

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

2021.03.25

ITEM A-F (19-2021)

**DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) AND
REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP): 2021/22 TO 2023/24**

1. PURPOSE

To submit the Draft Medium-Term Revenue and Expenditure Framework (MTREF) and the Reviewed Integrated Development Plan (IDP) for 2021/22 to 2023/24 to Council for consideration in terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003). A separate Built Environment Performance Plan (BEPP) is no longer a legal requirement hence its exclusion from the documents to be tabled.

2. STRATEGIC PRIORITY

To promote good governance and financial sustainability of the City.

3. WARDS AFFECTED

All wards

4. IDP LINKAGE

Good governance

5. EXECUTIVE SUMMARY

The impact of higher levels of lockdown restrictions had a negative impact on economic activity. The City had **two special adjustment budgets** in the current financial year, in September and October 2020. In these special adjustment budgets, the City had to review its affordability levels and fit its operating and capital expenditures within the affordability levels. This necessitated reprioritisation of expenditure, and containing costs in non-essential services. Hard choices and trade-offs had to be made.

The draft MTREF and the reviewed IDP is tabled to Council on the 24th March 2021 in accordance with requirements of section 16 of the Municipal Finance Management Act (i.e. at least 90 days before the beginning of the new budget year). The intention of the tabled documents is for Council to **note** the draft budget, the draft IDP, the draft budget-policies and the draft tariffs for the public consultation process to commence in accordance with Chapter 4 of the Municipal Systems Act read with sections 22 and 23 of The MFMA.

The **consolidated 2021/22 draft MTREF budget** (including entities) reflects the following totals:

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

2021.03.25

ITEM A-F (19-2021)

CONSOLIDATED	2020/21 Adjusted Budget	2020/21 YTD Actual Feb 2020/21	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Total Revenue (excluding capital transfers and contributions)	42,067,400,833	26,642,307,245	42,864,770,454	46,088,361,317	49,266,097,883
Total Expenditure	41,947,400,833	25,775,254,650	42,513,370,503	45,722,208,262	48,883,839,752
<i>Surplus/(Deficit)</i>	120,000,000	867,052,595	351,399,951	366,153,055	382,258,131
Total Capital Budget	4,337,135,702		3,963,836,584	4,035,114,173	4,099,388,535

The table above shows operating surpluses of R351.3 million, R366.1 million and R382.2 million in 2021/22, 2022/23 and 2023/24, respectively. Budgeted capital expenditure is kept within the R4.0 billion affordability level in 2021/22 and slightly above in the two outer years.

The following attachments are provided:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A Draft Reviewed Integrated Development Plan (IDP)

SECTION TWO: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure B Draft Medium-term Revenue and Expenditure Framework – Complete Budget Document as per Municipal Budget and Reporting Regulations;

Annexure C Draft Tariff Schedules;

Annexure D Draft Budget-related Policies

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Annexure E1: Draft Departmental Service Delivery and Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP);

Annexure E2: Draft City-wide Service Delivery and Budget Implementation Plan;

Annexure F Draft Capital Budget per Ward

SECTION FOUR: SERVICE LEVEL STANDARDS

Annexure G Service Level Standards

Purposes 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 Draft Reviewed IDP for the 2021/22 financial year;
- **Annexure B** contains the detailed and consolidated draft budget of CoE and its entities for the MTREF period. It is compiled in line with the Budget Guideline set out by National Treasury in Budget Circular 108 issued on the 8th March 2021. The latest mSCOA version 6.5 template supplied by National Treasury was used in drafting this budget;

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

2021.03.25

ITEM A-F (19-2021)

- **Annexure C** is a complete list of all the various draft tariff schedules of Council. It includes the major tariff schedules for municipal services, assessment rates 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;
- 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. **Annexures E1 and E2** show the detailed departmental scorecards and the City-wide SDBIP;
- A detailed Capital Budget which makes reference to the ward information is included as **Annexure F**. Though this annexure is not required in terms of legislation, it assist in many ways when the budget is scrutinised during public participation;
- **Annexure G** provides the service level standards of the City. These are intended to provide the turnaround times for providing various municipal services in the City.

