

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2020.06.25

ITEM A-F (28-2020)

REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP), MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) AND BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP): 2020/21 TO 2022/23

PURPOSE

To submit the Reviewed Integrated Development Plan (IDP), the Medium-Term Revenue and Expenditure Framework (MTREF) and the Built Environment Performance Plan (BEPP) for the 2020/21 to 2022/23 financial years to Council **for approval** in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003).

STRATEGIC OBJECTIVE

Promoting good governance and financial sustainability of the City.

WARDS AFFECTED

All wards.

IDP LINKAGE

Strengthen the tax base and Financial Viability.

EXECUTIVE SUMMARY

The draft IDP and budget were tabled before Council on 18 March 2020 in line with the revised time schedule of key deadlines. **Due to the Covid-19 pandemic** and the subsequent **lockdown** declared by the President on 23 March 2020, the Minister of Cooperative Governance and Traditional Affairs issued directives in terms of section 27(2) of the Disaster Management Act, 57 of 2002 suspending all Council meetings including the IDP and budget process. In line with the directives, municipalities were directed to not convene any meetings, including the IDP community and consultation processes and the consideration and passing of budgets during lockdown or any other extend period of lockdown. The directives caused delay in conducting the public participation process on the tabled budget and IDP, which were scheduled for the month of April 2020.

On 7 May 2020 in Government Gazette 43291, the national Minister of Cooperative Governance and Traditional Affairs published amended regulations directing municipalities to resume budget processes to ensure that IDPs and budgets are approved before the beginning of the 2020/21 budget year. In terms of the amended directions, municipalities were directed to convene meetings of council and committees of council to consider any Council related business, including the adoption of IDP's and budgets. The amended regulations enabled the City to conduct the public participation process on the tabled budget, which took place from 11th May to 8th June 2020.

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The state of disaster and the subsequent lockdown had a material negative impact on the revenue of the City. This necessitated the City to pass a special adjustment budget for the 2019/20 financial year and to revise downwards the 2020/21 tabled budget.

The **final budget** reflects the following totals:

CONSOLIDATED	Amended Budget - MAY'20	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Revenue (excluding capital transfers and contributions)	39,291,012,136	41,745,137,399	45,179,215,102	48,948,645,532
Total Expenditure	39,276,139,446	41,755,973,999	45,178,777,030	48,947,197,334
Surplus/(Deficit)	14,872,690	(10,836,600)	438,072	1,448,198
Cash backed accumulated surplus from EHC	-	10,958,473	-	-
Net Surplus/(Deficit)	14,872,690	121,873	438,072	1,448,198
<i>Transfers and subsidies - capital</i>	2,215,543,860	2,440,665,239	2,448,199,119	2,466,629,664
Surplus/(Deficit) after capital transfers & contributions	2,230,416,550	2,429,828,639	2,448,637,191	2,468,077,862
<i>Taxation</i>	6,842,849	-	-	-
Surplus/(Deficit) after taxation	2,223,573,701	2,429,828,639	2,448,637,191	2,468,077,862
Total Capital Budget	5,000,624,398	4,929,977,645	4,542,239,342	4,520,643,333

The salient features of the table above are as follows:

- For the 2020/21 year, there is a decline in the operating revenue and expenditure and the capital budget between this final and tabled budgets. This is due to the negative impact of the lockdown, which necessitated a downward revision of the tabled budget. Also, there are no increases in the tariffs, **except for** water, electricity and sanitation. These tariffs are outside the control of the City;
- From 2021/22 financial year, the budget increases are relatively higher due to the tariffs increases which will be implemented in line with the CPI as determined by National Treasury in MFMA Budget Circular 99;
- The consolidated operating budget shows a deficit of R10.8 million. However, this is covered by the accumulated previous year cash backed surplus from Ekurhuleni Housing company amounting to R10.9 million, leaving the City with a net surplus of R121 thousands; and
- The consolidated capital budget of the City is increasing at a decreasing rate over the MTREF. This is in line with the affordability levels of the City.

The following attachments will be tabled in Council on the 25th June 2020 as final budget documents:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A Reviewed Integrated Development Plan (IDP).

SECTION TWO: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK AND COST-CUTTING MEASURES

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- Annexure B** Medium Term Revenue and Expenditure Framework – Complete Budget Document as per Municipal Budget and Reporting Regulations and cost cutting efforts (**To be circulated separately**);
- Annexure C** Tariff Schedules; and
- Annexure D** Budget-related Policies and Bye-Laws.

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

- Annexure E** Departmental Service Delivery Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP) – **To be approved in June 2020** after approval of the budget as required by section 53(1)(c)(ii) of the MFMA; and
- Annexure F** Capital Budget per Ward.

SECTION FOUR: BEPP AND SERVICE LEVEL STANDARDS

- Annexure G** Built Environment Performance Plan of the City
- Annexure H** Service Level Standards.
- Annexure I** 2020/21 MTREF Operating Budget per Department.
- Annexure J** Oversight Committees' comments on the tabled MTREF/ IDP (**For noting**).

