

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

**2022.02.24**

**A-F (15-2022)**

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**SDBIP, CAPITAL AND OPERATING ADJUSTMENTS BUDGET FOR 2021/2022  
FINANCIAL YEAR**

**1. PURPOSE**

To recommend that Council approve adjustments made to the 2021/22 SDBIP, Capital and Operating Budgets as well as grants. This report contains adjustments made to the City's budget as well as the budgets of its entities. This report is divided into two parts as follows:

- The first part deals with adjustments to the operating and capital budgets, including conditional grants; and
- The second part covers adjustments to the city-wide and departmental Service Delivery and Budget Implementation Plans (SDBIPs).

**2. STRATEGIC PRIORITY**

To promote good governance and report on the financial sustainability of the City.

**3. WARDS AFFECTED**

All wards

**4. IDP LINKAGE**

Good Governance

**5. EXECUTIVE SUMMARY**

Initially, the City had decided to submit the adjustment budget to Council in January 2022. However, the Local Government Elections held on the 1<sup>st</sup> November 2021 necessitated a revision of the time schedule of key deadlines. The only date that was revised was the tabling of the 2021/22 normal adjustment budget in February instead of January 2022. The normal adjustment budget was scheduled to be tabled by end of January 2022.

The major contributing factors to this revision are:

- The conducting of elections on 1<sup>st</sup> November 2021 left the City with insufficient time to compile and consult with new Councillors on the normal adjustment budget;
- The Councillors who comprise the Budget Steering Committee, as required by section 4 of the Municipal Budget and Reporting Regulations, were appointed towards the middle of December 2021, with insufficient time to deliberate on the adjusted budget and to provide technical assistance to the Executive Mayor; and
- The Finance Oversight Committee was appointed by Council in the middle of December 2021, with insufficient time to oversee the adjustment budget process.

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This adjustment budget is necessitated by the following factors:

- The lower than planned collection rate, 83.7% instead of 90%, due to the effects of the lock down and the state of the economy; and
- The downgrade of the investment rating by Moody's in November 2021.

These factors had a negative impact on the liquidity position of the City. It was considered fiscally prudent to adjust the budget downwards in line with this liquidity position. The downward adjustments were predominantly on own revenue and external loans funded operations and projects. The City's response to the liquidity challenges was to reduce capital budget funding by R500.0 million and operating budget funding by R400.0 million. Conditional grant funded operations were left out as there is some degree of certainty that the funds will be realised.

This adjusted budget was compiled in late January 2022 and submitted to the Budget Steering Committee for scrutiny on 9 February 2022.

The table below depicts a summary of adjustments to both capital and operating budgets, **which includes adjustments to the entities' budgets.**

<b>CONSOLIDATED</b>	<b>2021/22 Original Budget</b>	<b>YTD Actuals as at 28 Jan 2022</b>	<b>% Spent</b>	<b>Proposed Adjustments</b>	<b>2020/21 Budget after adjustments</b>
Total operating revenue (excluding capital transfers and contributions)	42,935,624,454	26,791,548,217	62.2%	1,795,953,257	44,733,077,711
Total operating expenditure	42,675,624,274	24,453,721,475	57.1%	1,915,658,833	44,592,783,109
<i>Surplus/(Deficit)</i>	260,000,000	2,337,826,742		(119,705,578)	140,294,422
<b>Total Capital Budget</b>	<b>4,081,635,584</b>	<b>1,202,815,465</b>	<b>29.5%</b>	<b>(510,805,974)</b>	<b>3,570,829,610</b>

The table above shows that at a consolidated level, the total operating revenue **increases by R1.79 billion** while the operating expenditure **increases by R1.91 billion**. **The operating surplus after adjustments decreases from R260.0 million to R140.29 million**. The reasons for these changes are elaborated in section 6.2 below.

The consolidated capital budget is **adjusted downwards by R510.80 million** from R4.08 billion to **R3.57 billion**.

## **6. BACKGROUND AND DISCUSSION**

### **6.1. LEGISLATIVE BACKGROUND**

Section 28 of the Municipal Finance Management Act (MFMA, 56 of 2003) deals with adjustments budgets. In terms of the Act, an adjustments budget is intended to do the following:

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Sub-section 2

- a) *Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- b) *May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes **[already budgeted for]**;*
- c) *May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- d) *May authorise the utilisation of projected savings in one vote towards spending under another vote;*
- e) *May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- f) *May correct any errors in the annual budget; and*
- g) *May provide for any other expenditure within a prescribed framework.*

Cognisance should also be taken of the requirements as set out in Chapter 4 of the Municipal Budget and Reporting Regulations, which addresses the following:

Section 21: Formats of adjustment budget;  
Section 22: Funding of adjustment budget;  
Section 23: Timeframes for tabling of adjustment budget;  
Section 24: Submission of tabled adjustment budget;  
Section 25: Approval of adjustment budget;  
Section 26: Publication of approved adjustment budget; and  
Section 27: Submission of approved adjustment budget.

