategic objective to perform deliverables and outcomes.</li> <li>Review the performance target for the whole organization.</li> <li>Appointments of all the critical vacancies.</li> <li>Develop a consequence framework for non-performance.</li> <li>Develop employee wellness and initiative team building.</li> <li>Develop and implement the delegation of authority throughout the company.</li> <li>All employees are to be informed about the outcome of all disciplinary cases to increase.</li> <li>Employment wellness.</li> </ul>	<b>Short-medium term</b>
<b>Lack of adequate Document Storage and Security</b>	<ul style="list-style-type: none"> <li>A tender has been put in place for service providers to construct adequate storage facilities</li> </ul>	<b>Medium-long term</b>

## **Section 5: Company Secretarial Function**

The Company Secretary is responsible for developing systems and processes to enable the Board and sub-committees to perform their oversight role efficiently and effectively. The Company Secretary is also responsible for all the statutory returns with the Companies and Intellectual Property Commission (CIPC), The Company Secretary advises the Board on corporate governance matters, the requirements of the Companies Act, and other relevant regulations and legislation.

In addition, provides guidance to the executive on all governance matters and provides guidance with respect to the efficacy of Board Resolutions. This function acts as a link between Board and Management, as well as the Board and Shareholders. The detailed activities of the Company Secretarial unit during the period under review are provided in the beginning sections of this Chapter.

## **Section 6: Internal Audit Function**

JPC's Internal Audit department has a specific mandate from the Audit and Risk Committee (ARC) to independently appraise the adequacy and effectiveness of the company's systems, financial internal controls, and accounting records. Internal Audit findings are reported to management, the ARC, and the Auditor General.

The internal audit coverage plan is based on the high-risk areas of the organisation as identified in the strategic risk register and operational risk registers. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. Detailed activities of the Internal Audit unit during the period under review are provided in Chapter 6.

## **Section 7: Sustainability Report**

The company is currently exploring various pillars to be incorporated into the sustainability framework. These proposed initiatives to be catered for under the sustainability framework ranges from energy efficiency, space optimization, corporate social responsibility (CSI), ICT innovations and trends. The sustainability framework will be based on and informed by the United Nations seventeen (17) sustainability development goals (SDG)



## **Section 8: Anti-corruption and Fraud**

JPC has zero tolerance for fraud and corruption and related irregularities. This is in line with the JPC Anti-Fraud Policy. This Policy is compliant with the Prevention and Combating of Corrupt Activities Act, 2004, and its related regulations. It is also aligned with the anti-fraud policy of the shareholder.

## **Section 9: IT Governance**

As part of governance, audits are conducted by Internal Audit on an annual basis with a focus on systems security, protocol, processes and policies.. The department's governance is included in the AGSA audit of the entity annually.

The IT governance framework adopted is based on the ITIL (Information Technology Infrastructure Library) framework, which is a subset of the Control Objectives for Information and Related Technologies (COBIT) framework and is widely used in governments internationally.

## **Section 10: Compliance with Laws and Regulations**

The board is responsible for ensuring that the Johannesburg Property Company complies with applicable laws, regulations, guidelines, and standards per its identified compliance universe. The entity has a compliance risk framework, which guides the process of managing compliance risks. This compliance risk process is as prescribed by the Compliance Institute of South Africa (CISA) and includes identification, measurement, management, and monitoring.

A quarterly review is undertaken to determine the level of compliance and an analysis of significant legislative developments within the environment in which JPC operates. The key areas of non-compliance, if any, are also brought to the attention management to address. In this quarter, the compliance status of the MFMA Circular 68 is illustrated as follows:

### **Irregular and Fruitless and Wasteful expenditure:**

- The entity identified irregular expenditure of R124 511 745. The incidents that gave rise to the Irregular expenditure are fleet services and Non-compliance with MFMA.
- The entity has any Fruitless and Wasteful expenditure of R47 934 related to the Court Judgements.

### Invoice Payment within 30 days

There were no invoices paid after 30 days

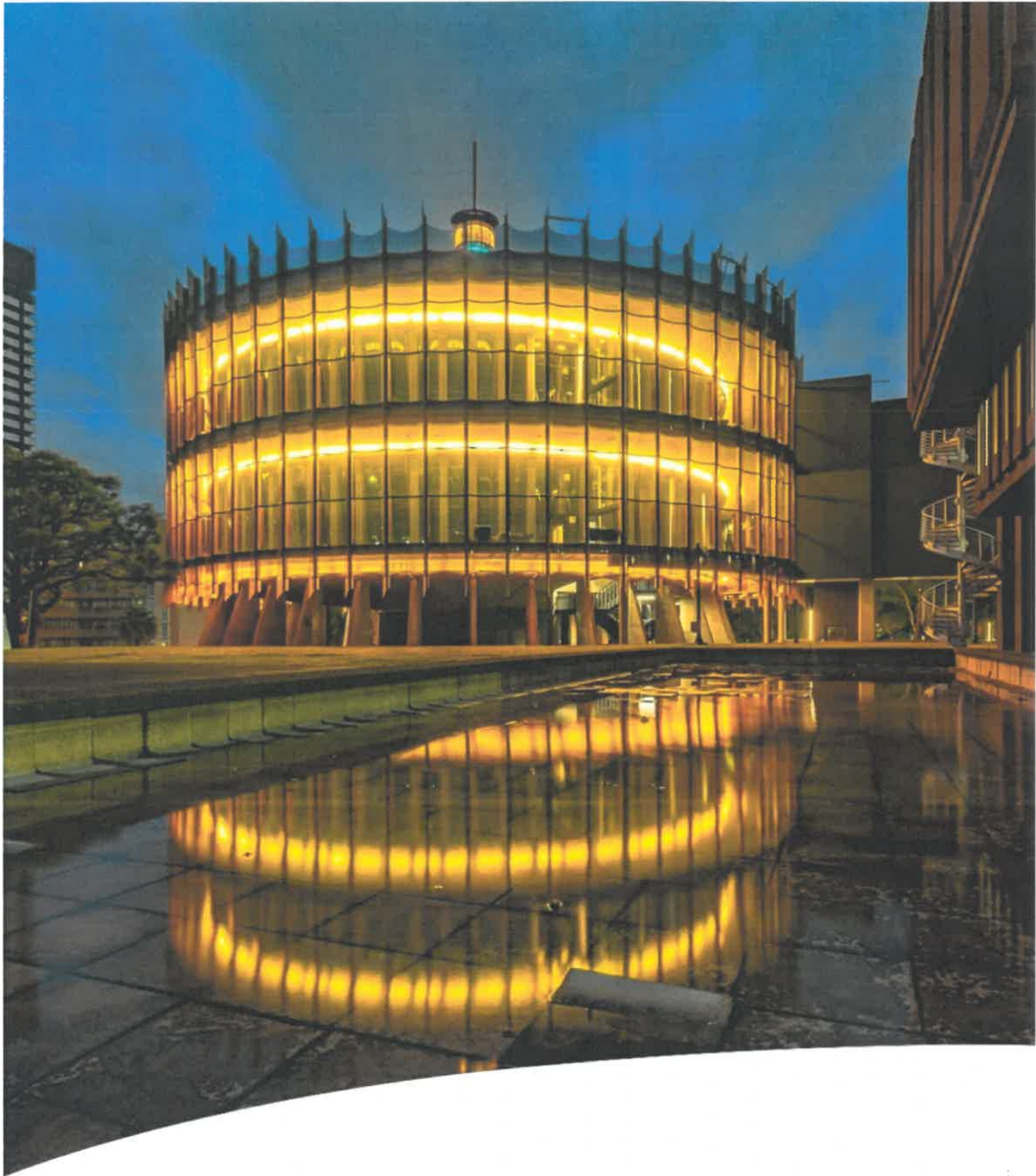
### Compliance with Core Acts

JPC Compliance Universe reflects 55 (Core 40 and Generic 15) pieces of legislation that the Company needs to comply with. However, for reporting purposes, only core acts, which could have a high impact, are monitored and reported

During the period under review, the risk and compliance unit embarked on a process of reviewing the following core Acts, to ensure the entity is complying. The process began with the risk profiling of individual legislation, subsequent to which existing controls were assessed for adequacy and effectiveness in ensuring that the legislation complies with the spirit of the law.

Management performs a quarterly assessment of the level of compliance with key legislation to ensure that adequate controls are in place and implemented accordingly

No:	Regulatory Requirements	Status
1	Regulation of interception of communications and provision of Communication-relate information Act No 70 of 200 Communication	Complied
2.	Disaster Management Act: (Act No. 57 of 2002)	Non-Compliance In progress
3.	Protection of Information Act No 84 of 1982	Non-Compliance
4.	Employment Equity Act, Code of Good Practice: Human Resource Policies and Practices	Complied
5.	Employment Equity Act 1998 (Act no. 55 of 1998	Complied



### **Chapter 3: Service Delivery & Performance**

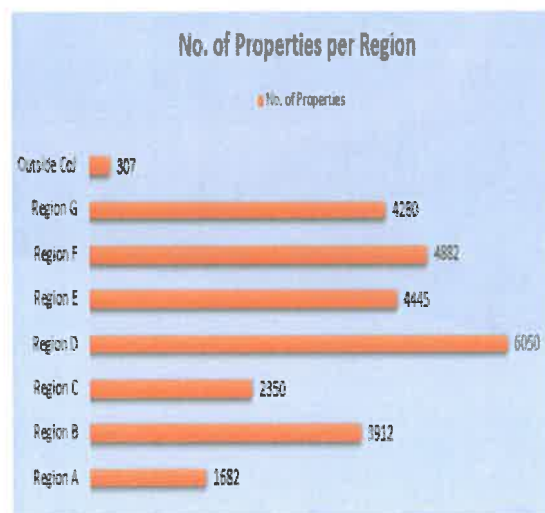
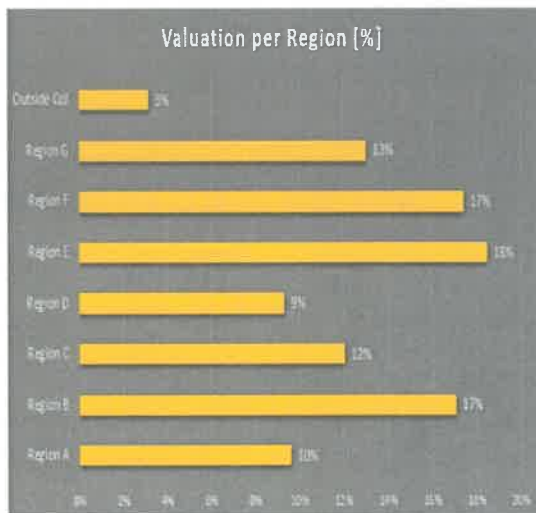
## Section 1: Leasing Department

### Section 1.1 Asset Management

The portfolio of the City has a total value of R9, 355 billion and it comprises 27 908 properties as of the period ending 31 March 2023. The table below illustrates a high-level summary, which outlines the number of properties and values per region.

Region	No. of Properties	Value %	Historical Book Value
Region A	1 682	10%	R898 326 897.28
Region B	3 912	17%	R1 594 103 995.10
Region C	2 350	12%	R1 125 690 161.38
Region D	6 050	9%	R871 159 019.40
Region E	4 445	18%	R1 726 837 410.18
Region F	4 882	17%	R1 628 030 130.97
Region G	4 280	13%	R1 217 684 211.96
Outside COJ	307	3%	R293 697 936.01
<b>Grand Total</b>	<b>27 908</b>	<b>100%</b>	<b>R9 355 529 762.28</b>

Region D has the highest number of Council properties at 6 050, followed by Region F, which reflects 4 882 properties, Region E shows 4 445 properties, then Region G at 4 280 properties, while Region B reflects 3 912 properties. Region C is the second lowest with 2 350 properties followed by Region A, which has the least number of properties at 1 682. A graphical outline of the summary portfolio of properties is outlined below.