Contents of the attachments to this report

- Departments refined and set targets for their respective departmental plans which are included in the IDP. The proposals contain results which departments will work towards achieving and to support the achievement of the programmes contained in the GDS 2055. **Annexure A** contains the Reviewed IDP for the 2019/20 financial year. The comments of the public on the 2020/21 MTREF and IDP are also captured in Chapter 6 of the IDP;
- **Annexure B** contains the detailed budget of the City of Ekurhuleni for the 2020/21 MTREF period. It is compiled in line with the Budget Guideline set out by National Treasury in MFMA Circulars 98 and 99. The template supplied by National Treasury was used and it is in the exact format as prescribed;
- **Annexure C** is a complete list of all the various tariff schedules of Council. It includes the major tariff schedules as well as the tariff schedules of other services. A summary of the tariff increases is included in Annexure B as well;
- In terms of the Municipal Budget and Reporting Regulations, Council must consider only the policies with proposed changes as part of the budget process. However, **Annexure D** contains ALL the Budget Related Policies of Council and By-Laws;
- In terms of legislation the Service Delivery and Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP) of Council must be reflected in MBRR Table SA7 as part of Annexure B of the report. For ease of reference the complete document is in **Annexure E**;

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- A detailed Capital Budget which make reference to the ward information is included as **Annexure F**. Though such an annexure is not required in term of legislation, it assists in many ways when the budget is scrutinised during public participation;
- The Built Environment Performance Plan (BEPP) of Council forms the basis of the compilation of the budget which should form part of the approval of the annual budget. The BEPP is contained in **Annexure G** to this report; and
- In terms of the MFMA Budget Circular No 78, it is required from municipalities to submit Service Level Standards of Council as part of the budget. **Annexure H** contains the Services Level Standards;
- **Annexure I** shows the multi-year operating budget of the City and its entities. It indicates the operating revenue by source and expenditure by type for each department; and
- The tabled MTREF and IDP were taken through the Council Oversight Committees for scrutiny and comments. These are included in **Annexure J** of the report.

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DISCUSSION

Section 24 of the MFMA dealing with the approval of annual budgets, inter alia, reads as follows:

- 1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*
- 2) *An annual budget-*
 - a) *must be approved before the start of the budget year;*
 - b) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
 - c) *must be approved together with the adoption of resolutions as may be necessary-*
 - i. *imposing any municipal tax for the budget year;*
 - ii. *setting any municipal tariffs for the budget year;*
 - iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - iv. *approving any changes to the municipality's integrated development plan; and*
 - v. *approving any changes to the municipality's budget related policies.*
- 3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury within 10 days after approval.*

PROCESS FOLLOWED

The compilation of the tabled budget and the reviewing of the municipality's integrated development plan and budget-related policies started already 10 months before the begin of the 2020/21 financial year when the report regarding the key deadlines was submitted to Council for approval on the 25th July 2019. The tabling of the Schedule of Key Deadlines is required in terms of section 21(b) of the MFMA. The budget was tabled to Council on the 18th March 2020 in line with the approved schedule of key deadlines.

In the table of key deadlines, Council also approved the tabling of the 2020/21 MTREF and other budget related documents in **February 2020**. However, in terms of section 16(2) of the MFMA, the annual budget should be tabled at **least 90 days** before the start of the financial year. **The 90 days was the end of March 2020.**

Council opted for earlier tabling in order to allow for sufficient time (two months) for the public consultation process as well as for Council Oversight processes.

Subsequent to the mid-year engagement with National Treasury at a meeting held on the 04th February 2020, National Treasury issued a letter dated 12 February 2020 indicating the challenges with earlier tabling of the budget. The challenges included:

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- The tabling of the national budget and allocations later in February 2020, after the planned tabling of the budget by Council; and
- The pronouncements on the water and sanitation tariffs later in February 2020.

The abovementioned factors mean that there would be **vast differences** between the budget to be taken for public participation and the budget to be approved in May 2020, which will undermine the public consultation process.

Based on the concerns mentioned above, **it was recommended to Council that the 2020/21 budget be tabled on the 18th March 2020**. This was in line with the legislative requirements of section 16(2) of the MFMA.

Subsequently, the draft IDP and budget were tabled before Council on 18 March 2020 in line with the revised time schedule of key deadlines. Meantime, the COVID-19 pandemic was spreading in the country. The spread resulted in the President declaring the national State of Disaster (in terms of the national Disaster Management Act, 57 of 2002) and the **lockdown** of the country on the 23rd March 2020. Later, the Minister of Cooperative Governance and Traditional Affairs issued directives in terms of section 27(2) of the Disaster Management Act, 57 of 2002 suspending all Council meetings including the IDP and budget process. In line with the directives, municipalities were directed to not convene any meetings, including the IDP community and consultation processes and the consideration and passing of budgets during lockdown or any other extend period of lockdown.