6. BACKGROUND AND DISCUSSION

6.1. LEGISLATIVE REQUIREMENTS

Section 16 of the Municipal Finance Management Act (56 of 2003) [MFMA] dealing with the tabling of the annual budget requires that:

- (1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
- (2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*

This item, together with all accompanying documents and annexures, contain the budget that is tabled in terms of the abovementioned legislative requirements. This is the budget that will be taken through the public consultation process during April 2021 in terms of sections 22 and 23 of the MFMA **read with** Chapter 4 of the Municipal Systems Act.

As part of the public participation process, a benchmarking meeting has been scheduled for the 14th April 2021 with National Treasury to do a comparison of the draft budget with the budgets of metropolitan municipalities, and to determine whether the budget is **funded, credible and sustainable**.

Furthermore, 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;*

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

2021.03.25

ITEM A-F (19-2021)

- 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.*

Once this budget has been tabled in terms of section 16 of the MFMA, and subjected to public consultation as required by section 23 of the same Act, it will further be subjected to the approval process as required by section 24 as mentioned above.

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 2021/22 financial year when the report regarding the key deadlines was approved by Council on 30th July 2021 - Item AF (63-2020).

In January 2021, the adjustment budget was tabled to Council after the tabling of the 2020/21 mid-year budget and performance assessment report. The adjustment budget essentially informed the 2021/22 MTREF, subject to further discussions with departments and reprioritisation based on the new Division of Revenue Bill.

During the months of February and early March 2021, key internal stakeholder meetings were held between the MMC: Finance, Economic Development and ICT and various departments to shape and reprioritise the budget, and develop strategic framework within which the budget should be compiled. The Departments of Strategy and Corporate Planning as well as the Project Management Office participated in these sessions to advise on alignment with the performance targets and readiness to implement, amongst others. These sessions culminated in this draft budget.

6.2. DRAFT 2020/2021 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.

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

2021.03.25

ITEM A-F (19-2021)

The alignment process resulted in the compilation of the Departmental Scorecards and City-wide Service Delivery and Budget implementation Plan (SDBIP) which are attached as **Annexures E1 and E2**, respectively.

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:

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.

IDP outcomes, indicators and targets aligned to the 5 Strategic Objectives were developed, as required by MFMA Circular 88: Municipal Circular on Rationalization of Planning and Reporting Requirements for the draft 2021/22 MTREF. Output indicators as well as targets that will respond to the outcome indicators in the IDP were also developed in the 2021/2022 draft SDBIP; including output indicator in line with MFMA circular 88.

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 chapter on intergovernmental alignment has been reviewed to include the State of the Nation Address (SONA) 2021, State of the Province Address (SOPA) 2021, and National Budget Speech 2021.
- Based on the engagement with ward committees on the ward development priorities held in October 2020 the public participation chapter has been reviewed to accommodate the changes;
- 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.

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

2021.03.25

ITEM A-F (19-2021)

Budget Steering Committee

The Budget Steering Committee has been set up by the Executive Mayor in terms of section 4 of the Municipal Budget and Reporting Regulations.

The Budget Steering Committee is chaired by the Member of Mayoral Committee (MMC) Finance and all the members of Mayoral Committee were invited to the meetings. Several meetings were held during the compilation of the draft budget.

The main function of the Budget Steering Committee is to give administration strategic guidance with the compilation of the IDP, Budget and BEPP. This ensures that the budget is aligned with the strategic views from National and Provincial government.

Meetings with the Oversight Committees

After the tabling of the Draft Budget/ IDP to Council on the 24th March 2021, the documents will be referred to Oversight Committees to obtain input from Legislature. The draft budget will also be made available to the caucuses of the political parties. Administration will be available to attend some meetings when information or clarity on some of the aspects of the draft Budget/ IDP are required.

6.3. KEY ASPECTS CONTAINED IN THE DRAFT BUDGET

MFMA Circular 107 issued on the 4th December 2020, **read with** Circular 108 issued on 8th March 2021, provide guidance to municipalities and their entities on the preparation of their 2021/22 Medium Term Revenue and Expenditure Framework (MTREF). Some of the guidance provided in the Circulars is highlighted below.

Economic Outlook

- The South African economic outlook remains highly uncertain and the economic effects of COVID-19 pandemic are far-reaching;
- The national economy contracted by an estimated 7.2% in 2020 compared to the estimated 7.8% announced in the 2020 Medium Term Budget Policy Statement (mini budget in October 2020). The revised estimate results from the easing of lockdown restrictions in the third quarter of the year;
- A real economic growth of 3.3% is projected in 2021 following an estimated contraction of 7.2% in 2020. It is submitted that even an economic growth of 3.3% will not be able to return the country to pre-pandemic levels until 2024; and
- The country lost 1.7 million jobs in the third quarter of 2020 compared to the same period in 2019. The City, as one of the major economic hubs in the country, was not immune to these job losses.