Regions B, E, and F represent the highest value expressed as a percentage of the total value of City-owned properties at 17%, 18%, and 17% respectively, totalling 52% of the value of the entire portfolio. Region G is the fourth highest in value at 13%, followed by Region C at 12%, and Region A at 10%, while Region D is the least at 9%, which is due to a large number of residential holdings which are inherently lower in valuation.

**Asset Register Movements**

The following tables illustrate the movements and updates of the Asset Register in relation to the property transfers that occurred in during the 3rd quarter of the 2022/2023 financial year.

**Monthly movements by quantity**

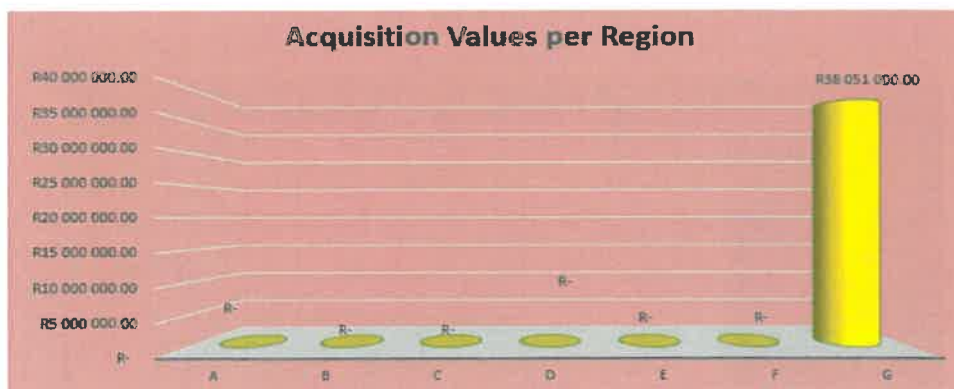
Movement Category	Jan-23	Feb-23	Mar-23	Total
Acquisitions	8	0	0	8
Disposals	-19	-4	-1	-24
Net Movement	-11	-4	-1	-16

**Monthly movements by value**

Movement Category	Jan-23	Feb-23	Mar-23	Total
Acquisitions	R38 051 000.00	R0.00	R0.00	R38 051 000.00
Disposals	-R53 140.00	-R10 860.00	-R2 090.00	R-66 090.00
Total	R37 997 860.00	R-10 860.00	R-2 090.00	R37 984 910.00

**Acquisitions**

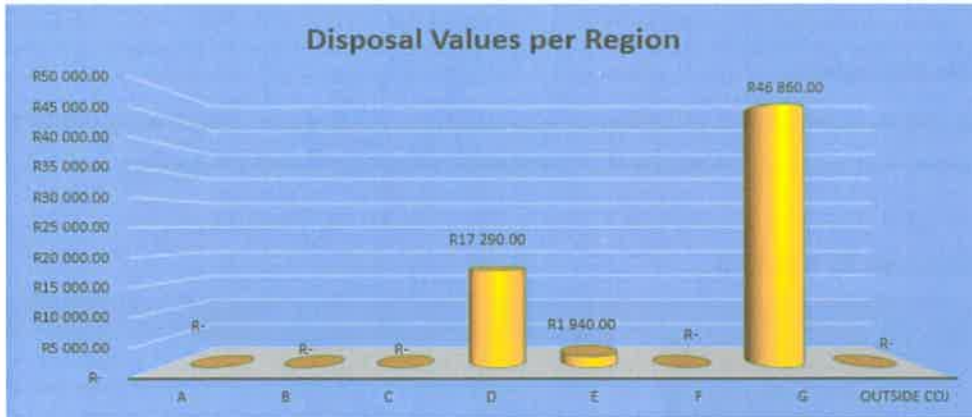
Eight (8) properties to the value of R38 051 000.00 were taken on during the reporting period. These eight (8) properties to the value of R38 051 000.00 were transferred through vesting from the provincial government to the CoJ for social housing development purposes. All these properties are in Region G and there was no financial cost incurred.





## Disposals

Twenty-four (24) properties to the value of 66 090.00 were disposed of in the reporting period. These properties are situated in Regions D, E, and G. The regional representation of the movements is outlined on the graph below.



- **Housing Conversions**

All the twenty-four (24) properties relate to the transfer of residential homes to beneficiaries in respect of the City's service delivery mandate for the provision of housing.

The properties reported herewith were transferred to beneficiaries during the reporting period in fulfilment of the City's housing delivery mandate as prescribed by the Housing Act. All of these properties are full-title residential houses and they are situated in Regions D, E, and G.

## Net Movements

This section provides an indication of the movement's impact on the value of the Asset Register. The reporting period shows a positive net movement of R37 984 910.00, which translates to an increase of 0.41% of the entire portfolio as outlined in the table below.

NET ASSET REGISTER MOVEMENT IN VALUE			
Month	Opening Balance	Movement	Closing Balance
Jan-23	R9 317 544 852.28	R37 997 860.00	R9 355 542 712.28
Feb-23	R9 355 542 712.28	R-10 860.00	R9 355 531 852.28
Mar-23	R9 355 531 852.28	R-2 090.00	R9 355 529 762.28
<b>NET MOVEMENT</b>		<b>R37 984 910.00</b>	
		<b>0.41%</b>	



## **Asset Verification Project**

The service provider has commenced with the assets verification and to date, 3211 properties have been verified, the process of checking for ownership of the property with the deed office for completeness is at an advanced stage. It is envisaged that there will be a significant improvement in this KPI in the coming quarter.

## **Asset Management Plans**

The purpose of the asset management plans is to ensure that council-owned land is used to optimally support the delivery objectives of the City of Johannesburg. As the custodian of the City of Johannesburg Municipality's properties, JPC's mandate is to provide users with property/land requirements for Service Delivery.

Service delivery includes the accomplishment of government objectives, especially where immovable assets are used for land reform, economic empowerment, alleviation of poverty, the creation of jobs, and transformation. JPC recognizes that strategic asset management is necessary for the successful long-term operation of its projects.

Asset Management Plan may include the following:

**Acquisition Plans:** An acquisition plan contains a summary of current or proposed acquisitions, as informed by the City's service delivery objectives.

**Disposal Plans:** A disposal plan includes properties that may no longer support the service delivery objectives of the City or surrendered to 3<sup>rd</sup> Parties to support other service delivery objectives.

**Leasing Plans:** Leasing plans include properties that are in the process of being leased out to 3<sup>rd</sup> Parties for revenue generation purposes.

Asset Management Plans have an impact on the effective and efficient management of the property portfolio on disposal, lease management, rental income of properties, and associated budgets, as well as asset management practices and decision-making.

A cumulative of two hundred and twenty-five (225) Asset Management Plans were formulated during the 3<sup>rd</sup> quarter of the 2022/23 financial year in the form of disposal plans (sale/lease/development).

The table below provides a regional summary of the plans.

Region	Quarter 1	Quarter 2	Quarter 3
Region A	1	6	3
Region B	12	9	17
Region C	10	9	3
Region D	10	23	14
Region E	25	4	12
Region F	13	9	12
Region G	4	15	14
<b>Total</b>	<b>75</b>	<b>75</b>	<b>75</b>

## Section 1.2 Informal Trading

The focus with regards to informal trading is on traders operating within Transport and Market facilities. JPC is steadfast in visioning a City that will develop markets of the future to create dignified, clean, and simple to trade in world-class facilities.

Income collected for the quarter is **R496 654.49**, and there is a decline in collections when compared to Quarter 2. The rental collection is not stable due to the resistance of traders not willing to pay rent, but traders are encouraged to pay.

NO	FACILITY NAME	INCOME COLLECTED		
		January	February	March
1	Metro Mall Informal & Formal Shops	R73 197.12	R74 967.12	R76 539.67
2	Advertising & Promotions	R25 424.09	R25 424.09	R25 424.09
3	Fleet Africa	R0.00	R0.00	R0.00
4	Kliptown Informal & Formal Shops	R0.00	R960.00	R340.00
5	Streets Traders	R8 970.00	R13 491.00	R26 600.00
6	Hillbrow	R1 050.00	R4 010.00	R10 880.00
7	Yeoville	R0.00	R4 361.00	R950.00
8	Fordsburg	R8 453.60	R15 067.60	R22 261.00
9	Bara & Formal Shops	R2 090.00	R18 214.00	R33 500.00
10	Jeppe	R0.00	R0.00	R0.00
11	Lenasia	R470.00	R470.00	R500.00
12	Faraday Formal & Informal	R0.00	R0.00	R300.00
13	Doornfontein	R0.00	R320.00	R0.00
14	Big Ben	R0.00	R200.00	R0.00
15	Midrand	R0.00	R0.00	R250.00
16	Rosebank	R0.00	R0.00	R0.00
17	Kwamai mai	R1 314.00	R12 836.11	R3 920.00
18	Alexandra	R250.00	R0.00	R600.00
19	Diepsloot	R400.00	R1 700.00	R700.00
20	Various Formal Traders	R0.00	R0.00	R0.00
<b>Total</b>		<b>R121 618.81</b>	<b>R172 270.92</b>	<b>R202 764.76</b>

JPC is currently supporting DED in the process of ensuring that the permit system is piloted to create the environment for the issuing of the permits and verification of the Traders. Once the piloting is completed in the period under review it is envisaged that the roll out of the permits will occur in the coming quarters, however, this is dependent upon DED. No leases can be entered into at this stage.

## Informal Trading Stakeholder Engagement

### Dobsonville Market

The MMC for Economic Development conducted a walkabout at the Dobsonville Market with the City's departments to evaluate the state of the facility. Allocation of traders needs to be finalized by DED and an assessment of Repairs and maintenance problems was concluded. The traders were addressed pertaining to their challenges such as security and cleaning by both JMPD and JPC.

### Ivory Park

Traders in Ivory Park ( Region A ) attended in full capacity for the Informal trading permit system awareness. Informal trading policy booklets were distributed to the traders. JPC did a presentation about the company's mandate, lease agreement, and value of the rental.

## Informal Trading Challenges and Mitigating Measures

Challenges	Mitigating Measures
<ul style="list-style-type: none"><li>• Cleaning services lack capacity and inadequate equipment to keep all the facilities hygienically clean.</li><li>• Lack of visibility by security guards and shortage of staff securing our facilities and JMPD security not understanding their terms of reference.</li><li>• Increased incidents of crime, especially in our busiest facilities such as Bara, Metro mall, and Park Central whereby there has now been a trend in WIG snatching from female commuters.</li><li>• Increased number of illegal traders in all major facilities</li><li>• Operation Dudula caused a major threat in some of our facilities that have foreign nationals.</li><li>• Illegal overnight parking of taxis and further stolen vehicles have been found by police parked in our facilities,</li><li>• Illegal selling of counterfeit goods and -alcohol in our facilities.</li><li>• Illegal selling of stolen property such as laptops and cell phones especially in Metro mall B block.</li><li>• Slow response regarding maintenance issues in all our facilities which causes a strain between Property Administrators and the stakeholders.</li></ul>	<ul style="list-style-type: none"><li>• Trader engagement to communicate the lease renewal process and its importance.</li><li>• Implement credit control measures and lock stalls where Traders are not paying.</li><li>• CoJ Informal Trading policy implementation to deal with all pertinent issues e.g. allocations, rights, and duties of Traders, law enforcement, permits, etc.</li><li>• JMPD has promised a hybrid model of security to deal with current challenges.</li><li>• Stricter by-law enforcement to eliminate illegal activities in the facilities.</li><li>• Finance to implement debit order mechanism.</li></ul>

## Section 1.3 Property Management

During the period under review, the following progress was made:

### Finalised Sales and Leases

Two (2) transactions were finalised with a monthly income value of R7 300.00.

**Matters with Attorneys for Finalisation**

Conveyancing Attorneys have been appointed to conclude sales on Eight (8) transactions to the value of R8 370 145.00 for sale/road closures.