On 7 May 2020 in Government Gazette 43291, the national Minister of Cooperative Governance and Traditional Affairs published amended regulations directing municipalities to resume budget processes to ensure that IDPs and budgets are approved before the beginning of the 2020/21 budget year. In terms of the amended directions, municipalities were directed to convene meetings of council and committees of council to consider any Council related business, including the adoption of IDP's and budgets. The amended regulations enabled the City to conduct the public participation process on the tabled budget, which took place from 11th May to 8th June 2020.

The state of disaster and the subsequent lockdown had a material negative impact on the revenue of the City. This necessitated the City to pass a special adjustment budget for the 2019/20 financial year and to revise downwards the 2020/21 tabled budget.

DRAFT 2020/21 INTEGRATED DEVELOPMENT PLAN AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

BACKGROUND

Section 25 of the Municipal Systems Act, 32 of 2000 requires that Municipalities in South Africa develop 5 year strategic plans (IDP's) and review these plans annually in terms of section 34. The IDP must align the resources and the capacity of a municipality to its overall development aims and guide the budget of the municipality. The alignment of the budget with the IDP has been achieved through the development of the City's IDP Strategic Objectives which are aligned to the City's long term plan (GDS 2055). The GDS 2055 is itself aligned to Provincial and National Plans (including the National Outcomes as outlined in the MTSF and the IUDF amongst other). The IDP Strategic Objectives are as follows:

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GDS 2055	IDP Strategic Objectives
Re-urbanize: To achieve urban integration.	Strategic Objective 1 To promote integrated human settlements through massive infrastructure and services roll out.
Re-govern: To achieve effective cooperative governance.	Strategic Objective 2: To build a clean, capable and modernised local state.
Re Mobilize: To achieve social empowerment.	Strategic Objective 3: To promote safer, healthy and socially empowered communities.
Re-Generate: To achieve environmental well-being.	Strategic Objective 4: To protect the natural environment and promote resource sustainability.
Re-Industrialize: To achieve job creating economic growth.	Strategic Objective 5: To create an enabling environment for inclusive growth and job creation.

Amendments to the Integrated Development Plan

This review resulted in some amendments to the approved IDP. The following amendments were made to the IDP:

- The situational analysis was amended to reflect the current economic realities of Ekurhuleni as identified in the Industrial Development Strategy;
- The chapter on intergovernmental alignment has been reviewed to include the State of the Nation Address (SONA) 2019, State of the Province Address (SOPA) 2019, National Budget Speech 2019 as well as the municipality's response to the MEC's comments on the 2016-2021 IDP;
- Based on the engagement with ward committees on the ward development priorities held in September 2019 the public participation chapter has been reviewed to accommodate the changes;
- The chapter on the City's Strategic Framework was updated to include additional mayoral priorities for the term, i.e, the Ekurhuleni Botanical Gardens, Ekurhuleni Grand Prix Race Course and the Ekurhuleni Zoo;
- The chapter on Public Participation was updated to reflect the consultation processes that were conducted for the tabled IDP and MTREF budget;
- The chapter on the IDP performance scorecard has been amended to reflect the current delivery realities and anticipated performance for the rest of the term;
- The chapter on the financial plan was amended to reflect the current MTREF policy statement and guidelines, local government grants and additional allocation, financial management reforms and the MTREF summary; and
- The chapter on the Disaster Management was updated to reflect the current mechanisms put in place to address the COVID 19 pandemic.

The reviewed Integrated Development Plan is contained in **Annexure A** of the attached report

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Budget Steering Committee

The Budget Steering Committee (BSC) has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations. The Budget Steering Committee (BSC) is chaired by the MMC: Finance, ICT and Economic development and comprises the MMCs of the major infrastructure departments, namely Energy, Water and Sanitation, Transport and Human Settlements. Extended BSC meetings were held to include all the departments within the City and its entities. The main function of the BSC is to give strategic guidance on the compilation of the IDP, Budget and BEPP. This ensures that the budget is aligned to the national, provincial and sector priorities as well as the GDS 2055 grand plan.

The revised tabled budget was submitted and considered by the Budget Steering Committee prior to submission to Mayoral Committee and eventually to Council.

Meetings of the Oversight Committees

As mentioned in the preceding sections, the national state of disaster and lockdown regulations delayed the participation process on the tabled budget. This delay affected the oversight processes as well. These processes eventually took place from the 1st to the 3rd June 2020.

The inputs and comments of the Oversight Committees are attached in **Annexure J** of the report. These have been taken into consideration on finalisation of the budget/ IDP.

FINAL BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2018/19 AND CAPITAL INVESTMENT FRAMEWORK (CIF) APPROVAL

The 2020 Division of Revenue Act (DoRA) stipulates that the City of Ekurhuleni must submit Council approved final BEPP with IDP and budget to National Treasury by 31 May 2020. However, similar to the tabling of the 2020/21 budget and IDP, this date was affected by the Disaster Management Act regulations issued by the national Minister of Cooperative Governance and Traditional Affairs on the 7th May 2020.