These factors mean that rising unemployment and income losses will continue in the near future, putting more strain on the revenues of the City. However, this is not doom and gloom as the lower lockdown restrictions will gradually return economic activity to a positive trajectory.

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

2021.03.25

ITEM A-F (19-2021)

The Budget Circulars 107 and 108 highlighted the following **factors that affect the municipalities' MTREF**:

- National government has run large budget deficits for the past 10 years;
- There will be a range of expenditure reductions, some of which are likely to be painful. These will include public service personnel costs and allocations to other spheres of government (including municipalities);
- Municipalities will be required to reprioritise projects given large reductions in transfers;
- The PTNG will be granted to 10 cities which have launched operations, instead of 13 as was the case in the past;
- Municipalities must not budget to spend money they do not have;
- Cost containment measures must continue to be implemented and will be monitored;
- Municipalities must address technical and non-technical losses to reduce costs; and
- Excess consumption by indigents should be curbed.

MFMA Circular 108 (8 March 2021) showed the CPI projections as follows:

Fiscal year	2019/20 (Actual)	2020/21 (Estimate)	2021/22 (Forecast)	2022/23 (Forecast)	2023/24 (Forecast)
CPI Inflation	4.1%	3.3%	3.9%	4.2%	4.4%

Source: MFMA Budget Circular 108

The final tariff book to be approved in May 2021 will show sundry tariff increases that average 3.9%. However, tariff increases in for other services will be **cost-reflective** and may change above or below this CPI. **Increases above the guidelines above will be justified** in the municipal budgets.

National Treasury advises municipalities against **tabling unbalanced and unfunded budgets**. In the past two years, some municipalities had their budgets returned by National Treasury. These municipalities were required to table special adjustment budgets to align their expenditure plans with projected revenues and ensure that they have plans in place to pay their creditors, including Eskom and the Water Boards. Municipalities that did not table funded adjustment budgets had their tranches of the local government equitable share withheld as the MFMA (section 18) requires municipalities to table funded budgets. **The City of Ekurhuleni was not part of these municipalities and does not intend to be, now and in the future.**

6.4. SUMMARY OF TARIFF INCREASES

Assessment rates. In order to realize required funding and based on differential rating ratio's in respect of individual categories of properties and further due to the **implementation of new general valuation roll with effect from 01 July 2021, it is proposed that the base rates not be increased during the 2021-22 financial year** and that the rate of **0.01052c** on market value of residential property as reflected in valuation roll be levied.

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

2021.03.25

ITEM A-F (19-2021)

Tariffs per rating category will be as follows:

Rate Code	Category	Ratio	2020-21	2021-22
1	Residential	1	0.01052	0.01052
2	Industrial	2.5	0.02630	0.02630
3	Business and Commercial	2	0.02104	0.02104
4	Agriculture	0.25	0.00263	0.00263
30	State Owned Properties	2	0.02104	0.02104
8	Municipal Properties	2	0.02104	0.02104
9	Public Services Infrastructure (PSI)	0.25	0.00263	0.00263
10	Public Service Purpose Properties (PSP)	2	0.02104	0.02104
35	Public Benefit Activity Properties	0.25	0.00263	0.00263
25	Private Towns	1	0.01052	0.01052
11	Informal Settlements	1	0.01052	0.01052
12	Mining and Quarries	3	0.03156	0.03156
13	Vacant Land	4	0.04208	0.04208
14	National Monuments	1	0.01052	0.01052

The proposed rates would yield an estimated R 6,6 billion in the 2021-22 financial year and is summarized as follows:

	2020-21		2021-22
	Budget	Budget Adjustment	Budget
Assessment Rates			
Property Value Billed	7 246 289 398	7 153 795 224	8 019 384 456
Less : Exclusions	-969 872 238	-1 013 564 233	-964 100 383
Total Billed Assessment Rates	6 276 417 160	6 140 230 991	7 055 284 073
Less :			
Grants – Pensioner	-72 678 268	-84 254 984	-95 135 034
Grants – Other Indigents			-92 381 867
Grants – Other rebates	-63 260 673	-105 497 788	-186 415 136
NET Assessment Rates	6 140 478 219	5 950 478 219	6 681 352 036

Rand Water indicated a tariff increase of 8.0% for bulk sales by municipalities and a cost of purchases increase of 5.8%. This increase must still be approved at Cabinet level as it forms part of administered prices.