**Matters at Legal for Agreements to be Finalised**

Legal instructions were issued to the Legal Services Department for six (6) transactions to the value of R4 028 000.00 (sales/road closures) and R21 465.83 p/m (leases) for the drafting of lease and sale agreements.

**Transactions to be Tabled at the Next EAC**

Sixteen (16) transactions to the value of R6 286 000.00 for sales/road closures and R76 677.00 per month for leases respectively are envisaged to be tabled at the forthcoming EAC meetings.

**Transactions to be Tabled at Mayoral**

Forty (40) transactions to the value of R16 207 000.00 for sales/road closures and R390 433.33 per month for leases respectively are envisaged to be tabled at the next Mayoral Committee meeting. The transactions are in all regions.

**Transactions to be Advertised on Tender**

Property transactions in all the Regions are envisaged to be advertised. Thirty-Six (36) transactions to the value of R9 847 800.00 for sales/road closures and R562 842.00 p.m. for leases. The table below outlines the transaction types to be advertised.

## Section 2: Commercial and City-Focused Interventions Projects

### Section 2.1 Development Facilitation Unit

#### Development Leases on Tender

The following properties were released by means of public tender:

No	Property Description	Market Value	Estimated Smme's to be Empowered	Estimated Number of Jobs to be Created
1	Erf 24460 Diepkloof (Bara Corner Sites)	R2 049 600.00	2	30
2	Ptn 246 and 247 Braamfontein (Parkhurst Bowling Club)	R11 100 000.00	50	150
3	Erf 841 Kew	R 2.3 million	3	20
4	Erf 11900 Orlando West	R4 950 000.00	4	20
5	Ptn 225 Farm Doornfontein	R2 300 000	5	20
6	Erven 198 and 199 Suideroord	R7.250million	5	25
7	Erf 9975 Orlando West	R4 656 300.00	8	40
8	Erven 13-16 Orlando Ekhaya		50	150

#### Property Development Projects

##### ERF 53 ALAN MANOR

Erf 53 Alan Manor is located at the corner of Caro and Constantia Avenue, which is situated in the South of the City of Johannesburg in Region F. It is surrounded by the prestigious suburbs of Mondeor, Winchester Hills, Meredale, Mulbarton, and Aspen Hills. The estimated development value is R 64 823 112.58 million.

The lifestyle complex will comprise 83 Units. This 2 – storey building project comprises four residential typologies, two-bedroomed units, and one and a half beds.

Top structure construction commenced on 22 March 2022. The developer was not able to finalise Phase 1 in December 2022 as previously anticipated. The proposed date for the completion of this phase is 15 April 2023.

The value of work done including spending to date is **R 13 100 731.20**



### **ERVEN 14 AND 15 JABULANI EXT 1 (PROPOSED PORTION 15 OF ERF 2612)**

As part of the Jabulani CBD Precinct, the Jabulani Development Company Pty Ltd together with Calgro M3 has initiated plans of developing rental housing units in partnership with International Housing Solutions on the proposed Portion 15 of Erf 2612 Jabulani Extension 1 (Parcel A). The land parcel is located directly below/ to the south of the Soweto Theatre site and is bordered to the west by Legogo Street. The Estimated development value is R 290 million.

The development of this Erf aims to cater to approximately 576 sectional housing units.

A full development professional team has been appointed and is currently working towards the implementation of the Joburg Water comments/ requirements i.e. in the form of provision of engineering services that will cater to the newly created portions.

- The Sectional Title Consent SPLUMA Certificates for Phase 1 of Jabulani Junction for the first four blocks (1, 2, 7, 8) were obtained on the 3rd February 2023 from the City of Johannesburg Metropolitan Municipality Land Use Management Department.
- The first batch of units from Phase 1 was registered at the Deeds Office for transfer on the 23<sup>rd</sup> of February 2023.
- Final handovers to customers for the first batch of units on Phase 1 were completed on the 25<sup>th</sup> of February 2023.
- Currently completing blocks 3, 4, 5 & 6 of Phase 2 for construction in preparation for inspections.

The value of work done including spending to-date is R11, 980,000.00





### **RIVERSIDE VIEW MEGA HOUSING DEVELOPMENT – DIEPSLOOT**

Riverside View is located directly north of Steyn City and West of the Riversands Incubation Hub along William Nicol Drive. The location of the site is between the lower-income area of Diepsloot, and the prestigious high-income area of Dainfern, which provided a unique opportunity for development to integrate Diepsloot with the rest of Johannesburg and develop it into an urban network. It is a high-density mixed-use and mixed-income development. It maximises the use of strategically located land to ensure vibrancy and sustainability. It addresses a wide range of housing demands and ensures that housing is delivered to poorer beneficiaries in a way that helps people out of poverty. Valumax Northern Farms Pty ( Ltd) is the developer.

The total residential yield is approximately 10 414 residential units with 3113 single residential GAP/FLISP units, approximately 4332 high density walk up RDP units and approximately 2969 high density walk up Rental units.

To date 10 089 units have been completed. The units comprise the following mix:

Registered/Completed/Occupied to date:

- Single residential FLISP - 2948 units completed to date
- Multi-storey FLISP units - 528 units completed to date
- Multi-storey Rental units - 457 units completed to date
- Multi-storey RDP units - 4140 units completed to date
- Joshco Rental units - 180 units completed to date
- Total completed to date - **8253 units**

Still to be Registered/Completed/Occupied

- Joshco - 928
- Sectional Title - 908
- Total - 1 836

Valumax anticipates the project to be completed end of 2023 financial year.



**Section 2.2 Acquisitions and Large Service Providers' Servitude Transactions**

**Property Acquisitions at the Transfer Stage**

The buyer (COJ) and the seller have since finalised the signing of the sale agreements following the proposed amendments. Conveyancers will be appointed and it is anticipated that the transfer will be finalised within the 4<sup>th</sup> Quarter of the current financial year.

NO.	PROPERTY DESCRIPTION	AMOUNT	COMMISSION
1	ERF 1875 JOHANNESBURG	R4 330 000.00	R433 000.00
2	ERF 1876 JOHANNESBURG		
3	ERF 1877 JOHANNESBURG		
4	ERF 1862 JOHANNESBURG	R10 240 000.00	R1 024 000.00
5	ERF 1863 JOHANNESBURG		
6	ERF 1866 JOHANNESBURG		
7	ERF 1867 JOHANNESBURG		
	<b>TOTAL</b>	<b>R14 570 000.00</b>	<b>R1 457 000.00</b>

### Section 2.3 Reports Approved by Council

A total of 30 reports were approved by Council in November 2022 and the necessary agreements will be drafted. The registration of the servitudes is anticipated to be completed within the 4<sup>th</sup> Quarter of the 2022/2023 financial year:

#### Transferred Property

The property listed below was transferred within the current quarter and will be handed over to the Department of Human Settlements

NO	PROPERTY DESCRIPTION	PURCHASE PRICE	JPC COMMISSION
1	HOLDING 30 UNAVILLE	R1 000 000.00	R100 000.00

### Section 3: Facilities Management and Cleaning Services

#### Section 3.1 Facilities Management Unit

Projects progress to date:

Project Name	Project Type	Project Status	Project Budget
Metro Centre	Repairs & Maintenance	Quantity Surveyors have been appointed to draft BoQ	R15 000 000.00
Ennerdale Civic Centre	Repairs & Maintenance	BoQ completed. To go for BSC in March 2023	R25 000 000.00
Meadowlands Civic Centre	Repairs & Maintenance	BoQ completed. To go for BSC in March 2023	R13 000 000.00
Public Convenience Facilities (Phase 01)	Repairs & Maintenance	BoQ for 20 PCs completed, 15 PCs repaired. <ul style="list-style-type: none"> <li>● 5 PCs completed and handed over.</li> <li>● 5 PCs due for completion and handover in March 2023</li> <li>● 5 PCs handovers planned for April 2023.</li> </ul>	R10 000 000.

## **Section 3.2 Cleaning Services Unit**

**The following 17, SLAs have been concluded between the two parties,**

1. Group Marketing and Communications / JPC.
2. Group Finance
3. Group Legal
4. Office of the Ombudsman
5. Economic Development
6. Group Governance
7. Development Planning
8. Environment Infrastructure and Services
9. Community Development
10. Johannesburg Tourism Company
11. Group Information and Communications Technology
12. Public Safety – JMPD
13. Public Safety - EMS
14. Group Strategy Policy Coordination and Relations
15. MTC
16. Social Development
17. Group Corporate Shared Services (GCSS)

The remainder of the 3 SLAs (Department of Housing, CRUM, Office of the City Manager) are in the process of being finalised, follow-ups were made and most of them are awaiting signatures

## **Section 4: Mega Projects**

### **Section 4.1 Development Projects**

#### **Southern Farms**

The development concept entails the establishment of a network of conservation-based inclusionary, mixed-use precincts. The Precinct Plan provides for seven (7) sub-precincts or “urban Villages” referred to as Precincts A, B, C, D, E, F, and G. Each of these Precincts is designed to be self-sustaining human settlements that integrate into the larger Southern Farms Development.

The Precincts will have the following components /mix:

- Residential ( bonded, FLISP, rental, RDPs / site and services)
- Public facilities and infrastructure such as government schools, government social amenities, EMS, government hospitals and clinics, municipal offices, etc.

- Private land uses such as retail, commercial, industrial- warehousing, medical (private), short-stay accommodation, trade and automotive, etc.

The estimated total number of residential units is 32 575 units



**Progress to date is as follows:**

- Section 14 (2) obtained.
- Stage 1 of the 2 Stage appointment is concluded as per the Council resolution. This entailed a detailed environmental sensitivity analysis of the Southern Farms study area including a range of specialist studies to inform which areas need to be preserved and maintained as environmentally sensitive land and which areas to be used for integrated development. A Business and Precinct Plan was developed and workshopped with all stakeholders and approved by Council.
- The extension of the urban edge process has been concluded by Planning and approved by council.
- A probity on the process to date was conducted and concluded by JPC. The Probity Audit concluded that all milestones as per the VS/JV's appointment were achieved.
- A report on the project's progress and seeking EAC's approval to enter into a Land Availability Agreement with VS/JV for Phase 2 for the implementation of the Business Plan was tabled at EAC on 27<sup>th</sup> January 2022 and again on 17<sup>th</sup> February 2022.
- EAC commissioned Group Head: Risk and Assurance Services (GRAS) to conduct external probity on the report and the processes followed on the project to date.
- GRAS appointed an external service provider to conduct full probity on the project.
- The EAC was satisfied with the outcomes of the probity and recommended the report to the Accounting Officer which was signed off on 6<sup>th</sup> September 2022.
- An Acquisition Report has also been submitted to JPC's Transactions Committee for acquiring the 11 privately owned portions of the land that are within the Southern Farms Precinct as it is critical in ensuring that the Southern Farms Project is developed as one large uninterrupted integrated development.
- The Report will be tabled at the Mayoral Committee and Council in April/May 2023.



## Way Forward

- A land availability agreement will be drafted and signed between JP and VS/JV.
- VS/JV will submit a Township Establishment Application to Planning for Phase 1 of the development - (Precincts A & C) following the conclusion and signing of the agreement.
- VS/JV to enter into a Funding Agreement with the Department of Human Settlements for USDG and HSDG funding for the planning, design, and construction of all bulk and internal services.



## Soweto Gateway

The development has a total project area of approximately 30.5 hectares and the estimated development cost is R3.2 billion.

The total development yield consists of the following: approximately 3366 mixed-income residential units, public open space, retail space, educational space, medical facilities, hotel/ conference centre, community facilities, commercial, and some light industrial.