Submission of Council approved BEPP is legislative eligibility for the City of Ekurhuleni to receive infrastructure grants that are related to the environment. The grants are Urban Settlement Development Grant (USDG), Integrated City Development Grant (ICDG), Human Settlements Development Grant (HSDG), Public Transport Network Grant (PTNG), Neighbourhood Development Partnership Grant (NDPG) and Integrated National Electrification Grant (INEG).

The BEPP encompasses the capital investment framework in its function to strategically and spatially guide, co-ordinate and align the municipal budget across all sectors. The CIF is a legislative requirement in terms of the Spatial Planning and Land Use Management Act, 2013, and the Municipal Planning and Performance Management Regulations, 2001 as promulgated in terms of the Municipal Systems Act.

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The BEPP/CIF is in line with the Spatial Development Framework (SDF), which is a chapter in the IDP. The capital prioritization model is an instrument utilized in the implementation of the CIF in alignment with the annual budget process set out by the CoE Finance Department in order to strategically prioritize the multi-year capital budget.

The purpose of BEPP is to assist CoE to achieve built environment outcomes of productive, sustainable, inclusive and well-governed city. The BEPP approach is based on spatial targeting, the integration of key sectors (economic, transport and housing), co-ordination, and fiscal alignment and governance that should result in triggering long-term spatial transformation and facilitating economic growth. It has evolved over the years from identification of Integration Zones, catalytic projects, intergovernmental project pipeline to actually demonstrating progress in implementing the planning strategy. Therefore, 2020/21 BEPP provides overview of progress in implementation of programmes within Integration Zones.

The CIF through Capital Prioritisation Model (CPM) support spatial targeting planning rational by targeting investment on prioritised Integration Zones and Geographic Priority Areas. It guides the spatial and strategic prioritization of the municipal capital budget in alignment with the annual multi-year capital budget evaluation process and in accordance with the CoE's overarching strategies.

The CoE has to a large extent adhered to 2020/21 BEPP guidelines as issued by National Treasury. It is compiled from a range of current Ekurhuleni planning and strategy documents and is thus not a new plan, but is rather a re-packaging' of existing plans and information into a digestible, measurable format as required by National Treasury.

KEY ASPECTS CONTAINED IN THE PROPOSED FINAL BUDGET

In terms of the budget regulations Council must give reasons if the draft budget tabled to Council is changed when the budget is submitted for final approval. The draft operating budget has to be changed due to the following factors:

Changes in the operating revenue budget

The declaration of the national lockdown had a **severe negative impact on economic activity** in the country and the local economy of the City in that;

- There is material under collection of revenue;
- Consumption of municipal services declined significantly as many sectors of the economy were locked down;
- Some consumers were severely affected and may not be able to pay for their services; and
- The lockdown is expected to continue into the new financial year.

These factors necessitated the City to revise its 2020/21 revenue projections downwards. The specific factors affecting revenue projections are:

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- It is proposed that no CPI linked tariff increases be effected on the assessment rates, refuse removal, cemeteries and other sundry services **except for** water, electricity and sanitation. These three services are outside the control of the City;
- Reversal of revenue amounting to R40.0 million from proposed policy change of limiting FBE to households with property values of R750 000.00 and less by Energy Department;
- Investment income will decline as some investments in sinking funds will mature during the financial year; and
- The grants from national and provincial governments increase slightly as were gazetted.

The net effect of the above is **a reduction in operating revenue by R957.5 million.**

Changes in the operating expenditure budget

As the operating revenue budget has decreased, the related operating expenditure budget was decreased accordingly. The operating expenditure was decreased due to the following factors:

- It is proposed that there be **no increases in salaries of Councillors, management and all staff** as well as **no performance bonus payments** to eligible management. This position will be tabled in the Local Labour Forum (LLF) and the Local Government Bargaining Council (LGBC);
- Due to anticipated lower collection rate (90 percent instead of the tabled 94 percent), debt impairment is increased accordingly;
- Finance charges are reduced due to lower uptake of the borrowings as well as redemption of a portion of the loans in the new financial year; and
- Reduction of some operating costs due to the lockdown of some sectors of the economy as well as cost containment measures as required by National Treasury Cost Containment Regulations.

The effect of the above is a **net reduction in projected operating expenditure amounting to R946.5 million.** Overall, the City is showing a consolidated operating deficit of R10.8 million originating from the operations of the Ekurhuleni Housing Company (EHC). However, this is covered by the accumulated previous year cash backed surplus from Ekurhuleni Housing Company amounting to R10.9 million. This cash is the unspent grant from the previous year.

SUMMARY OF TARIFF INCREASES FOR MAIN MUNICIPAL SERVICES

It is proposed that there be **no increase in the assessment rates.** A number of expenditure items funded from this revenue source are not increased either due to the lockdown as well as cost containment regulations.