ERWAT proposes a selling tariff increase of 8% for domestic and 17% for industrial customers. The cost of purchase tariff increase of 17% is proposed. This takes into account the costs of sewer purification.

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

2021.03.25

ITEM A-F (19-2021)

Refuse removal tariff increase is proposed at **7.0%**. For some time the tariff increases of various services provided by the Department, such as cemeteries, were either not increased or increased below those of other metros. The refuse removal business is diluted by other services such as grass cutting and cemeteries, which reside in the Department.

The **electricity tariff increases** are based on NERSA approval of Eskom application. According to the Municipal Tariff Guideline Consultation Paper published on 12 March 2021, proposals are **14.59% increase of sales to customers and 17.8% bulk purchase increase**. These figures are subject to NERSA's final approval before 28 April 2021. This practice has seen the selling tariff of electricity increasing lower than the buying tariff. **It means that innovative ways have to be developed in the energy business.**

Sundry tariffs increases were limited, in most instances, to be **within the CPI rate of 3.9%** or cost reflectiveness.

Burial and Cemetery tariff increase is proposed at **10.0% for both CoE residents and for non-residents**. The cemetery costs are driven by excessive overtime implications, as the vast majority of funerals are over weekends and the fact that tariffs have not increased over the years to mitigate the extent to which the City subsidizes burials. This in turn also has the cumulative effect in that the City attracts funerals from outside its boundaries.

Similarly, Council reviewed the **Municipal Bus Services tariff** increases. This increases by an average of **4.15%**.

The table below reflects the tariff assumptions for the 2021/22 MTREF for the major trading services rendered:

Service category	2020/21 Actual tariff increase	2021/22 Proposed tariff increase	2022/23 Proposed tariff increase	2023/24 Proposed tariff increase
	%	%	%	%
Property rates	0	0 (New roll)	4.2% CPI	4.4% CPI
Sanitation	11.0	Sell 8%, (domestic) 17% (industrial)	Sell 8%, (domestic) 17% (industrial)	Sell 8%, (domestic) 17% (industrial)
Refuse removal	0	7.0% cost reflective	7.0% cost reflective	7.0% cost reflective
Water	15.0	Sell 8%, buy 5.8%	Sell 8%, buy 5.8%	Sell 8%, buy 5.8%
Electricity	6.90 (bulk purchases) 6.60 (Sales)	17.8% (bulk purchases) 14.59% (Sales)	8.9% as per NT Circular 108	8.9% as per NT Circular 108

The financial sustainability of the 2021/22 MTREF is largely dependent on the collection level of billed income. Provision is made for a **collection level of 90%**. To achieve this collection, the CoE will have to implement more robust credit control measures, develop new strategies to bill properties that remain unbilled, optimise existing revenue base and implement revenue enhancement strategy. This latter project is at an advanced stage and is expected to start from the beginning of the financial year.

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

2021.03.25

ITEM A-F (19-2021)

In terms of Council's social commitment to assist the poorer communities in the City, provision was also made for the **supply of free basic services and social contributions** to deserving households.

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.

As mentioned previously, the impact of higher levels of lockdown restrictions necessitated the City to review its finance strategies and affordability levels. The following **free basic services proposals** are made:

SUMMARY OF CHANGES	
Existing Policy	Revised Policy
Annexure D4.1 - PROVISION OF FREE BASIC ELECTRICITY POLICY	
1. OBJECTIVES OF POLICY FBE ALLOCATION IS 100kWh units per month. Note: Electricity used for business purposes is excluded from the free basic electricity allocation.	1. OBJECTIVES OF POLICY FBE ALLOCATION IS 50kWh units per month to registered and deemed indigents Note: Electricity used for business purposes is excluded from the free basic electricity allocation – only properties used solely for RESIDENTIAL purposes may receive a FBE allocation.
Annexure D4.2 - PROVISION OF FREE BASIC WATER AND SEWER SUPPLY SERVICES POLICY	
1. APPLICATION AND SCOPE This policy is applicable to households with property values not exceeding R750 000 and approved indigents residing within the City of Ekurhuleni. Allocation is: <ul style="list-style-type: none"> • 9kl water and sewer to registered indigents • 6kl water and sewer to properties not exceeding R750 000 	A 1. APPLICATION AND SCOPE This policy is applicable to registered indigent households ONLY. Allocation is: <ul style="list-style-type: none"> • 6kl of water and sewer to registered indigents only
2. OBJECTIVE OF THE POLICY To grant households with property values not exceeding R750 000 an equitable and affordable basic (free) portion of the water and wastewater services	2. OBJECTIVE OF THE POLICY Delete sentence
4. FREE BASIC SERVICES PRINCIPLES 4.1 The Right of Access to Basic Water and Waste Water (Sanitation): and households with property values not exceeding R750 000.	4. FREE BASIC SERVICES PRINCIPLES 4.1 The Right of Access to Basic Water and Waste Water (Sanitation): Delete

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

2021.03.25

ITEM A-F (19-2021)

These proposals are in line with national policy on free basic services. The challenge with Free Basic Water is that some indigent households exceed their consumption of free basic water. Past trends shows that the cost of excess consumption is around R600.0 million – R750 million per annum and this puts a strain on the City’s constraint resources.

Annual Budget Assessment and Bench-marking with other metros conducted by National Treasury

On the 14th April 2021, the National Treasury will conduct a benchmark assessment of the budgets, inclusive of the tariff proposals, of all the metros. The outcome of the assessment will be, where appropriate, incorporated in the budget to be approved in May 2021.

6.5. 2021/22 MTREF SUMMARY (OPERATING BUDGET)

The following table is a summary of the **consolidated** 2021/22 MTREF Operating Budget. The details are provided in **Annexure B**.

2021/22 Proposed MTREF Operating Revenue

Description	Budget Year 19/20	Budget Year 20/21				Budget Year 21/22	Budget Year 22/23	Budget Year 23/24
	2019/20 - YTD Movement R	Original Budget R	Approved Adjusted Budget R	YTD Actual Feb 2021 R	% Actuals	Proposed Budget R	Proposed Budget R	Proposed Budget R
Revenue By Source								
Property rates	5,668,546,859	6,140,478,219	5,950,478,219	3,953,060,064	66%	6,681,352,036	6,961,968,825	7,268,295,459
Service charges	22,385,904,789	25,954,543,149	25,777,967,736	15,928,001,843	62%	26,557,357,613	28,900,599,404	31,450,297,841
Rental of facilities and equipment	126,248,168	126,584,561	128,688,592	123,075,734	96%	134,649,974	137,524,888	140,338,887
Interest earned - Investments	309,877,478	237,499,715	218,775,886	121,864,513	56%	188,724,013	188,739,685	188,769,845
Interest earned - Outstanding Debtors	442,830,303	389,035,786	404,804,733	223,897,179	55%	345,510,534	348,775,119	350,721,013
Fines, penalties and forfeits	572,547,383	579,684,671	579,646,635	77,270,192	13%	579,684,671	579,684,671	579,684,671
Licences and permits	245,999,512	250,023,261	250,023,261	228,074,177	91%	249,884,050	249,884,050	249,884,050
Transfers and subsidies	4,745,699,122	4,864,636,645	5,687,676,719	3,936,947,671	69%	4,883,071,426	5,265,060,690	5,437,829,057
Other revenue	3,353,895,784	3,202,651,392	3,069,339,052	2,050,115,872	67%	3,244,536,137	3,456,123,985	3,600,277,060
Total Revenue (excluding capital transfers and contributions)	37,851,549,399	41,745,137,399	42,067,400,833	26,642,307,245	63%	42,864,770,454	46,088,361,317	49,266,097,883

The following factors contributed to changes between the 2020/21 main adjusted budget and the 2021/22 proposed budget:

- Property rates increase due to new valuation roll. The tariff will not increase;
- Interest on investments decline due to maturity of some investments in current and next year;
- Interest on outstanding debtors decline due relief measures granted as a result of COVID-19;
- Net reduction in grants. Few increase while others declined, eg Equitable share had significant decline;

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

2021.03.25

ITEM A-F (19-2021)

- Increase in other revenue is attributable to increases in tariffs of sundry services such as cemeteries, library fees, municipal buses and advertising to name a few.