## **PROGRESS TO DATE:**

- Property Plan completed.
- Section 14 (2) obtained.
- The property was put out on tender in 2019 however, due to delays caused by Covid, the validity period had expired and it was not awarded.
- The property was put out on tender again on 12<sup>th</sup> November 2021. On 18<sup>th</sup> February 2022 when the tender closed, four (4) bids were received. The Bid Evaluation Committee meeting took place on 28<sup>th</sup> March 2022. Only one of the four bids received was compliant with the pre-qualification criteria. The other 3 bids were non-responsive and as such, were not evaluated further for Stage 1 and Stage 2. The one bidder compliant with the pre-qualification criteria went on to be evaluated for functionality, in order to establish whether it met the minimum threshold score of 70/100 points based on specific criteria. It did not meet the 70% functionality score and could not be evaluated further in terms of the financial offer.
- Following this process, a feedback report on the outcomes of this tender was presented to the City Manager in April 2021 with a recommendation to put the property out on tender again.
- Supply Chain Management sent out a notification on the outcomes of the tender to all four bidders.
- The property will be put out on tender again.

## **Section 5: Information Technology Unit (IT)**

### **ICT Infrastructure**

#### **Security and Boardroom Capacitation Capex Allocation**

Information Technology needs to ensure the installation of Access Control, CCTV, and Boardroom Accessories. IT made an inquiry with COJ for the required services to be rendered under any ICT contract from COJ. After numerous engagements and formal requests where service was guaranteed COJ could not assist with implementing the installation of Access Control, CCTV, and Boardroom Accessories.

#### **The Installation Of Telecommunications and Communication Services**

The installation of Telecommunication VoIP (voice-over-internet protocol) services is affected by the non-delivery of services from COJ Information Technology to advertise for a suitable Bidder to complete the work for VOIP sip trunk installation. The recommencement of the project, the fourth quarter of the 2022/2023 Financial year.

### **ICT Infrastructure for JPC Employees**

The current life cycle of ICT tools of trade assets needs to be replaced with the procurement of new laptops that will enable employees with new, reliable, effective, and efficient tools of the trade, ensuring business continuity and a serviced and maintained footprint of ICT tools of the trade.

The OPEX budget is approved for the specified robustly built service and laptop warranty for all of JPC ICT staff to ensure agility and longevity for the life span of these required laptops. This project will be on a 36-monthly finance lease. The RFP document was interrogated through the bid specification committee, probity, risk, and compliance, however, the tender was nonresponsive. Management has resolved to advertise this tender and the bid specification committee will resume in the fourth quarter of 2023.

### **The JPC Website**

JPC is going on a tender to appoint a suitable service provider for hosting and maintenance of the JPC website for a period of 36 months. The budget has been confirmed for website hosting and maintenance services, The appointment of a suitable service provider to host and maintain the JPC website as per the business requirement continues in the fourth quarter of, the 2022/2023 financial year.

## **Section 6: Client Business Operations**

### **Service Standards**

Ten (10) Service Level Standards are applicable for JPC. During the reporting period, JPC has adhered to 100% of these service standards with four (4) service standards not being measured due to non-activity.

Core Service	Service Level Standard Target	Variance explanation			Mitigation
		Jan	Feb	Mar.	
KPI 1.1 Response in acknowledgement of requests, enquiries, and complaints	Within 1 day of logged call	148	115	0	None
KPI 1.2. Provision of answers and/or results related to the receipt of the requests and enquiries regarding properties	Within 3 days of logged call	77	63	0	None
KPI 1.3. The performance of emergency work for JPC-managed facilities	Within 1 day of logged call	96	59	0	None
KPI 1.4. Performance of minor works on facilities managed by JPC	Within 2 days of logged call	28	54	0	None
KPI 1.5. Performance of major works on facilities managed by JPC	Within 5 days of logged call	5	1	0	None
KPI 1.6. Complete the sale or lease and registration of servitudes of Council owned land	Within 9 months after Council Approval in terms of Section 14(2) of the Municipal Finance Management Act	0	0	0	KPI not measured. No tender was placed after Council and COJ Executive Adjudication Committee.
KPI 1.7. Tender placed after Council approval and CoJ Executive Adjudication Committee	Within 5 months of CoJ Executive Adjudication Committee approval	0	0	0	KPI not measured. No tender was placed after Council and COJ Executive Adjudication Committee.
KPI 1.8. Internal allocation of land and buildings to City Departments and Entities (PTOB : Permission to occupy and build and lease office space from third parties)	Within 6 months of receipt of the request of Permission to Occupy and build (PTOB) from Departments and Entities with confirmation of budget allocation.	0	0	0	KPI not measured. No requests for internal allocation for land and buildings with the budget were received from departments and entities during this period.
KPI 1.9. Performance of surveys on the condition of all plant and equipment in order to allow the assessment of the required repairs and maintenance of facilities managed by JPC	Quarterly (from date of instruction received)	15	0	0	None
KPI 1.10. Response to applicants/interest to lease or acquire (formal applications) land and/or buildings	Within 30 days of application	7 of 7= 100%	10 of 10 = 100%	0	None



## **Chapter 4: Human Resources & Organisational Management**

## **Section 1: Human Resource and Organisational Management**

### **1.1 Revised Human Resources Strategy**

The Human Capital Management section provides a synopsis of the initiatives implemented aligned to JPC's HR agenda and focuses on the organisation's strategic objectives. The long-term objective is to position JPC as an employer of choice, by creating a workplace that is healthy, productive, and exciting to its current workforce, and at the same time appeals to prospective employees.

### **1.2 Employment Equity Targets**

The Employment Equity Skills Development Committee is in the process of being reconsidered to ensure that nominations are inclusive of all employees. The focus in the current year is to address and review the employment equity plan and to adopt diversity, equity, and inclusion through the finalization of the Employment Equity Plan.

### **Organisational Development**

The organizational structure caters to 2 147 positions of which 588 is unbudgeted vacant positions. These unfunded vacancies have resulted in a high vacancy rate. The reviewing measures to reduce this high vacancy rate include the following:

- ✓ Motivating budget allocation for critical vacancies
- ✓ Review of the lower level structure to reduce redundant positions and verify roles.

### **Declaration Of Interest**

As set out in the Code of Conduct/Ethics, all employees are required to disclose any personal interest that may bring conflict or even perceived conflict between the organisation interest and that of an employee. The declaration of private interest is conducted at the beginning of each financial year.

A total number of 1395 submissions were received out of 1559 employees, and only 15 employees declared their personal interests. JPC is 90% compliant and the project of filling the forms is still running. The targeted number is anticipated to be achieved by end of May 2023.

## Section 2: Employee Remuneration and Cost Including Executives

The table below depicts the remuneration expenses for both the first and second quarters based on all-inclusive salary packages:

SALARY BILL: Q3 for 2022/2023 (January – March 2023)	
MONTH	AMOUNT
Jan-23	34 681 355
Feb-23	39 632 045
Mar-23	35 175 258
<b>Total</b>	<b>109 488 658</b>

The total salary bill equates to an amount of R 109 488 658 for the third quarter of the 2022/2023 financial year which is for the period January to March 2023, which was made up of the following transactions:

- ✓ Payment of Acting Allowances for critical vacancies, final payment of terminated employees and encashment of Leave

### Overtime:

Overtime expenditure has arisen as a result of services rendered to the public by JPC in respect of public convenience facilities and cleaning services in corporate buildings. The table below indicates overtime paid out in the third quarter of the 2022/2023 financial year per month:

Overtime Bill 2022/2023 (Jan - Mar 2023)						
MONTH	Total Staff Working Overtime	Total Claimed	Hours	Overtime Impact	Financial	
Jan-23	122		2933		389 763	
Feb-23	432		14478		1 579 099	
Mar-23	460		12336		1 351 312	
<b>TOTALS</b>	<b>1014</b>		<b>29747</b>		<b>3 320 174</b>	

The total budget spent overtime in Q3 equates to **R3 320 174** worked by an average of **388** employees. The public convenience facilities' operating model requires that employees work over the weekends thus resulting in overtime expenses.



## Staff Movements

**Terminations:** Thirteen (13) terminations for the period under review per occupational level, race, and gender.

Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and mid-management	0	0	0	0	0	0	0	0	0	0	0
Jun. Management, Superintendents, and Skilled Technical	3	0	0	1	0	0	0	0	0	0	4
Semi-skilled and discretionary decision making	2	0	0	0	1	0	0	0	0	0	3
Unskilled and defined decision making	1	0	0	0	5	0	0	0	0	0	6
Total Permanent Staff	6	0	0	1	6	0	0	0	0	0	13
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>

The reasons for the thirteen (13) terminations are:

- ✓ **Retirement:** Two (2) employees retired in this quarter
- ✓ **Early retirement:** Two (2) employees opted to take early retirement due to exhaustion
- ✓ **Resignation:** Three (3) employees resigned for better prospects
- ✓ **Medical Boarding:** Two (2) employees were medically boarded
- ✓ **Deceased:** Four (4) employees passed away due to ill health

The impact of the termination realised contributes to under-capacitation within key business areas. Furthermore, the entity records a staff turnover rate of 1% which is in accordance with the best practice benchmark of between 5%-10%.

## Section 3: Key Vacancies

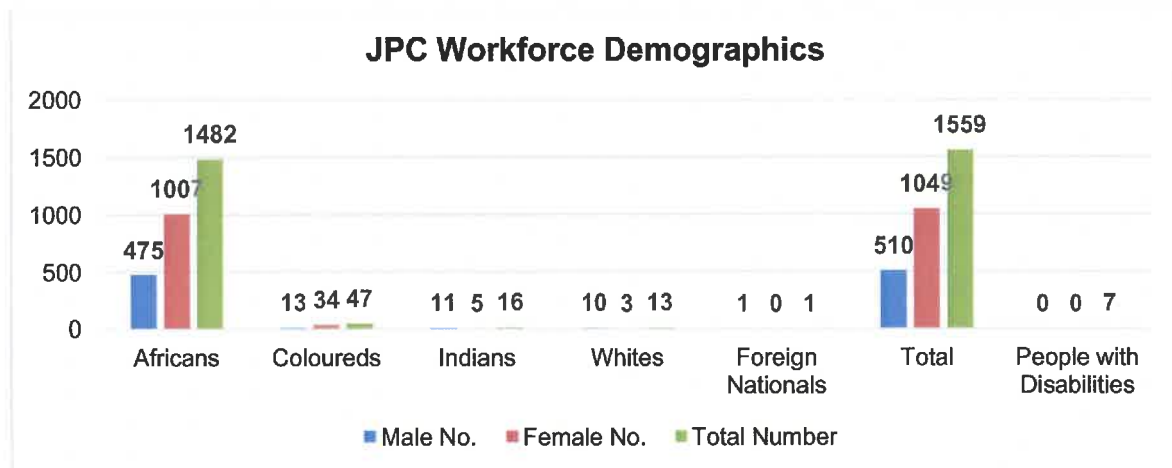
The challenge for the entity remains the filling of critical vacancies due to budget constraints. Following engagements between the shareholder, an additional budget of R28 million has been provided for employee costs which will relieve JPC of the burden of current capacity challenges in critical vacancies and prevent any budgetary shortfalls for the financial year.