The **electricity tariff** increases range between 5.93% percent and 8.76% for City's residents, depending on consumption whilst bulk purchases is increasing with 6.9%. These are final figures as approved by NERSA.

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The **water tariff** increases by 15%. This takes into account the costs of water purification, energy costs, the costs of chemicals as well as the Water Research levy to be collected by Rand water in terms of Water Research Act. 1971. The levy is 0.76 percent percent of purchases.

The **sanitation** tariff increase by ERWAT is 11 percent due to increases in prices of chemicals, expansion costs, labour costs and CPI.

Refuse removal tariff increase is proposed to be zero percent for all users. This is largely based on the increase of the main cost drivers of the service such as oil and lubricants, fuel and diesel and labour.

It is proposed that there **be no increase in all sundry tariffs**.

The following table reflects the multi-year tariff assumptions for the 2020/21 MTREF for the major services rendered:

Tariff type	2019/20 Proposed tariff increase	2020/21 Proposed tariff increase	2021/22 Proposed tariff increase	2022/23 Proposed increase tariff
	%	%	%	%
Property rates	7.5	0.0	0.0 (Valuation implementation)	4.6
Sanitation	11.0	11.0	11.0	11.0
Refuse removal	7.5	0.0	4.6	4.6
Water	15.0	15.0	15.0	15.0
Electricity	13.07 to 13.87	Ranges between 5.93% and 8.76%	Ranges between 5.93% and 8.76%	Ranges between 5.93% and 8.76%

The financial sustainability of the 2020/21 MTREF is largely dependent on the collection level of billed income. Due to the impact of COVID-19 and the lockdown regulations, provision is made for a lesser **collection level of 90 percent as opposed to the tabled 94 percent**. To achieve this collection level, the City will have to implement more robust credit control measures and enhance its revenue streams.

In order to sustain the services rendered to our community, the **repair and maintenance** budget is projected at approximately **R3.04 billion** and is **4.53** percent of the projected value of Property, Plant and Equipment.

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This amount excludes internal labour costs on repairs and maintenance, which is budgeted under employee costs in terms of the revised mSCOA requirements. This ratio is less than the National Treasury **norm of 8.0 percent and is based on affordability and repairs and maintenance plans of the City.**

In terms of Council's social commitment to its pro-poor agenda, provision was also made for the **supply of free basic services and social contributions** to identified structures in the City.

All residential owners will continue to receive **assessment rate exemption** on the value of their homes. The first R150 000 is exempted for assessment rates. Various other grants on assessment rates, such as pensioners' rebate, rebate to low income people, properties zoned for religious purposes, will continue in the new year.

The following **policies relating to the provision of free basic services** have been reviewed:

- The free basic electricity policy remains at 100kWh for all indigent households within the City. This policy requires further review in the coming years to bring it in line with national policy, which provides that free electricity be limited to 50kWh for indigent households only; and
- Provision is made in the policy for objections and appeals to be raised by dissatisfied applicants to indigency. The Appeal Board is internal and the City Manager will be the final arbiter to the appeals.

Annual Budget Assessment and Benchmarking with other metros conducted by National Treasury

National Treasury annually conducts a benchmarking exercise on the budgets of municipalities prior to tabling for approval by respective municipal councils. The benchmarking exercise with the City was held on the 14th May 2020 and National Treasury made the following conclusions on the City's 2020/21 tabled MTREF:

- *Credibility*
 - Budget assumptions are credible and revenue estimates are realistic;
 - Budget funded over the MTREF; and
 - The 2020/21 MTREF financial year is a challenging year with the *mSCOA* implementation for all municipalities. The progress made by the City is noted.
- *Relevance*
 - Public participation process in place and functional;
 - Budget alignment to the SDF, IDP and BEPP;
 - Joint planning, engagements with other spheres of government and parastatals in good stead; and
 - Evidence of alignment of the capital budget.
- *Sustainability*
 - Cash flow sustainable over MTREF;
 - Adequate cash backed reserves; and
 - Positive cash coverage.

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2020/21 MTREF OPERATING BUDGET (CONSOLIDATED)

The following table is a summary of the 2020/21 proposed MTREF operating budget. The details of the operating revenue by source and expenditure by type per department are shown in **Annexure I**.