Substantial increases in revenue in the two outer years are due to the increases in tariffs such as assessment rates, which are not increased in 2021/22.

The 2021/22 MTREF operating expenditure is depicted in the table below.

2021/22 Proposed MTREF Operating Expenditure

Description	Budget Year 19/20	Budget Year 20/21				Budget Year 21/22	Budget Year 22/23	Budget Year 23/24
	2019/20 - YTD Movement	Original Budget	Approved Adjusted Budget	YTD Actual Feb 2021	% Actuals	Proposed Budget	Proposed Budget	Proposed Budget
	R	R	R	R		R	R	R
Expenditure By Type								
Employee related costs	9,386,679,561	9,754,167,674	9,926,004,910	6,320,309,503	64%	10,261,721,639	11,115,195,683	11,784,026,566
Remuneration of councillors	141,224,613	142,795,066	142,795,066	94,325,837	66%	155,879,152	162,426,077	169,572,820
Debt impairment	3,729,702,149	3,073,502,136	3,640,329,061	2,319,169,704	64%	3,386,510,775	3,539,291,128	3,619,776,354
Depreciation & asset impairment	2,714,343,544	2,354,666,981	2,725,499,998	1,726,333,992	63%	2,505,909,100	2,607,404,204	2,719,089,066
Finance charges	1,232,555,022	1,128,804,896	1,216,580,276	784,958,625	65%	1,176,609,784	1,227,462,462	1,282,896,653
Bulk purchases	15,209,028,515	16,850,921,749	16,850,921,749	9,896,844,365	59%	14,224,084,756	15,490,028,299	16,868,640,817
Other materials & inventory consumed	1,882,966,010	2,088,696,487	1,430,491,520	998,168,912	70%	4,849,957,951	5,188,044,239	5,463,837,906
Contracted services	4,299,051,495	4,482,179,533	4,372,653,818	2,740,870,357	63%	4,249,827,386	4,585,372,088	5,069,221,333
Transfers and subsidies-exp	608,916,646	676,942,794	649,576,890	295,713,606	46%	612,141,790	663,041,790	714,180,990
Other expenditure	1,156,131,516	1,190,296,683	979,547,545	599,659,659	61%	1,077,728,170	1,130,240,292	1,178,155,338
Loss on disposal of PPE	(99,313,567)	13,000,000	13,000,000	(1,099,912)	-8%	13,000,000	13,702,000	14,441,908
Total Expenditure	40,261,285,505	41,755,973,999	41,947,400,833	25,775,254,650	61%	42,513,370,503	45,722,208,262	48,883,839,752
Surplus/(Deficit)	(2,409,736,106)	(10,836,600)	120,000,000	867,052,595		351,399,951	366,153,055	382,258,131

Changes between the 2020/21 main adjusted budget and the 2021/22 proposed budget are due to the following factors:

- Employee costs are based on CPI of 3.9%. The old practice of providing 3% of notch increases to certain categories of employees is discontinued, as it has no legal bases. Savings to be realized by not filling non critical posts;
- Councillor remuneration based on increase of 3.9% in line with CPI. The Gazette for Public Office Bearers not yet released;
- Debt impairment aligned to collection rate of 90.0%;
- Depreciation decline due to reduced investments in Capex
- Bulk purchases decline due to new treatment of water as Inventory as per Treasury Circular 108;
- Other materials increase as water purchases is now included in this category;
- Contracted services are reduced due to affordability; and
- Other revenue is related to increase in sundry tariffs which did not increase last year;

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

2021.03.25

ITEM A-F (19-2021)

The proposed capital budget is reflected in section 6.6 below.

6.6. 2021/22 MTREF SUMMARY (CAPITAL BUDGET)

The proposed consolidated Capital Budget for 2021/22 (including the three entities) as contained in the table below amounts to **R3.96 billion and is 8.6% (R373.3 million)** less when compared to the 2020/21 Adjusted Budget of **R4.33 billion**. The detail of capital budget is in Annexure F.