## Section 4: Employment Equity

The total workforce is 1559 and the EE demographics are as follows:

Occupational Levels	MALE				FEMALE				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	M	F	
Top Management (1&2)	0	0	0	0	0	1	0	0	0	0	1
Senior Management (3&4)	5	0	1	0	2	0	0	0	0	0	8
Prof. qualified & experienced specialists and mid-management (5&6)	18	1	3	3	20	1	3	3	0	0	52
Skilled & qual. workers, jnr mgt., supv, foremen, supt. (7&8)	74	5	6	6	91	13	2	0	1	0	198
Semi-skilled and discretionary decision making (9&10)	50	5	1	0	5	2	0	0	0	0	63
Unskilled and defined decision making (11)	328	2	0	1	889	17	0	0	0	0	1237
<b>Total Permanent Staff</b>	<b>475</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>1007</b>	<b>34</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1559</b>
Temporary Employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>475</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>1007</b>	<b>34</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1559</b>

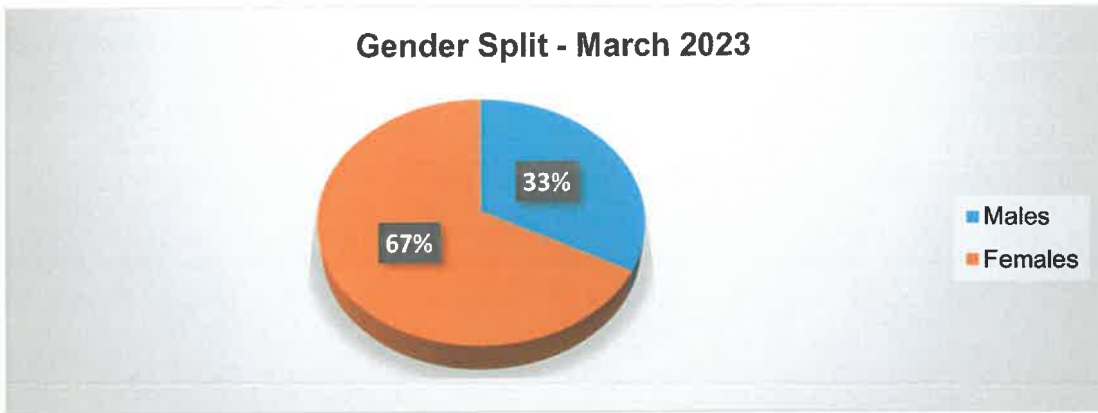
### Racial and Gender Split



### Racial Split per population group in line with Economic Active Demographic Population (EAPD)

Racial Split – March 2023	Actual		Current Numerical
	EAPD Target		
Africans	81%	94.70%	1483
Coloureds	3.30%	3.00%	47
Indians	3.20%	1.10%	16
Whites	12.70%	1.40%	13
<b>Total</b>			<b>1559</b>
People Living with Disabilities	<b>2%</b>	<b>0.45%</b>	<b>7</b>

**Gender Split Analysis**



JPC has 67% female representation and 33% male in the gender split. There were no significant changes in percentages recorded under terminations emanating from resignations and early retirements.

**Section 5: Disciplinary Matters**

**5.1 Disciplinary Matters and Outcomes**

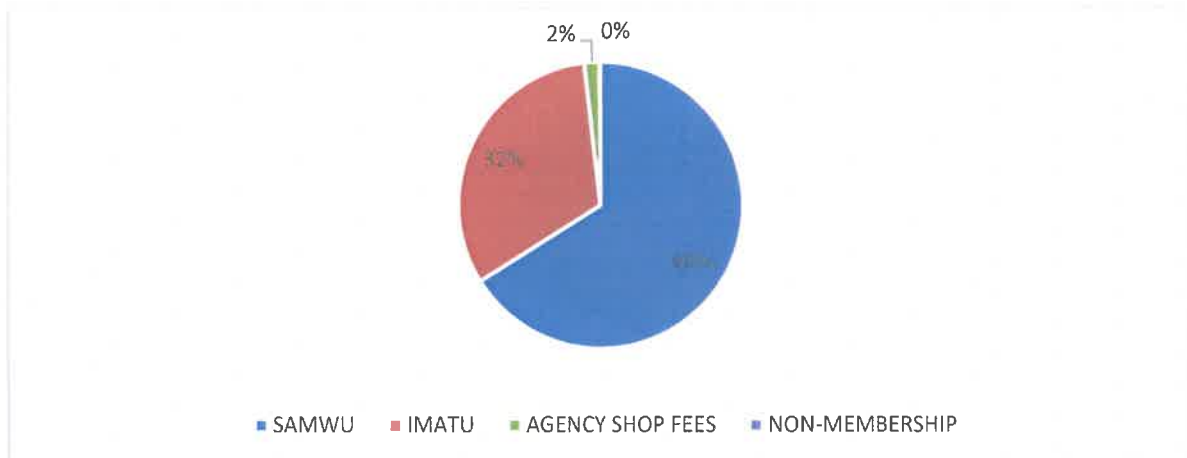
**Current Internal Disciplinary Cases**

Currently, there are no disciplinary matters.

**External Disputes**

Bargaining Council Matters: Matters that were set down at the South African Local Government Bargaining Council. (SALGBC) and the outcomes for the period as at end of March 2023.	
External Dispute Resolution Forum	Nature of Dispute Progress and Next Steps
South African Local Government Bargaining Council	Sixteen (1) Matters were referred for arbitration
No	Nature of Dispute Progress and Next steps
1.	One (1) Matter have been part heard and are still to be finalised In progress

## Union representation



## Section 6: Employee Wellness

### 6.1 Employee Wellness

Human Capital Management has followed a mandatory supply chain process to source a service provider that will offer health and wellness services with an Employee Assistance Program. JPC recognizes that an Employee Assistance Program is a vital business tool for enhancing productivity and improving performance. Healthy employees result in a more productive workforce with less absenteeism, fewer accidents, lower healthcare demands, and greater overall savings by reducing the incidence of diseases and disabilities.

The expected competencies from an external service provider are to have the ability and experience to help employees who have personal difficulties, which include physical, mental, emotional, grief and bereavement, gambling, marital, family, alcohol, or financial problems that may affect the employee's work performance. The bid evaluation process was finalised, and no service provider met the criteria of the threshold.

## Section 7: Leave and Productivity Management

### Leave Provision

The leave liability as at end of March 2023 amounts to **R 29 357 122**

### Leave Encashment

Employees encashed 2210 non-compulsory days at a total cost of **R1 695 653** from January to March 2023. Leave encashment is one of the measures used to manage our leave liability and is regulated by the leave management policy that states that employees cannot encash leave without taking compulsory leave.

### Section 8: Employee Benefit

The table below indicates the pension funds membership distribution as of the end of March 2023:

PENSION FUND MEMBERSHIP	TOTAL	REMARKS
EJoburg Retirement Fund	1510	Defined Contributions
City of Joburg Pension Fund	37	Defined Benefits
Municipal Employee Pension Fund	4	Defined Contributions
Municipal Gratuity Pension Fund	4	Defined Contributions
Joint Municipal Workers Pension Fund	1	Defined Benefits
Non-Membership	3	Not compulsory & Medical Boarding
<b>TOTAL</b>	<b>1559</b>	

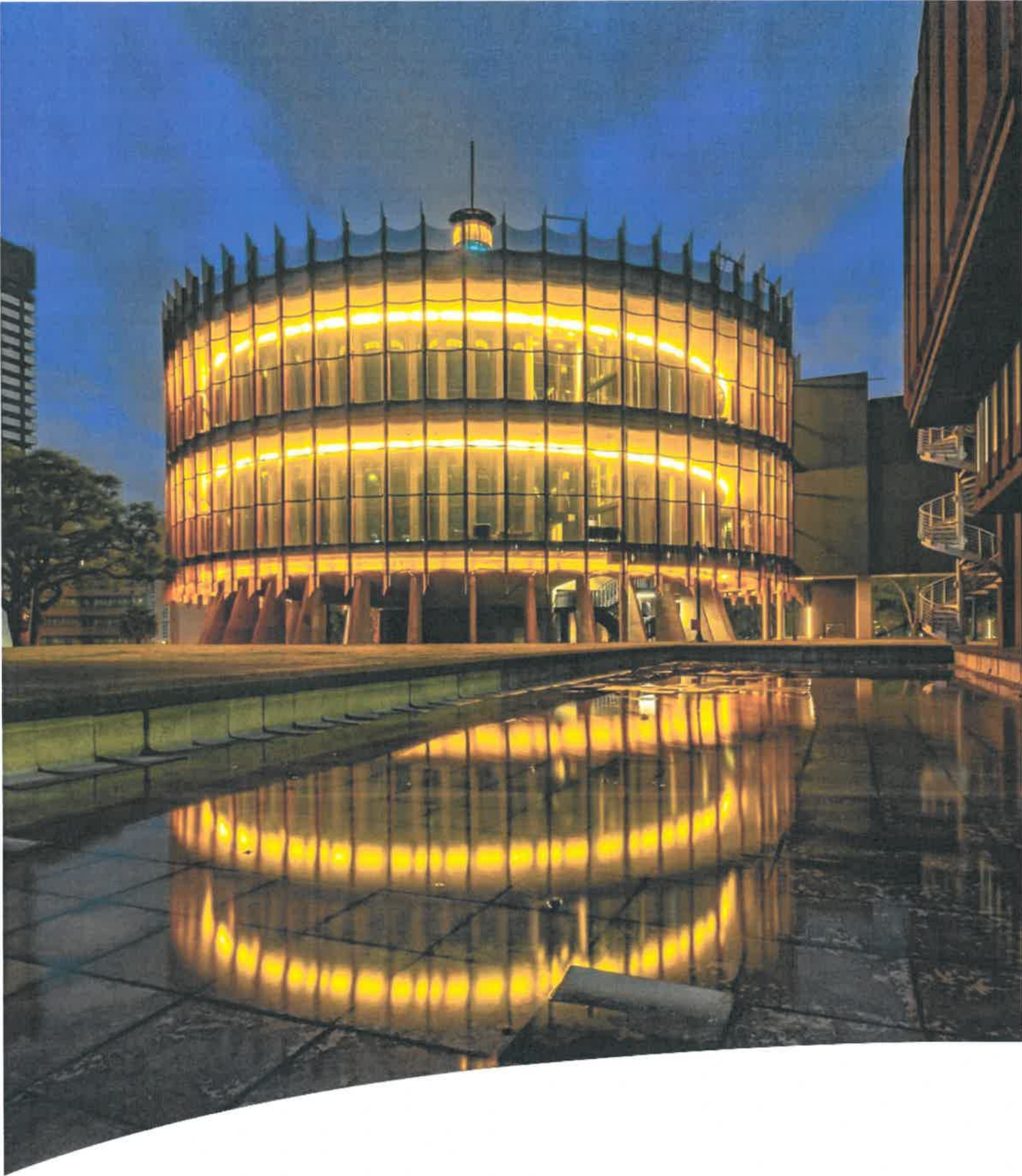
The table above demonstrates the membership distribution of JPC to accredited pension funds. This condition is compulsory for all JPC employees with the exception of the Chief Executive Officer, employees medically boarded, who are already being paid by their respective pension funds. In terms of the salary and wage collective agreement, the pension fund contributions increase whenever there is a salary increase.

### The Accredited Medical Aid Schemes membership distribution:

MEDICAL AID SCHEME	MEMBERSHIP
BONITAS	202
DISCOVERY	10
HOSMED	48
KEYHEALTH	80
LA HEALTH	198
SAMWUMED	169
<b>TOTAL MEMBERSHIP</b>	<b>707</b>

The table above specifies the accredited medical aid schemes and membership distribution to each scheme as of the end of March 2023. The provision that is set out in relation to medical aid, is based on the 60/40 principle as set out in the Main Collective Agreement. The current maximum medical aid employer contribution rate to the employer-accredited medical schemes has increased to **R5007.00** for the 2022/2023 financial year.