**The following Annexures are provided:**

- Adjustments of the Operating Budget (Annexure A)
- Adjustments of the Capital Budget (Annexure B)
- Adjustment of the SDBIP (City-wide) (Annexure C)
- Adjustment of the SDBIP (Departmental) (Annexure D)
- Amended NT schedules (Annexure E)

**6.2. ADJUSTMENTS TO THE OPERATING BUDGET**

The adjustments to the operating revenue and expenditure are presented in the sections below.

**6.2.1. Operating revenue**

The table below shows the **upward adjustments** in the operating revenue by **R1.79** billion. The details of the adjusted operating revenue and expenditure are contained in **Annexure A**.

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**2021/22 Adjusted Operating Revenue**

Budget Year 21/22						
Description	Revised Budget	YTD Actual as at Jan 2022	% Actuals	Proposed Adjustments	Proposed Budget post adjustments	Comments
	R	R		R	R	
<b>Revenue by Source</b>						
Property rates	6,681,352,036	4,847,687,244	72.6%	900,000,000	7,581,352,036	Implementation of valuation roll
Service charges - electricity revenue	17,822,467,596	10,475,515,091	58.8%	200,000,000	18,022,467,596	Informed by Mid-year performance
Service charges - water revenue	5,227,567,386	3,091,034,420	59.1%	2,595,422	5,230,162,808	Informed by Mid-year performance on EHC services charges
Service charges - sanitation revenue	2,010,937,609	1,379,005,577	68.6%	59,760,764	2,070,698,373	Informed by Mid-year performance
Service charges - refuse revenue	1,496,385,022	939,965,626	62.8%	49,677,439	1,546,062,461	Informed by Mid-year performance
Rental of facilities and equipment	134,649,974	79,816,616	59.3%	(10,531,322)	124,118,652	Rental of EHC facilities are reduced based on pending lease agreements
Interest earned - external investme	185,001,853	57,511,514	31.1%	(110,000,000)	75,001,853	Low collection rate & investments withdrawals
Interest earned - outstanding debto	349,232,694	284,413,102	81.4%	100,000,000	449,232,694	Low collection
Fines, penalties and forfeits	579,684,671	72,913,317	12.6%	200,000,000	779,684,671	GRAP accounting of traffic fines
Licences and permits	249,884,050	191,443,327	76.6%	60,000,000	309,884,050	Backlogs on licences and permits renewals
Transfers and subsidies	4,952,925,426	3,412,997,405	68.9%	344,450,954	5,298,876,380	Grants adjustments
Other revenue	3,245,536,137	1,959,244,978	60.4%	-	3,245,536,137	
<b>Total Revenue</b>	<b>42,935,624,454</b>	<b>26,791,548,217</b>	<b>62.4%</b>	<b>1,795,953,257</b>	<b>44,733,077,711</b>	

It should be pointed out that the increase in revenue, particularly in assessment rates, service charges, fines and licenses and permits, are adjustments in billings. This means that the increases are not real cash in the bank. The expenditure table below will show that these increases are applied to debt impairment as the collection levels are below the planned target.

**6.2.2. Operating expenditure**

The operating expenditure **increases** from R42.67 billion to R44.59 billion, an increase of R1.91 billion. The table below shows the increases in the various categories of expenditure.

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**2021/22 Adjusted Operating Expenditure**