Department	Adjusted Budget 2020/21	Actual as at 29 Feb 2021	% Spent	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
Chief Operating Officer	57 514 800	26 890 595	46,75%	57 167 063	57 495 660	57 495 660
City Planning	300 000	300 000	100,00%	300 000	600 000	600 000
Communication and Brand Management	2 525 000	803 362	31,82%	5 025 000	7 500 000	-
Corporate Legal Services	29 300	29 300	100,00%	-	-	-
Council General	175 934 576	119 103 241	67,70%	186 567 852	137 356 473	185 156 248
Disaster & Emergency Management	94 614 500	33 091 035	34,97%	82 780 000	59 000 000	59 000 000
Economic Development	95 612 000	49 989 462	52,28%	135 500 000	83 000 000	93 720 000
Ekurhuleni Metro Police Department	68 538 500	30 987 836	45,21%	84 149 000	92 552 000	92 200 000
Energy	496 590 800	339 895 578	68,45%	401 149 784	456 825 000	456 825 000
Environmental Resources & Waste Management	225 800 000	132 850 912	58,84%	170 650 000	206 510 000	204 200 000
Executive Office	176 576	97 632	55,29%	500 000	500 000	500 000
Finance	170 000	169 527	99,72%	150 000	150 000	150 000
Health and Social Development	2 189 435	1 781 481	81,37%	6 350 000	4 050 000	4 000 000
Human Resources Management	75 000	17 710	23,61%	75 000	75 000	75 000
Human Settlements	674 967 000	366 063 358	54,23%	628 783 391	750 027 093	733 246 093
Information and Communication Technology	519 319 768	207 335 791	39,92%	345 670 173	299 979 250	299 979 250
Internal Audit	20 000	19 900	99,50%	20 000	-	-
Real Estate	209 505 857	96 114 014	45,88%	194 026 059	158 704 900	166 000 000
Risk Management	-	-	0,00%	-	-	-
Roads and Stormwater	438 862 595	228 714 556	52,12%	336 441 991	351 507 940	346 210 553
Sport Recreation Arts and Culture	69 649 100	40 442 471	58,07%	72 360 806	79 799 299	77 699 299
Strategy & Corporate Planning	10 000	9 950	99,50%	10 000	10 000	-
Transport Planning & Provision	331 864 166	155 779 668	46,94%	392 703 000	424 487 000	424 481 200
Water and Sanitation	660 741 764	386 959 840	58,56%	665 433 272	638 836 635	638 836 635
Brakpan Bus Company (BBC)	254 965	168 434	66,06%	3 454 957	3 634 435	3 634 435
Ekurhuleni Housing Company (EHC)	5 870 000	1 080 794	18,41%	7 469 236	1 313 488	1 379 162
ERWAT	206 000 000	27 040 930	13,13%	187 100 000	221 200 000	254 000 000
Total	4 337 135 702	2 245 737 376	51,78%	3 963 836 584	4 035 114 173	4 099 388 535

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

2021.03.25

ITEM A-F (19-2021)

The sources of funding the 2021/22 MTREF are depicted in the table below.

Source Of Finance	Adjusted Budget 2020/21	Actual as at 29 Feb 2021	% Spent	Budget Year 2021/22	Budget Year 2022/23	Budget Year 2023/24
External Loans	1 729 632 076	913 481 924	52,81%	1 398 813 309	1 342 596 355	1 311 097 133
Intergrated City Development Grant (ICDG)	52 940 000	28 258 440	53,38%	-	-	-
Neighborhood Development Partnership Grant (NDPG)	75 000 000	29 743 970	39,66%	54 000 000	80 000 000	87 155 000
SRAC Provincial Grant	9 360 070	2 177 484	23,26%	6 500 000	9 500 000	1 500 000
Public Transport Network Grant (PTNG)	233 295 000	121 755 648	52,19%	326 618 000	370 000 000	350 000 000
Revenue	422 068 313	171 798 210	40,70%	250 537 799	274 693 373	297 108 056
Urban Settlement Development Grant (USDG)	1 814 840 243	978 521 701	53,92%	1 269 818 461	1 257 957 097	1 321 101 111
Informal Settlement Upgrading Partnership Grant (ISUPG)	-	-	0,00%	657 549 015	700 367 348	731 427 235
Total	4 337 135 702	2 245 737 376	51,78%	3 963 836 584	4 035 114 173	4 099 388 535

- Although capex is within the R4.0 billion target in 2021/22, the External Loans funding of R1.398 billion exceeds the target of R1.250 billion; and
- In 2022/23 and 2023/24 the R4.0 billion is slightly exceeded.