# Chapter 5: Financial Performance



## Section 1: JPC Statement of Financial Position

				Variance
	Note	2023	2022	R
<b>Assets</b>				
<b>Current assets</b>		<b>1 285 371 423</b>	<b>1 101 565 431</b>	<b>183 805 992</b>
Cash and cash equivalents	<a href="#">1</a>	2 000	2 000	-
Receivables from exchange transactions	<a href="#">2</a>	1 080 031 779	773 062 205	306 969 574
Loans to shareholders	<a href="#">3</a>	205 246 719	328 410 301	-123 163 582
Receivables from non-exchange transactions	<a href="#">4</a>	90 925	90 925	-
<b>Non-current assets</b>		<b>67 154 813</b>	<b>71 012 829</b>	<b>-3 858 016</b>
Property, plant and equipment	<a href="#">6</a>	18 586 046	22 189 444	-3 603 398
Intangible assets	<a href="#">7</a>	13 288 059	13 544 214	-256 155
Deposits	<a href="#">9</a>	600 588	600 587	1
Deferred Tax Asset	<a href="#">10</a>	30 535 149	30 532 897	2 252
Current tax receivable	<a href="#">11</a>	4 144 972	4 145 687	-715
<b>Total Assets</b>		<b>1 352 526 236</b>	<b>1 172 578 260</b>	<b>179 947 976</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>		<b>1 345 513 245</b>	<b>1 230 682 938</b>	<b>114 830 307</b>
Payables from exchange transactions	<a href="#">12</a>	189 386 782	178 411 285	10 975 497
Loans from shareholders	<a href="#">14</a>	1 152 332 189	1 024 501 919	127 830 269
Provisions	<a href="#">15</a>	3 594 142	27 569 601	-23 975 459
Operating lease liability	<a href="#">17</a>	200 133	200 133	-
<b>Non-Current Liabilities</b>		<b>714 000</b>	<b>714 000</b>	<b>-</b>
Employee benefit obligation	<a href="#">18</a>	714 000	714 000	-
<b>Total liabilities</b>		<b>1 346 227 245</b>	<b>1 231 396 938</b>	<b>114 830 307</b>
<b>Net Assets</b>		<b>6 298 992</b>	<b>-58 818 679</b>	<b>65 117 671</b>
Share Capital	<a href="#">19</a>	5 142 721	5 142 721	-
Accumulated Surplus/(Deficit)	<a href="#">20</a>	1 156 271	-63 961 400	65 117 671
<b>Total Net Assets / (Liabilities)</b>		<b>6 298 991</b>	<b>-58 818 678</b>	<b>65 117 669</b>

**Notes:**

1. The petty cash float is maintained at R2 000 every month.
2. Included in trade receivables is a provision for bad debts related to facilitation fees to the value of R32 379 306. The total outstanding debt from related parties is R1 077 066 864 of which +/-R400 million relates to cleaning services that has not been recovered due to delays in the conclusion of the service level agreements with the COJ departments.
3. Represents the COJ: Portfolio loan account with JPC and the sweeping account of R205 million. The cash position of JPC has declined due to dwindling receipts from the COJ and JPC still having to service its operational obligations within 30 days.
4. Staff debtors relate to personnel that has signed an acknowledgement debt for monies owed to JPC.
5. Property, plant, and equipment are measured at the lower of cost or carrying amount. Where possible, the useful life of fixed assets has been extended due to their good condition.
6. Intangible assets comprise computer software that has been procured or internally generated.
7. Electricity deposits with Eskom for the Baragwanath informal trading facility and the Lenasia facilities management buildings. Interest on the deposit is accrued at the financial year's end.
8. The deferred tax has been calculated to account for movements in the balance sheet and temporary differences. The calculation is performed annually at financial year-end.
9. Provisional tax payments made for the 2022 financial year.
10. Consists of current liabilities that will become due and payable in the next 12 months. These liabilities include VAT, accruals, related party accruals, etc. Comparatively, JPC has had an increase in trade payables due to VAT for the reporting period and the accrual of security invoices.
11. Relates to loan accounts payable between JPC and various COJ departments for the JPC and insourced cleaners payroll as well as transactional loan accounts for the acquisition of property for the COJ.
12. Relates to the provision for EXCO bonuses for the 2020/21 and 2021/22 financial years. The provision of R23 975 459 for the white-boxing of Proton House was utilised in the current financial year as a settlement was reached in August 2022.
13. GRAP 13 adjustment for the straight-lining of operating leases over the lease duration of office accommodation buildings.
14. Provision of Post-retirement Medical Aid raised based on the 2021/22 actuarial valuation report in respect of personnel that qualifies for the benefit.
15. There are no changes to the share capital of JPC in the current financial year.
16. The accumulated surpluses and losses from the previous and current financial year.

## Section 2: JPC Statement of Financial Performance

	Note	Year-to-date			Annual
		Actual	Budget	Variance	Budget
<b>Revenue</b>					
<b>Revenue from non-exchange transactions</b>		<b>403 208 080</b>	<b>376 260 000</b>	<b>-26 676 920</b>	<b>501 680 000</b>
COJ - Subsidies received	<a href="#">1</a>	402 322 500	375 510 000	-26 812 500	500 680 000
Other Income	<a href="#">2</a>	885 580	750 000	135 580	1 000 000
<b>Revenue from exchange transactions</b>		<b>209 317 523</b>	<b>273 583 500</b>	<b>64 265 978</b>	<b>364 778 000</b>
Cleaning services	<a href="#">3</a>	164 698 436	177 383 250	12 684 814	236 511 000
Commission on Portfolio rentals	<a href="#">4</a>	12 530 266	16 002 000	3 471 734	21 336 000
Commission on outdoor advertising	<a href="#">5</a>	8 831 323	10 179 000	1 347 677	13 572 000
Management Fees	<a href="#">6</a>	7 936 796	7 500 000	-436 796	10 000 000
Assets-Under-Management fees	<a href="#">7</a>	5 250 000	5 250 000	0	7 000 000
Facilitation fees	<a href="#">8</a>	-	42 495 750	42 495 750	56 661 000
Ad hoc Fees	<a href="#">9</a>	113 009	-	-113 009	-
Cell Mast services	<a href="#">10</a>	9 957 693	14 773 500	4 815 807	19 698 000
<b>Other income</b>		<b>8 026 463</b>	<b>-</b>	<b>-8 026 463</b>	<b>-</b>
Interest received	<a href="#">11</a>	8 026 463	-	-8 026 463	-
<b>Total Revenue</b>		<b>620 552 065</b>	<b>649 843 500</b>	<b>29 562 595</b>	<b>866 458 000</b>
<b>Expenditure</b>					
Board of directors fees and expenses	<a href="#">12</a>	1 751 442	1 972 500	221 058	2 630 000
Operating expenses	<a href="#">13</a>	171 612 246	205 116 750	33 504 504	273 489 000
Contracted expenses	<a href="#">14</a>	18 888 598	20 000 250	1 111 652	26 667 000
Cleaning materials	<a href="#">15</a>	1 713 650	4 500 000	2 786 350	6 000 000
Repairs & Maintenance	<a href="#">16</a>	2 435 766	21 744 000	19 308 234	28 992 000
Employee costs	<a href="#">17</a>	350 587 502	373 336 500	22 748 998	497 782 000
Interest paid	<a href="#">18</a>	-	11 581 500	11 581 500	15 442 000
Depreciation	<a href="#">19</a>	3 912 198	11 592 000	7 679 802	15 456 000
Profit/Loss on disposal of assets		3	-	-3	-
<b>Total expenditure</b>		<b>550 901 406</b>	<b>649 843 500</b>	<b>98 942 094</b>	<b>866 458 000</b>
<b>(Deficit)/surplus before taxation</b>		<b>69 650 659</b>	<b>-</b>	<b>-69 379 499</b>	<b>-</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Deficit)/Surplus</b>		<b>69 650 659</b>	<b>-</b>	<b>-69 379 499</b>	<b>-</b>

**Notes:**

1. The subsidy was provided to JPC for the 2022/23 financial year. The subsidy will be revised during the midterm budget review.
2. JPC received refunds from Old Mutual for employees that have been placed on medical boarding.
3. Cleaning service costs are billed and recovered for services rendered. The cleaning cost rate has been revised as a fixed rate that will cover all costs associated with the cleaning services that JPC provides. This should yield higher revenue and collections from previous financial years. The rate will increase in line with the COJ's budget indicatives.
4. The COJ Rental Collection Commission, Servitudes and Rates & Taxes are 21.7% below the budget, this is in line with rental collections in Portfolio. There is currently an undertaking to renew leases, this will increase the amount of revenue Portfolio can collect and the commission receivable by JPC.
5. The outdoor advertising commission that is collected in the Portfolio is below budgeted objectives as contracts with advertisers and the conclusion of the by-laws is still to be resolved.
6. JPC earns a 10% management fee for facilitating and managing R&M and CAPEX projects for the COJ's departments and other MOEs. Income has exceeded the budget for the year-to-date as the completion of the Nelson Mandela Market is forecasted for Q4.
7. Relates to the management fee for the administration of the COJ's fixed asset register.
8. The inner city rejuvenation project is under review by Council due to various challenges being experienced. The timeframes for the generation of facilitation fees will be guided by the outcome of this review.
9. No budget is provided for ad hoc fees as it relates to the recovery of property services within JPC from MOEs and is utilised as and when the need arises.
10. Cell mast revenue is below the budgeted objectives for Q3 as the upliftment fee is still being independently computed and audited. The upliftment fee for Q3 will be accounted for in Q4.
11. JPC accrued interest on the sweeping account throughout the 2023 financial year as the account is in surplus of R197 million
12. Board of directors' fees and expenses are in line with board activity as well as costs associated with conducting various strategic sessions. Overall for the year-to-date, the expenditure is within the budget allocated.
13. General and operating expenditure is 16.33% below the YTD budget. Cost management measures have been implemented throughout the year to manage expenditures. Operational expenditure includes large expenditure items such as rental, utilities and security.
14. Contracted expenses remained within the budget allocation for the YTD. The expenditure is expected to increase in Q4 with the utilisation of the internal audit panel and temp staff.
15. Cleaning materials have been awarded late in Q3 and the expenditure will reflect in Q4 with the budget being fully utilised.

16. Repairs & Maintenance are significantly below the YTD budget. R&M budgets are currently being evaluated to determine the best use of the budget provided after the midterm review.
17. Salary expenditure is 6.09% below the year-to-date budget for the financial year. The payroll and budget reflect all annual escalations and cost of living adjustments for JPC and cleaning staff alike. The budget reflects a surplus as additional monies were allocated to JPC for this expenditure during the midterm budget review to enable JPC to cover its critical vacancies and budget shortfalls.
18. JPC incurred no interest on the sweeping account as the account has been in surplus throughout the financial year.
19. Depreciation is 66.3% below the budget. This is in line with the fixed asset register. JPC has a significant number of assets that have reached the end of their useful lives but are still in service.

### Section 3: JPC Statement of Cashflows

	2023	2022
<b>Cash flows from operating activities</b>		
Rendering of services	-96 766 471	64 151 935
Subsidies	402 322 500	526 278 000
Interest income	8 026 463	8 005 851
	<b>313 582 492</b>	<b>598 435 786</b>
<b>Payments</b>		
Employee costs	-350 587 502	-463 156 280
Suppliers	-213 936 943	-367 522 454
Finance costs	-	-
Taxation refund	715	-
Taxation paid	-	-12 962 131
	<b>-564 523 729</b>	<b>-843 640 865</b>
<b>Net cash flows from operating activities</b>	<b>-250 941 236</b>	<b>-245 205 079</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE	-52 613	-15 157 475
Proceeds/(Loss) on disposal of PPE	-	-
Purchase of intangible assets	-	-287 035
Payment of deposits		-400 000
<b>Net cash flows from investing activities</b>	<b>-52 613</b>	<b>-15 844 510</b>
<b>Cash flows from financing activities</b>		
Loan from Shareholders	250 993 851	261 596 709
Finance lease payments	-	-547 120
<b>Net cash flows from financing activities</b>	<b>250 993 851</b>	<b>261 049 589</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 01 July 2022</b>	<b>2 000</b>	<b>2 000</b>
<b>Cash and cash equivalents at 31 March 2023</b>	<b>2 000</b>	<b>2 000</b>