	2019/20 Budget approved in May 2020	2019/20 - YTD as at end of May 2020	2020/21 Final Budget	2021/22 Final Budget	2022/23 Final Budget
CONSOLIDATED	R	R	R	R	R
Revenue By Source					
Property rates	6,140,478,219	5,147,698,878	6,140,478,219	6,422,940,215	6,718,395,467
Service charges	22,855,235,937	20,512,419,903	25,954,543,149	28,285,905,477	30,861,400,584
Rental of facilities and equipment	123,464,661	118,224,387	126,584,561	129,316,177	132,197,898
Interest earned	995,955,110	756,434,527	626,535,501	629,112,777	631,904,893
Dividends received	-	95,246	-	-	-
Fines, penalties and forfeits	579,503,941	102,970,492	579,684,671	579,684,671	579,684,671
Licences and permits	250,022,969	221,876,270	250,023,261	250,023,261	250,023,261
Transfers and subsidies	5,189,933,271	4,321,542,647	4,864,636,645	5,216,645,301	5,696,790,251
Other revenue	3,156,418,028	2,947,542,564	3,202,651,392	3,665,587,223	4,078,248,507
Total Revenue (excluding capital transfers and contributions)	39,291,012,136	34,128,804,914	41,745,137,399	45,179,215,102	48,948,645,532
Expenditure By Type					
Employee related costs	9,311,903,128	8,454,175,451	9,754,167,674	10,589,143,831	11,484,774,776
Remuneration of councillors	142,795,066	124,914,162	142,795,066	154,218,672	166,556,167
Debt impairment	2,989,213,301	2,110,570,609	3,073,502,136	3,386,998,276	3,525,024,372
Depreciation & asset impairment	2,203,918,615	2,040,659,645	2,354,666,981	2,517,844,099	2,841,869,263
Finance charges	869,054,085	867,652,802	1,128,804,896	1,206,325,987	1,279,989,727
Bulk purchases	15,083,038,109	13,061,353,328	16,850,921,749	18,362,200,272	20,030,041,753
Other materials	2,030,069,519	1,653,201,101	2,088,696,487	2,226,802,505	2,392,972,201
Contracted services	4,756,497,647	3,441,381,324	4,482,179,533	4,718,738,413	5,048,073,343
Transfers and subsidies	646,599,532	453,192,828	676,942,794	711,421,125	777,247,447
Other expenditure	1,227,743,123	1,022,736,596	1,190,296,683	1,291,381,850	1,386,206,377
Loss on disposal of PPE	15,307,321	2,369,334	13,000,000	13,702,000	14,441,908
Total Expenditure	39,276,139,446	33,232,207,181	41,755,973,999	45,178,777,030	48,947,197,334
Surplus/(Deficit)	14,872,690	896,597,733	(10,836,600)	438,072	1,448,198
Cash backed accumulated surplus from EHC	-	-	10,958,473	-	-
Net Surplus/(Deficit)	14,872,690	896,597,733	121,873	438,072	1,448,198

The factors contributing to the decline in the operating revenue and expenditure in the 2020/21 budget were elaborated in the preceding section.

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ITEM A-F (28-2020)

2020/21 MTREF CAPITAL BUDGET PER DEPARTMENT (CONSOLIDATED)

The Capital Budget of **R4.9 billion** for 2020/21 is **1.4% less** when compared to the 2019/20 Adjusted Budget of R5 billion. Entities are also included in the Capital Budget of R4.9 billion. The multi-year capital budget per project and per ward is contained in **Annexure F**.

Department	Adjusted Budget 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%	Budget Year 2022/23	%
Chief Operating Officer	47,800,000	0.96%	70,140,000	1.42%	66,000,000	1.45%	66,000,000	1.46%
City Manager	50,000	0.00%		0.00%		0.00%		0.00%
City Planning	550,000	0.01%	300,000	0.01%	300,000	0.01%		0.00%
Communication and Brand Management	25,000	0.00%	2,525,000	0.05%	5,025,000	0.11%	7,500,000	0.17%
Corporate Legal Services	133,205	0.00%	55,000	0.00%		0.00%		0.00%
Council General	323,821,106	6.48%	291,247,572	5.91%	212,567,852	4.68%	160,156,473	3.54%
Disaster & Emergency Management Services	67,951,961	1.36%	106,700,000	2.16%	83,000,000	1.83%	68,000,000	1.50%
Economic Development	46,780,000	0.94%	116,600,000	2.37%	135,500,000	2.98%	68,000,000	1.50%
Ekurhuleni Metro Police Department	83,528,198	1.67%	77,038,500	1.56%	97,152,000	2.14%	106,252,000	2.35%
Energy	627,764,653	12.55%	503,790,800	10.22%	440,041,600	9.69%	501,437,600	11.09%
Environmental Resources & Waste Management	230,869,098	4.62%	274,300,000	5.56%	197,150,000	4.34%	234,010,000	5.18%
Executive Office	181,247	0.00%	500,000	0.01%	500,000	0.01%		0.00%
Finance	270,000	0.01%	170,000	0.00%	150,000	0.00%		0.00%
Health and Social Development	2,632,868	0.05%	4,260,000	0.09%	9,400,000	0.21%	4,725,000	0.10%
Human Resources Management	150,000	0.00%	75,000	0.00%	75,000	0.00%	75,000	0.00%
Human Settlements	1,120,054,444	22.40%	726,439,000	14.74%	786,702,719	17.32%	870,196,627	19.25%
Information and Communication Technology	646,307,858	12.92%	632,319,768	12.83%	399,080,000	8.79%	344,350,000	7.62%
Internal Audit	30,000	0.00%	20,000	0.00%	20,000	0.00%		0.00%
Real Estate	76,148,381	1.52%	238,362,914	4.83%	214,520,000	4.72%	173,734,900	3.84%
Risk Management	9,500	0.00%	10,000	0.00%	10,000	0.00%		0.00%
Roads and Stormwater	397,698,208	7.95%	452,248,075	9.17%	388,626,378	8.56%	403,596,000	8.93%
Sport Recreation Arts and Culture	40,779,678	0.82%	75,289,030	1.53%	82,228,000	1.81%	87,860,800	1.94%
Strategy & Corporate Planning	120,000	0.00%	10,000	0.00%	10,000	0.00%	10,000	0.00%
Transport Planning & Provision	491,659,808	9.83%	478,206,300	9.70%	435,292,306	9.58%	432,542,306	9.57%
Water and Sanitation	644,304,805	12.88%	668,941,764	13.57%	768,250,000	16.91%	733,328,704	16.22%
Brakpan Bus Company (BBC)	133,488	0.00%	3,344,391	0.07%	3,454,957	0.08%	3,634,435	0.08%
Ekurhuleni Housing Company (EHC)	5,235,371	0.10%	1,084,531	0.02%	1,183,530	0.03%	1,313,488	0.03%
ERWAT	145,635,521	2.91%	206,000,000	4.18%	216,000,000	4.76%	253,920,000	5.62%
Total	5,000,624,398	100%	4,929,977,645	100%	4,542,239,342	100%	4,520,643,333	100%