Capital Budget per Ward

It is appropriate to supply a complete list of capital projects per ward to councilors as part of this report and it is included as **Annexure G**.

6.7. PROPOSED POLICY CHANGES

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The entire set of Budget Related Policies can be viewed on the CoE website: <http://www.ekurhuleni.gov.za>

It is required by legislation that amendments to all budget related policies must form part of the tabled budget. The following budget related policies are included as **Annexure D** to this report:

- Annexure D1** Medium - term Budget Statement Policy (remains unchanged)
- Annexure D2** Pricing Policy Statement (remains unchanged)
- Annexure D3** Property Rates Policy (remains unchanged)
- Annexure D4** Provision of Free Basic Electricity Policy (reviewed)
- Annexure D5** Waste Management Tariff Policy (remains unchanged)
- Annexure D6** Consumer Deposit Policy (remains unchanged)
- Annexure D7** Indigent Support Policy (remains unchanged)
- Annexure D8** Credit Control & Debt Collection Policy (remains unchanged)
- Annexure D9** Provision for Doubtful Debt and Debt Write-Off Policy (remains unchanged)
- Annexure D10** Budget Implementation and Monitoring Policy (remains unchanged)
- Annexure D11** Municipal Entity Financial Support Policy (remains unchanged)

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

2021.03.25

ITEM A-F (19-2021)

Annexure D12	Accounting Policy (remains unchanged)
Annexure D13	Electricity Metering for Residential and business Customers (remains unchanged)
Annexure D14	Policy for the vending of pre-paid electricity (remains unchanged)
Annexure D15	Policy for Correction of Meter Reading and Billing Data (remains unchanged)
Annexure D16	Electricity Tariff Policy (reviewed)
Annexure D17	Virement Policy (reviewed)
Annexure D18	Consumer Agreement (remains unchanged)
Annexure D19	Supply Chain Management Policy (remains unchanged)
Annexure D20	Treasury Policy Consolidation of various policies) (remains unchanged)
Annexure D21	Grants-in-Aid Policy (remains unchanged)
Annexure D22	Asset Management Policy (remains unchanged)
Annexure D23	Cost Containment Policy (remains unchanged)
Annexure D24	Policy for the wheeling of Electricity (remains unchanged)
Annexure D25	Policy guideline for Small-scale Embedded generation (remains unchanged)
Annexure D26	Ekurhuleni Community Enterprise Development (Reviewed)

7. SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

In terms of the MFMA the SDBIP is only required 14 days after approval of the MTREF. However, in Circular 94 the National Treasury advised municipalities to table the budget with the SDBIP and is included as **Annexure F**.

8. LEGAL IMPLICATIONS

The tabling of the IDP and Budget in March 2021 will ensure compliance with Section 16 of the MFMA.

9. COMMUNICATION IMPLICATIONS

The delivery and approval of the budget to the community is widely communicated by Marketing and Brand Management Department. The tabled document will also be distributed as per the required legislation, which inter alia includes CoE's website.

10. 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 recommendations have been presented to the Senior Management Team and are supported.

RECOMMENDATION

- 1. That** the report regarding the Draft Medium-term Revenue and Expenditure Framework and the Draft Reviewed Integrated Development Plan for the City of Ekurhuleni for the 2021/22 to 2023/24 financial period **BE NOTED**.

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

2021.03.25

ITEM A-F (19-2021)

- 2. That** the report regarding the Draft Medium-term Revenue and Expenditure Framework and the Draft Reviewed Integrated Development Plan for the City of Ekurhuleni for the 2021/22 to 2023/24 financial period, inclusive of draft tariffs and draft budget-related policies, as contained in the Budget Document in terms of Section 16 of the Municipal Finance Management Act **BE NOTED**.
- 3. That** the Draft Medium-term Revenue and Expenditure Framework and the Draft Reviewed Integrated Development Plan for the 2021/22 to 2023/24 financial period, inclusive of draft tariffs and draft budget-related policies, as contained in the Budget Document **BE SUBJECTED** to a detailed review and community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act *read with* Chapter 4 of the Municipal Systems Act.
- 4. That** the Municipal Entities **PRESENT** their proposed salaries and benefits for the 2021/22 financial year to the City's Remuneration Committee before the end of April 2021 for purposes of setting of upper limits as required by section 89 of the Municipal Finance Management Act.