## Section 4: Portfolio Statement of Financial Position

	Note	31-Mar-23	31-Mar-22	Year-on-year Variance	
				%	R
<b>Assets</b>					
<b>Current assets</b>		<b>132 006 325</b>	<b>134 950 714</b>	<b>-2.18%</b>	<b>-2 944 389</b>
Capital Expenditure: Current Year	1	10 116 098	1 843 563	448.73%	8 272 535
COJ Portfolio - VAT Claim/Payable Account	2	607 221	623 903	-2.67%	(16 682)
Debtors - Other: COJ	3	2 617 806	2 369 349	10.49%	248 456
Debtors - Rentals	4	145 750 444	139 391 082	0%	6 359 362
Doubtful Debts - Provision	5	(73 471 415)	(47 655 156)	54.17%	(25 816 260)
JPC Portfolio Loan Account	6	24 085 912	17 310 461	39.14%	6 775 451
STD/ ABSA Bank: JRA Portfolio Account	7	-	-	0.00%	-
STD/ABSA Bank - Tenant Deposit Account	8	22 300 260	21 067 512	5.85%	1 232 748
<b>Non-current assets</b>		<b>-</b>	<b>-</b>		<b>-</b>
<b>Total Assets</b>		<b>132 006 325</b>	<b>134 950 714</b>		<b>-2 944 389</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>		<b>242 701 931</b>	<b>236 986 969</b>	<b>2.41%</b>	<b>5 714 961</b>
STB COJ Loan Account - Bank Sweeping	9	184 565 394	212 333 012	-13.08%	(27 767 617)
Accruals	10	29 588 659	2 197 531	1246.45%	27 391 127
Receipts In Advance - Rentals	11	10 408 965	11 096 671	-6.20%	(687 706)
Deposits Received: Tenants	12	11 310 950	11 310 950	0.00%	-
Property Portfolio Loan: MOE's	13	86 865	48 806	77.98%	38 059
Prepaid - Deposit received on land sales	14	6 741 098	-	#DIV/0!	6 741 098
<b>Non-Current Liabilities</b>		<b>-</b>	<b>-</b>		<b>-</b>
<b>Total liabilities</b>		<b>242 701 931</b>	<b>236 986 969</b>		<b>5 714 961</b>
<b>Net Assets</b>		<b>-110 695 606</b>	<b>-102 036 255</b>		<b>-8 659 351</b>
Accumulated Surplus/(Deficit)		-110 695 606	-102 036 255	8.49%	-8 659 351
<b>Total Net Assets / Liabilities</b>		<b>-110 695 606</b>	<b>-102 036 255</b>		<b>-8 659 350</b>

**Notes:**

1. From the allocated Capex budget for the 2023 FY, only R10 116 098 from the Portfolio has been spent. All owed amounts relating to the previous financial year have been fully received.
2. The VAT generated by the Portfolio is declared to the COJ each month. The VAT is consolidated in the COJ's VAT return, which is in turn submitted to SARS.
3. This relates to the rental accommodation of Councillors, and Community Participation Projects. It was agreed with COJ that the JPC Portfolio will pay for the monthly rentals for the office space and in turn, the City will refund Portfolio for expenses incurred.
4. Debtors balance per the age analysis and lease register. The provision for bad debts is to be revised and approved by the COJ Council.
5. The current provision for bad debts related to outstanding debtors in the lease register. The bad debts are comprised primarily of informal trading debtors and will be proposed for write-off by Council in the coming financial year.
6. The loan account between JPC and Portfolio for commission and expense transactions between the two sets of accounting records.
7. Portfolio previously collected monies for JRA. The sweeping account that reflected these collections has been consolidated back into the COJ and transferred to JRA.
8. The amount reflects tenant deposits held for active leases including interest that has accrued on the account while the deposits have been held in trust.
9. The sweeping account is in overdraft due to projects that were previously accounted for as CAPEX being reclassified and accounted for as OPEX. The Portfolio only gets reimbursed for CAPEX projects.
10. Related party accruals are still outstanding for security services from JMPD.
11. This item reflects rental paid in advance for 30 years by RMB properties which is allocated on a straight-line basis, with 15 years still remaining on the contract.
12. Tenants' deposits held in the trust account
13. Reflects amounts due to MOEs based on the income received and expenses paid on their behalf. MOE's Rentals are paid into JPC Portfolio Main Account and are normally paid over to MOEs the following month.
14. Deposits received for land sales. The deposit is refunded upon transfer of the land being sold. The transactions are expected to be transferred across Q4 and into Q1 of 2024.

**Section 5: Portfolio Statement of Financial Performance**

			Variance		
Note	2023 YTD	2023 YTD Budget	%	R	Annual Budget
<b>Revenue</b>	<b>78 110 692</b>	<b>96 636 750</b>	<b>-19.17%</b>	<b>-18 526 059</b>	<b>128 849 000</b>
Rent of Facilities and Equipment	1 47 736 198	52 500 000	-9.07%	-4 763 802	70 000 000
Interest Received - Arrear Debtors	2 3 483 181	2 886 750	20.66%	596 431	3 849 000
Other Income	3 -	-	#DIV/0!	-	-
Outdoor Advertising - COJ	4 26 891 312	37 500 000	-28.29%	-10 608 688	50 000 000
Gains on Disposal of Assets	5 -	3 750 000	100.00%	-3 750 000	5 000 000
<b>Total Revenue</b>	<b>78 110 692</b>	<b>96 636 750</b>	<b>-19.17%</b>	<b>-18 526 059</b>	<b>128 849 000</b>
<b>Expenditure</b>					
Contacted Services: Business Advisory	6 1 398 113	22 245 296	-93.72%	-20 847 182	29 660 394
RM: Buildings	7 6 238 224	13 633 205	-54.24%	-7 394 981	18 177 606
Bad and Doubtful Debts	8 -	1 728 750	100.00%	-1 728 750	2 305 000
Advertising, Publicity and Marketing	9 860 162	1 500 000	-42.66%	-639 838	2 000 000
General Expenses	10 449 634	1 500 000	-70.02%	-1 050 366	2 000 000
Internal Recoveries: JPC Commission	11 24 988 611	26 292 750	-4.96%	-1 304 139	35 057 000
Internal Recoveries: Internal Charges - Security	12 9 824 813	30 888 750	-68.19%	-21 063 937	41 185 000
Internal Recoveries: Internal Charges - Legal	13 -	5 071 500	100.00%	-5 071 500	6 762 000
Internal Recoveries: Internal Charges - Cleaning	14 9 513 996	35 109 000	-72.90%	-25 595 004	46 812 000
Depreciation: Other Assets	15 -	435 750	100.00%	-435 750	581 000
<b>Total expenditure</b>	<b>53 273 553</b>	<b>138 405 000</b>	<b>-61.51%</b>	<b>-85 131 447</b>	<b>184 540 000</b>
<b>Surplus/(Deficit)</b>	<b>24 837 138</b>	<b>-41 768 250</b>	<b>159.46%</b>	<b>66 605 388</b>	<b>-55 691 000</b>

**Notes:**

1. COJ Rentals: The overall revenue anticipated from the collection of the rental is 9.07% below the targeted budget. Delays in the approval of reports have resulted in the lease renewal period being longer than the average 3 months it takes for a lease to be renewed. Delays in council approvals for potential new leases have also stifled income received from the rental of facilities and equipment.
2. This item reflects interest charged on overdue tenant accounts. The interest generated on the debtor's accounts is 20.7% above the targeted budget.
3. Other income is derived from servitude rights and income billed for services rendered on behalf of COJ Departments. There was no Income derived from servitudes for the Q3 reporting period.
4. Income derived from the outdoor advertising and promotions is 28.29% below the budget. Collections will improve significantly upon the introduction of the revised outdoor advertising by-laws.
5. No gains on disposal of assets have been recognised for the year-to-date Q3 of 2023 as no properties have been sold.
6. The budget is predominantly utilised for the valuation of properties by JPC's Asset Management. Budget provision has also been allocated for the property verification project that is currently underway. A similar project for outdoor advertising is to be initiated in 2024.
7. This line item relates to repairs and maintenance costs on COJ-owned buildings. Works at public convenience facilities have been a priority in this financial year with additional expenditure anticipated in Q4 as the planned maintenance works continue.
8. No doubtful debts have been written off for the year-to-date.
9. Marketing initiatives were undertaken for the year-to-date position of JPC in the property industry.
10. The expenditure relates to assessment rates, refuse removal, and electricity supply for certain commercial buildings being rented.
11. JPC Commission indicates a saving of 4.96% against the YTD budget. Delay in the conclusion of new leases, lease renewals, servitude registrations, and land sales has resulted in a drop in commission payable to JPC.
12. JMPD provides security services at various informal market facilities across the COJ. A budget has been provided by the COJ for the expense to be accounted for in the Portfolio.
13. Legal services are centralised to COJ Group Legal. For the YTD no legal expenses have been incurred in the Portfolio.
14. Cleaning services are provided by JPC at various informal trading facilities and taxi ranks that are serviced by the Portfolio.
15. No expenditure related to the depreciation of other assets for the year-to-date ending Q3 of 2023.

**Section 6: CAPEX**

Project Name	Approved Budget 2022/23	Adjustment Budget 2022/23	2022/23 YTD Budget	YTD Actuals	YTD Variance	YTD Spend %
Acquisition of Cleaning Equipment	10 000 000	7 500 000	5 625 000	-	5 625 000	0%
Computer Equipment - New Computer Upgrades	5 000 000	-	-	52 650	-52 650	0%
Erf 43-46 Victoria Ext 3(Paterson Park Node) VICTORIA EXT.3 E Regional	2 158 000	2 158 000	1 618 500	-	1 618 500	0%
Metromall Taxi Rank Revitalisation and Waste Management Area Redesign	19 000 000	9 000 000	6 750 000	4 140 404	2 609 597	61%
Marlboro Station Project Land Preparation	-	350 000	262 500	-	262 500	0%
Walter Sisulu Square Upgrade	25 000 000	5 000 000	3 750 000	-	3 750 000	0%
Acquisition of various properties in SOWETO	8 000 000	1 000 000	750 000	464 748	285 252	62%
Office Space Optimisation Program New Precinct Redevelopment JOHANNESBURG F City Wide	20 500 000	9 000 000	6 750 000	5 510 947	1 239 053	82%
Revamping of the Informal Trading Stalls within the Inner City Renewal Operational Capex JOHANNESBURG F Ward	10 000 000	4 000 000	3 000 000	-	3 000 000	0%
Site Development Projects New Land Preparation JOHANNESBURG F City Wide	2 000 000	650 000	487 500	-	487 500	0%
	<b>101 658 000</b>	<b>38 658 000</b>	<b>28 993 500</b>	<b>10 168 748</b>	<b>18 824 752</b>	<b>35%</b>

## **Section 7: Ratios Analysis**

### **PART A – JPC**

#### **LIQUIDITY RATIO**

JPC is currently owed R1.08 billion from trade and intercompany debtors with cash collections in excess of R313.6 million being achieved for the YTD for trade receivables. JPC has a current ratio of 0.96:1 as compared to the norm of 1:1, the ratio has marginally improved from the 2022 financial year-end.

The sweeping account currently reflects a positive R197.2 million with related party loans exceeding R1.15 billion for salary costs are still to be paid to the COJ's Group Finance and Corporate Shared Services for previous and current financial year/s. The reduction in the cash position is the result of JPC receiving limited outstanding monies from the COJ for facilities management services that have been rendered to the COJ.

The cash position is expected to improve as collections for the subsidy and from related parties will stream in the last quarter of the 2023 financial year. Upon the conclusion of the cleaning SLA, JPC will recover costs of R400 million from the COJ's departments for cleaning services provided; this will further enhance the liquidity and solvency of JPC; and it will also give the entity the cash flow to settle the outstanding loan accounts.

#### **DEBTORS COLLECTION PERIOD**

JPC has a debtors' collection ratio in excess of two years for 3<sup>rd</sup> party/external debtors. The collection of third-party debtors has declined significantly due to the timing difference for the receipt of cell mast income and the non-recovery of facilitation fees for the 2019 and 2020 financial years. The debtors' collection ratio for intercompany and related party debtors is 675 days. The intercompany debtors' collection ratio is due to non-payment by COJ departments and other MOEs for services rendered by JPC as well as for cleaning services that are yet to be recovered.

#### **SOLVENCY RATIO**

JPC has a solvency ratio of 1:1 against the norm of 2:1 and is factually solvent, as the financial statements indicate that there are sufficient assets to cover all liabilities, however, the solvency is marginal with a net asset position of only R6.3 million. Given the financial support, and access to cash facilities, JPC remains commercially solvent and will be able to service its operational obligations as they arise. The solvency position is attributable to losses incurred in previous financial years. Increased revenue from facilitation fees and outdoor advertising will bolster the solvency position of JPC.