For 2020/21 an amount of R2.105 billion has been appropriated for the development of infrastructure which represents 42.70% of the total Capital Budget. In the outer years, this amount totals R2.010 billion, 44.25% and R2.126 billion, 47.04% respectively for each of the financial years. Infrastructure development relates to roads and stormwater, electricity, water and wastewater management, and waste management. According to National Treasury, Housing has now been classified as Investment Properties and Transport as Transport Assets and not Infrastructure.

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2020/21 MTREF CAPITAL BUDGET PER SOURCES OF FUNDING

Source Of Finance	Adjusted Budget 2019/20	%	Budget Year 2020/21	%	Budget Year 2021/22	%	Budget Year 2022/23	%
EHC SHRA	1,500,000	0.03%		0.00%		0.00%		0.00%
External Loans	2,212,497,654	44.24%	1,976,039,247	40.08%	1,581,987,796	34.83%	1,544,769,436	34.17%
Intergrated City Development Grant (ICDG)	54,295,000	1.09%	53,577,000	1.09%	53,023,000	1.17%	56,064,000	1.24%
Intergrated National Electrification Programme (INEP)	8,302,337	0.17%	-	0.00%	-	0.00%	-	0.00%
Neighborhood Development Partnership Grant (NDPG)	94,092,340	1.88%	75,000,000	1.52%	70,086,000	1.54%	45,000,000	1.00%
SRAC Provincial Grant	8,663,989	0.17%	8,500,000	0.17%	8,500,000	0.19%	9,000,000	0.20%
Public Transport Network Grant (PTNG)	412,825,274	8.26%	358,000,000	7.26%	359,000,000	7.90%	370,000,000	8.18%
Revenue	578,953,885	11.58%	513,273,159	10.41%	512,052,427	11.27%	509,244,233	11.26%
Urban Settlement Development Grant (USDG)	1,629,493,919	32.59%	1,945,588,239	39.46%	1,269,523,119	27.95%	1,257,500,664	27.82%
Informal Settlement Upgrading Partnership Grant (ISUPG)		0.00%		0.00%	688,067,000	15.15%	729,065,000	16.13%
Total	5,000,624,398	100%	4,929,977,645	100%	4,542,239,342	100%	4,520,643,333	100%

The Capital Budget will be funded as follows:

- **USDG** grant to be based on Housing Department's integrated planning and funding strategy and in compliance with the USDG framework;
- **ISUPG** to be introduced in 2021/22 from a portion of the USDG
- **Other grant funding** to be used to fund social projects that will not necessarily generate revenue;
- **External Loans** to be used to fund economic infrastructure that will stimulate economic growth and job creation; and
- **Cash generated from revenue** will be used to fund movable assets

The tables above show a decline in the capital budget over the MTREF. The decline is attributable to:

- Uncertainty in the bond/ borrowing market and the lockdown makes the lenders extra cautious in their lending practices;
- The down grading of the country's rating to "junk investment status" means that borrowings will be obtained at a much higher cost than initially planned, and/ or planned borrowings will not be obtained due to uncertainty in the market; and
- Lower than expected collection levels are affecting the ability of the City to fund the capital budget from own revenue.

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SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The Strategy and Corporate Planning Department compiled, in collaboration with all the departments, the Service Delivery Budget Implementation Plans of each department will be attached as **Annexure E** to this report. As mentioned above, this Annexure will be tabled towards the end of June 2020.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The approval of the IDP and Budget in June 2020 will ensure compliance with Section 24 of the MFMA.

