

## Section 3: Chief Executive Officer's Review



It is with great pleasure that I present the Integrated Annual Report period 01 July 2016 to 30 June 2017. The amount of hard work we have put into the realisation of the company's objectives is reflected in this report. The company continues to register commendable progress in the execution of its mandate. We are building a firm foundation of the approved corporate strategy.

The beginning of this cycle coincided with the start of a new political office term for 2016-2021, a five year Integrated Development Plan (IDP) and a review of the GDS 2040. JPC had an opportunity to review the corporate strategy and business plan to align it with the new administration's 10-Point Plan and Mayoral Priorities applicable to the economic development cluster during the mid-term budget adjustments. JPC was fortunate that there were no major changes that affected the entity. The implementation of the 2013 council resolution that mandated JPC to provide holistic facilities management and maintenance services to all the City department and entities was the challenge that we took with pride and worked tirelessly to deliver on the mandate with the limited resources at our disposal.

Ten outdoor advertising resolutions that were taken during the Indaba in May 2016 were achieved. At first it did not look like these would be achieved but through strong partnership with the development planning department, it was. Seven regional meetings with the public on the draft Outdoor Advertising By-Laws were held and concluded with an industry Outdoor Advertising By-Laws Workshop that was successfully attended. Approval of the By-Laws will assist with the implementation of our transformation strategy. I am pleased to announce that JPC has continued to spend the full allocated R271 million in capital expenditure for the year under review to various projects that were undertaken, compared to R125 million that was fully spent in the prior year that translate to 100% CAPEX spent. Furthermore, JPC achieved 75% of the annual target as highlighted in the company scorecard. During the period under review, we delivered eight projects which included the iconic award-winning Council Chamber, Alex Mall, Phase One of the Riverside View Housing Development which includes Reconstruction and Development Programme (RDP) housing for selected Diepsloot residents among other projects.

JPC's financial statements are not looking good. We incurred a loss of R58 million during the period partly due to the reduction in the subsidy, discounting of debtors, sweeping account interest charge and reversal of previously recognised deferred tax assets among the contributors. The non-payment of related parties' debtors has resulted in a significant increase in loans to shareholders. We are obligated by law to pay our suppliers within 30 days, however, we are experiencing challenges in recovering our money timeously. This non-payment has adversely affected our ratios. We are hopeful that the issue will not recur in the next financial year.

JPC's main source of revenue is the subsidy from CoJ. The subsidy covers the rental expenses for the office accommodation for City departments, including repairs and maintenance of those offices and part of employee costs. The only funding that JPC generates outside CoJ is the third party development fees which is seasonal and based on development contracts concluded in the period. The funding model of JPC is currently being discussed with the shareholder.

Four members of the management team left the JPC during the period under review. One position was filled during the period and the other three positions remain vacant. The vacant positions will be prioritised in the next financial period. An internal audit was executed, and a further series of internal audits were undertaken for the financial year under review. The outcomes of the internal audit reports reflect that the control environment of JPC has continuously improved. All internal audit findings for the year under review, and the prior year's Auditor General audit findings have been cleared as part of the process that is gearing up for the third successive clean audit.

The land strategy is a forward looking strategy. It will direct the City of Johannesburg how to release, dispose, acquire and bank land. It is in its final stages and will be presented to council for approval in the 2017/18 cycle. The public will be consulted prior to finalisation and approval of the strategy.

I would like to extend a special word of thanks to the Board for their guidance and support as JPC continues the pursuit of excellence. Last but not least, I would like to express my sincere appreciation to our competent and dedicated management team and employees for their commitment and tireless efforts at making JPC the incredible organisation that it is.

**HELEN BOTES** | Chief Executive Officer