### **COST COVERAGE RATIO**

Due to the positive cash position of JPC, the cost coverage ratio is positive at 3.22:1. Management has reviewed the cash flows of JPC and will seek to maintain the ratio between 1.5:1 to 2:1 for the remainder of the 2023 financial year and into the 2024 financial year. Surplus cash, if any, will be utilised to settle COJ salary loan accounts.

### **CREDITORS PAYMENT CYCLE**

JPC currently pays service providers and creditors within 30 days, as defined by the MFMA.

### **PART B - CoJ-JPC Portfolio**

#### **LIQUIDITY RATIO**

CoJ-JPC Portfolio has a current ratio of 0.54:1 as compared to the norm of 2:1, with a negative cash flow of R184.6 million for the period under review as compared to a negative cash flow of R212.3 million for the same period in 2022 financial year. Debtors currently owe Portfolio R145.7 million with R73.4 million as a provision for bad debts, predominantly related to informal trading. As the Portfolio represents only the debtors' component of the COJ's property portfolio, debtors account for 55% of the total assets of the Portfolio. The financial risk posed to JPC is substantial as the non-recovery of the outstanding debt has a negative impact on JPC's ability to generate commission.

#### **CASH COLLECTION RATE**

The cash collection cycle is the number of days it takes to collect accounts receivable. The measure is important for tracking the ability of a business to grant a reasonable amount of credit to worthy customers, as well as to collect receivables in a timely manner.

Portfolio's cash collection rate is currently at 11%. The collection rate excludes debt owed from other debtors.

#### **SOLVENCY RATIO**

CoJ-JPC Portfolio has a solvency ratio of 0.54:1 against the norm of 2:1 and is currently insolvent. As the Portfolio has no non-current assets or liabilities the solvency and liquidity ratio will equate to the same ratio. The ratios for the Portfolio are immaterial as the property revenue-generating assets reside in the COJ. JPC is however exploring all avenues to source and grow the revenue generation of the Portfolio.

### **DEBTORS COLLECTION PERIOD**

CoJ-JPC Portfolio collection period is 59 days as compared to the industry norm of 60 days and this takes into account debtors which are deemed irrecoverable. A bad debts report was prepared, and submitted to Core Accounting weekly follow-ups on the said report are performed, as it has to be presented to Mayoral Committee for approval.

### **COST COVERAGE RATIO**

Portfolio has a cost coverage ratio of negative 31.1:1. This is due to a negative sweeping account balance of R185.6 million and average monthly expenditure, historically, being R5.9 million. The Portfolio predominantly utilises its cash for CAPEX spend and recovery from the COJ is dependent on the completion and verification of the projects. Average monthly collection is between R5m – R9m that is sufficient to cover average monthly expenditure.

### **CREDITORS PAYMENT CYCLE**

Portfolio currently pays service providers and creditors within 30 days, as defined by the MFMA.

## **Section 8: Supply Chain Management and BBBEE**

JPC's Supply Chain Management (SCM) is governed by an SCM Policy for goods and services which regulates all SCM Practices. The Policy was approved by the board and is subject to periodic review, every two years or more frequently if required, to ensure that it remains relevant to changed circumstances. The Policy implements the SCM practices as envisaged by the Act and its Regulations

The SCM Policy ascribes to a procurement system that:

- Is fair, equitable, transparent, competitive, and cost-effective in terms of Section 217 of the Constitution of South Africa No 108 of 1996;
- Enhances uniformity in Supply Chain Management systems between organs of state in all spheres;
- Embraces the principles of efficient environmental management; and
- Is consistent with the Municipal Finance Management Act, Municipal Supply Chain Management Regulations, Broad-Based Black Economic Empowerment Act, Preferential Procurement Policy Framework Act, and other Codes promulgated thereunder in the Government Gazette.

## Deviations

### JPC Entity

JPC recorded a deviation relating to the office accommodation. The full impact of the deviation is as follows:

#	Building	Months rentals (incl Vat)	Total
1	CJ Cronje	828 063.42	9 936 761.04
2	137 Daisy Street	1 543 298.65	18 519 583.80
3	Shop No. 8, Wilropark Shopping Centre (Library)	30 054.17	360 650.04
4	Halfway House Library	101 295.59	1 215 547.08
5	Teljoy House	471 656.14	5 659 873.68
6	Fedsure House	98 126.23	1 177 514.76
7	Killarney Mall (489)	6 012.62	72 151.44
8	Traduna Building	968 456.65	11 621 479.80
9	Malvern Plaza - Library	22 791.85	273 502.20
10	Jorrisen Place	2 575 944.54	30 911 334.48
11	ACA Krans	466 875.64	5 602 507.68
12	Horizonview	66 918.72	803 024.64
13	61 Jorissen Place	4 166 139.97	49 993 679.64
14	Heathway Square	108 198.44	1 298 381.28
15	Eureka House	744 836.56	8 938 038.72
	<b>Total</b>	<b>12 198 669.19</b>	<b>146 384 030.28</b>

### City Portfolio

There are no deviations

### Payment within 30 days

JPC and Portfolio currently pay service providers and creditors within 30 days, as defined by the MFMA. This compliance with 30 days is one of the reasons the two accounts are on negative cash flow, as the City departments do not settle the intercompany debts within 30 days.

### Section 9: Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure refers to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure	2023	2022
Opening balance	70 675 888	47 938 553
Current year additions	47 934	22 737 335
Closing balance	<b>70 723 822</b>	<b>70 675 888</b>

For the financial year fruitless and wasteful expenditure increased by R47 934. The incidents that gave rise to the fruitless and wasteful expenditure are as follows:

Item	Category	Description	Disciplinary Status	Amount
1	Court judgements	JPC incurred interest related to court judgements that were issued against the entity and enforced by the Sheriff of the Court for deemed wrongful termination of employees.	To be investigated	47 934

Treasury Guidelines on irregular expenditure provide that this is only recognised when payment pertaining to non-compliance is actually made. Any irregular expenditure determined prior to a payment being made shall only be regarded as non-compliance until the payment is made; at which point the irregular expenditure shall be recorded.

Irregular expenditure	2023	2022
Opening balance	103 196 390	63 137 567
Current year additions	124 511 745	40 058 823
Closing balance	<b>227 708 135</b>	<b>103 196 390</b>

For the financial year irregular expenditure increased by R124 511 745. The incidents that gave rise to the irregular expenditure are as follows:

Item	Category	Description	Disciplinary Status	Amount
1	Fleet services	Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the COJ.	Under review by COJ	14 746 839
2	Non-compliance with MFMA	The expansion/variation of the contracts was more than the allowed 15% per Circular 62 on office accommodation leases.	Ratification provided by EAC	109 764 906

## **Section 10: Pending Litigations and Possible Liabilities**

### **JPC Entity**

None

### **City Portfolio**

Legal action brought by JPC on behalf of COJ

Legal action brought against the COJ and/or against JPC on behalf of the COJ

Issued summonses on behalf of the COJ for arrear payments

## **Section 11: Insurance Claims against/to JPC**

### **JPC Entity**

None

### **City Portfolio**

The insurance claims for portfolio asset is handled by Group Risk and Assurance Services and not JPC

## **Section 12: Statement on Amount Owed By and To Government Departments and Public Entities**

JPC and City Portfolio managed by JPC do not have amounts owed by/to government departments and public entities.



# Chapter 6: Internal and External Audit Outcomes



**Section 1: Results of Internal Audit**

The three-year rolling internal audit plan has been approved by the Board and is reviewed on an annual basis. The 22 planned audit projects are based on the approved audit plan and consist of 19 comprehensive audits, follow-up on AG and Internal audit findings, adhoc project, and probity audit. The audit of Pre-determined objectives and Service Level Standards is done on a quarterly basis.

Quarterly projects	Allocated	Actual completed
Quarter 1	2	Completed
Quarter 2	2	Completed
Quarter 3	2	In Progress
Quarter 4	19	None

**Section 2: Progress on Resolution of Internal Audit Findings**

On a quarterly basis, Internal Audit also conducts a follow-up on the implementation of External and Internal audit recommendations. The internal audit has raised 38 findings and 13 of those findings are repetitive findings (raised in the prior year). The resolution rate for the internal audit findings is 26% (10 of 38 findings).

The breakdown of the unresolved findings is as follows:

Category	Total	Resolved	Not Resolved
Very High	2	0	2
High	16	2	14
Medium	17	8	9
Low	3	0	3
Total	38	10	28

### Section 3: Progress on Resolution of External Findings

The entity has resolved 11 of the 17 AG findings issued for the 2021/22 financial year, thus achieving a 65% resolution rate. The breakdown of the unresolved findings is as follows:

<b>FINANCIAL YEAR</b>	<b>TOTAL FINDINGS</b>	<b>REPEAT FINDINGS</b>	<b>RESOLVED</b>	<b>IN PROGRESS</b>	<b>UNRESOLVED</b>
2017/18	10	0	10	0	0
2018/19	10	0	10	0	0
2019/20	40	0	40	0	1
2020/21	17	0	17	0	0
Total number as at 30 Nov 2022	17	0	11	0	6
Percentage			65%		35%

#	Finding heading	Audit able Section	Management Action Plan	Status per management assertion
1	Failure to prevent fruitless and wasteful expenditure Requirement Per the MFMA section 95 - General financial management functions of accounting officers: 'The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure— (d) - that irregular and fruitless and wasteful expenditure and other losses are prevented;	SCM / FINANCE	The Fruitless and Wasteful expenditure will be investigated and correct internal control deficiencies identified to be implemented if any.	Not resolved
2	MFMA section 95(c) the accounting officer of a municipal entity is responsible for managing the financial administration of the entity; and must for this purpose take all reasonable steps to ensure that the entity has and maintains effective, efficient, economical and transparent systems of financial and risk management and internal control. Furthermore, MFMA section 105(c) states that each official of a municipal entity exercising financial management responsibilities must take all reasonable steps within that official's area of responsibility to ensure that any irregular expenditure, fruitless and wasteful expenditure and other losses are prevented	SCM / FINANCE	The matter will be investigated	Not Resolved
3	Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.	SCM	Management will review every lease contract currently in place to determine whether the requirements of MFMA section 116(3) and circular 62 have been complied with.	Not Resolved
4	SCM reg 19(a) prescribes that a supply chain management policy must specify that goods and services with a transaction value of R 200 000 (VAT included) or long-term contracts may be procured by the municipality or municipal entity only through a competitive bidding process.	SCM	JPC will be going out in the market in December to close this matter as the services are required.  The Procurement process is still underway. The User Department IT had contacted one of the City Municipal Entities, MTC( Metro Trading Company) who are tasked with rendering connectivity services to the entire City to assist in this regard. The service in question that is provided by the service provider is connectivity services, hosting of mail, and fire protection. The two Entities the JPC and the MTC are currently negotiations a service Level Agreement in order for the MTC to , provide a comprehensive Bill of Quantities for all the services required by the JPC, the cost of the services and then the signing of the SLA which will see all these services being moved to MTC.	Not Resolved
5	Failure to prevent fruitless and wasteful and irregular expenditure	SCM /FINANCE	The Fruitless and Wasteful expenditure will be investigated and correct internal control deficiencies identified to be implemented if any.	Not Resolved
6	Inconsistencies the approved business plan between the means of verification on the corporate scorecard and the technical indicator description (TIDs)	AOP O	Management will ensure consistency between the means of verification and TID in the 2022/23 Business Plan.	Not Resolved

#### **Section 4: State of the Internal Controls**

The internal controls systems as designed by management are effectively implemented to provide reasonable assurance that the objectives and goals may be achieved. There was a significant improvement in resolving AGSA findings and the remaining will be resolved in the next quarter. Management is working on resolving internal audit findings, especially OHASA findings.