COMMUNICATION IMPLICATIONS

The delivery and approval of the budget to the community is widely communicated by Marketing and Brand Management Department. The approved document will also be distributed as per the required legislation, which includes, inter alia the City of Ekurhuleni's website and other social platforms as permitted by the regulations to the Disaster Management Act.

OTHER DEPARTMENTS/ BODIES CONSULTED

The Strategy and Corporate Planning Department was involved in the development of the proposals for the reviewed IDP section of the report. The City Planning Department is responsible for compilation of the Built Environment Performance Plan.

All the departments in the City contributed to the budget formulation.

RECOMMENDATION

On 25th June 2020, the Executive Mayor tables to the City of Ekurhuleni's Council the 2020/21 MTREF in terms of section 16(2) of the MFMA. The Council will consider the following **resolutions**:

1. **That** the Council of the City of Ekurhuleni, acting in terms of section 24 of the Municipal Finance Management Act (MFMA, Act 56 of 2003), **NOTES** the 2020/21 MTREF, IDP and BEPP of the City and the entities for the financial year 2020/21 and the multi-year and single-year capital appropriations.

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2. **That** the Council of the City of Ekurhuleni **APPROVES** and **ADOPTS** the 2020/21 MREF, IDP and BEPP as well as the budgets of municipal entities.
3. **That** the Council of the City of Ekurhuleni **APPROVES** and **ADOPTS** the budget-related documents as contained in **Annexures A to I** of the report.
4. That Council **NOTES** the comments from the Oversight Committees on the tabled 2020/21 MTREF and revised IDP as contained in **Annexure J**.
5. To guide the implementation of the municipality's annual budget, the Council of the City of Ekurhuleni **APPROVES** the amended (and new) policies and BY-Laws as set out in the Annexures of this document.

Annexure D1	Medium - term Budget Statement Policy (reviewed)
Annexure D2	Pricing Policy Statement (reviewed)
Annexure D3	Property Rates Policy (reviewed)
Annexure D4.1	Provision of Free Basic Electricity Policy (reviewed)
Annexure D4.2	Provision of free Basic Water supply services (reviewed)
Annexure D5	Waste Management Tariff Policy (reviewed)
Annexure D6	Consumer Deposit Policy (reviewed)
Annexure D7	Indigent Support Policy (reviewed)
Annexure D8	Credit Control & Debt Collection Policy (reviewed)
Annexure D9	Provision for Doubtful Debt and Debt Write-Off Policy (reviewed)
Annexure D10	Budget Implementation and Monitoring Policy (reviewed)
Annexure D11	Municipal Entity Financial Support Policy (remains unchanged)
Annexure D12	Accounting Policy (reviewed)
Annexure D13	Electricity Metering for Residential and business Customers (reviewed)
Annexure D14	Policy for the vending of pre-paid electricity (remains unchanged)
Annexure D15	Policy for Correction of Meter Reading and Billing Data (reviewed)
Annexure D16	Electricity Tariff Policy (reviewed)
Annexure D17	Virements Policy (reviewed)
Annexure D18	Consumer Agreement (reviewed)
Annexure D19	Supply Chain Management Policy (reviewed)
Annexure D20	Treasury Policy (remains unchanged)
Annexure D21	Allocation of Grant-in Aid (reviewed)
Annexure D22	Asset Management Policy (remains unchanged)
Annexure D23	Cost Containment Policy (reviewed)
Annexure D24	Policy for the wheeling of Electricity (new)
Annexure D25	Policy guideline for Small-scale Embedded generation (reviewed)

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Annexure D26 Ekurhuleni Community Enterprise Development Fund Policy
(new)

6. **That** the municipality **BE PERMITTED** to enter into long-term borrowings for the funding of the capital programmes in respect of the 2020/21 financial year, limited to an amount of R1.97 billion, 2021/22 financial year limited to an amount of R1.58 billion and 2022/23 financial year limited to an amount of R1.54 billion, in terms of Section 46 of the Municipal Finance Management Act.
7. **That** the taking up of an external loan of R1.97 billion to fund the 2020/21 Capital Budget **BE APPROVED** for a term of 10 to 15 years and that a further report be submitted to Council to give feedback on the public comments received in this regard before the transaction is finalised.
8. **That** the City Manager **BE AUTHORISED** to sign all necessary agreements and documents to give effect to the above lending programme.
9. **That**, in order to facilitate multi-year budgeting, departments **BE AUTHORISED** to commit projects on the 2021/22 and 2022/23 budgets, on both internal and confirmed external funding sources.
10. That authority **BE GRANTED** to the City Manager and the Chief Financial Officer, to negotiate a bridging finance to a maximum amount of R200m, in respect of bank overdraft facilities and/or the raising of short-term loans, including loans at call from Council's bankers, for the financial year ending 30 June 2021 in order to finance temporarily (within a period of one year) –
 - Expenditure on the Capital Budget; or
 - Expenditure on the Operating Budget incurred in anticipation of the receipt of revenue estimated and from which the expenditure would have been defrayed.