Description	Budget Year 21/22					Comments
	Revised Budget R	YTD Actual as at Jan 2022 R	% Actuals	Proposed Adjustments R	Proposed Budget post adjustments R	
<b>Expenditure By Type</b>						
Employee related costs	10,260,752,212	5,736,432,861	55.9%	(154,632,807)	10,117,378,612	Informed by Mid-year performance
Remuneration of councillors	155,879,152	81,070,770	52.0%	-	155,879,152	
Debt impairment	3,386,510,775	1,990,602,277	58.8%	1,125,842,148	4,512,352,923	Increase in provision for City & EHC due to low collection rates
Depreciation & asset impairment	2,505,909,100	1,467,133,099	58.5%	-	2,505,909,100	
Finance charges	1,176,609,784	578,897,927	49.2%	310,526,812	1,497,136,596	Actuarial calculations and ERWAT increase in finance costs
Bulk purchases - electricity	14,224,084,756	8,786,307,544	61.8%	-	14,224,084,756	
Inventory consumed	4,847,068,154	3,105,273,922	64.1%	84,361,534	4,890,388,276	Re-classification of and re-allocations items
Contracted services	4,312,650,493	1,756,775,532	40.7%	550,919,813	4,892,711,040	mSCOA alignment, Waste management and Grants adjustments
Transfers and subsidies	627,141,790	216,859,720	34.6%	(47,964,000)	577,177,790	Adjustments on grant-in-aid & Grants adjustments
Other expenditure	1,166,018,238	730,819,523	62.7%	56,605,333	1,216,764,863	Busaries adjustment and other costs
Loss on disposal of PPE	13,000,000	3,548,299	27.3%	(10,000,000)	3,000,000	
<b>Total Expenditure</b>	<b>42,675,624,454</b>	<b>24,453,721,475</b>	<b>57.3%</b>	<b>1,915,658,833</b>	<b>44,592,783,107</b>	
<b>Surplus/(Deficit)</b>	<b>260,000,000</b>	<b>2,337,826,742</b>		<b>(119,705,576)</b>	<b>140,294,604</b>	

The reasons for the increases are reflected in the table above. Of importance to note is that a significant amount of the increase is in debt impairment. This is due to the fact that the collection level is below the target, hence an increase in the impairment of the billings that cannot be converted into cash from collections. The recalculation of employee costs such as post retirement benefits, and land fill provisions necessitated an increase in finance charges. The real increase is in the category of contracted services due to the increase in revenue from conditional grants and transfers as a result of approved applications for roll-overs from the 2020/21 financial year.

**6.3. ADJUSTMENTS TO THE CAPITAL BUDGET**

The actual Capital Expenditure plus commitments as at 28 January 2022 amounted to **R1. 20 billion**, which represents a spending of **29.47%** of the total capital budget of **R4.08 billion**. The proposed adjustments to the City's capital budget results in a **net decrease of R567.36 billion**. The adjustments to the entities capital budget is an **increase of R56.56 million**. The capital budget of the **City and its entities** results in a **net decrease of R510.80 million**. The capital budget, therefore, decreases from R4.08 billion to R3.57 billion.

The proposed adjustment is a combination of:

- Reduction in own revenue and external loans funded projects;
- Allocation of 2020/21 unspent grants approved for roll-over to 2021/22; and
- Re-alignment of the sources of funding and refinancing.

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**Annexure B** contains the original budget, adjustments and the revised budget.

The proposed capital adjustment per department is summarised in the table below:

**2021/22 PROPOSED CAPITAL ADJUSTMENT PER DEPARTMENT**

Department	2021/22 Original Budget	2021/22 Act Exp Excl Comm as at 28 Jan 2022	% spent excl Comm	2021/22 Act Exp Incl Comm as at 28 Jan 2022	% spent incl Comm	Additional Requests (+)	Reduction (-)	2021/22 Net Proposed Adjustment	2021/22 Budget after Adjustment
Chief Operating Officer	57 167 063	49 650	0,09%	49 650	0,09%		(19 524 753)	(19 524 753)	37 642 310
City Planning	300 000	-	0,00%	78 860	26,29%			-	300 000
Communication and Brand Management	5 025 000	-	0,00%	25 000	0,50%			-	5 025 000
Council General	186 567 852	21 586 947	11,57%	21 586 947	11,57%		(122 000 000)	(122 000 000)	64 567 852
Disaster & Emergency Management Services	82 780 000	9 712 445	11,73%	21 731 112	26,25%	-	(43 180 000)	(43 180 000)	39 600 000
Economic Development	135 500 000	1 414 248	1,04%	1 414 248	1,04%	-	(71 000 000)	(71 000 000)	64 500 000
Ekurhuleni Metro Police Department	84 149 000	11 757 557	13,97%	13 462 457	16,00%	-	(43 202 121)	(43 202 121)	40 946 879
Energy	401 149 784	97 901 950	24,41%	117 712 925	29,34%	79 500 000	(79 500 000)	-	401 149 784
Environmental Resources & Waste Management	170 650 000	24 245 338	14,21%	26 084 702	15,29%	-	(34 750 000)	(34 750 000)	135 900 000
Executive Office	500 000	29 470	5,89%	85 444	17,09%		(250 000)	(250 000)	250 000
Finance	150 000	31 900	21,27%	31 900	21,27%			-	150 000
Health and Social Development	6 350 000	1 158 472	18,24%	1 488 746	23,44%		(4 693 314)	(4 693 314)	1 656 686
Human Resources Management	75 000	-	0,00%	-	0,00%			-	75 000
Human Settlements	628 783 391	246 004 679	39,12%	246 004 679	39,12%	61 105 562	(49 384 133)	11 721 429	640 504 820
Information and Communication Technology	445 670 173	160 452 818	36,00%	248 171 076	55,68%		(15 876 954)	(15 876 954)	429 793 219
Internal Audit	20 000	19 200	96,00%	19 200	96,00%			-	20 000
Real Estate	194 026 059	19 265 996	9,93%	19 265 996	9,93%		(56 608 324)	(56 608 324)	137 417 735
Roads and Stormwater	336 441 991	117 618 065	34,96%	121 935 411	36,24%	24 035 390	(46 717 933)	(22 682 543)	313 759 448
Sport Recreation Arts and Culture	90 159 806	3 138 840	3,48%	3 276 934	3,63%	587 996	(42 702 495)	(42 114 499)	48 045 307
Strategy & Corporate Planning	10 000	10 000	100,00%	10 000	100,00%			-	10 000
Transport Planning & Provision	392 703 000	102 612 275	26,13%	102 612 275	26,13%	7 665 000	(112 762 046)	(105 097 046)	287 605 954
Water and Sanitation	665 433 272	191 891 556	28,84%	223 486 835	33,59%	98 597 066	(96 708 214)	1 888 852	667 322 124
Brakpan Bus Company (BBC)	3 454 957	29 000	0,84%	29 000	0,84%			-	3 454 957
Ekurhuleni Housing Company (EHC)	7 469 236	13 123 762	175,70%	13 123 762	175,70%	80 754 536	(4 191 237)	76 563 299	84 032 535
ERWAT	187 100 000	21 128 307	11,29%	21 128 307	11,29%	57 020 347	(77 020 347)	(20 000 000)	167 100 000
<b>Total</b>	<b>4 081 635 584</b>	<b>1 043 182 477</b>	<b>25,56%</b>	<b>1 202 815 465</b>	<b>29,47%</b>	<b>409 265 897</b>	<b>(920 071 871)</b>	<b>(510 805 974)</b>	<b>3 570 829 610</b>
Parent Municipality	3 883 611 391	1 008 901 409	25,98%	1 168 534 396	30,09%	271 491 014	(838 860 287)	(567 369 273)	3 316 242 118
Entities	198 024 193	34 281 069	17,31%	34 281 069	17,31%	137 774 883	(81 211 584)	56 563 299	254 587 492
<b>Grand Total</b>	<b>4 081 635 584</b>	<b>1 043 182 477</b>	<b>25,56%</b>	<b>1 202 815 465</b>	<b>29,47%</b>	<b>409 265 897</b>	<b>(920 071 871)</b>	<b>(510 805 974)</b>	<b>3 570 829 610</b>

The table shows, amongst others, that:

- Capital budget spending, including commitments, as at 28 January 2022 amounted to R1.20 billion, or 29.47% of the budget of R4.08 billion;
- Additions submitted by departments amounted to R409.26 million;
- Submitted reductions amounted to R920.07 million; and
- The net adjustments amount to R510.80 million.

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The objective to reduce the own revenue and loans funded projects by R500.0 million is achieved in this adjustment budget.

The discussion below deals with the sources of funding the adjusted capital budget.

2021/22 PROPOSED CAPITAL BUDGET ADJUSTMENT - PER SOURCES OF FUNDING											
Source Of Finance	2021/22 Original Budget	2021/22 Act Exp Excl Comm as at 28 Jan 2022	% spent excl Comm	Additional	Reduction	2021/22 Net Proposed Adjustment	2021/22 Budget after Adjustment (Post)	Roll over Approved	Proposed Refinancing	Net Adjustments	Budget after Adjustments
EHC SHRA				80 644 536	-	80 644 536	80 644 536			80 644 536	80 644 536
External Loans	1 496 613 309	264 290 890	17,66%	-	(452 069 056)	(452 069 056)	1 044 544 253		(47 919 684)	(499 988 740)	996 624 569
ICDG						-	-	491 149		491 149	491 149
ISUPG	657 549 015	238 183 900	36,22%	112 384 133	(112 384 133)	-	657 549 015			-	657 549 015
NDPG	54 000 000	7 882 248	14,60%	11 381 000	-	11 381 000	65 381 000	76 265		11 457 265	65 457 265
Provincial Grant	26 499 000	157 914	0,60%			-	26 499 000	587 996		587 996	27 086 996
PTNG	326 618 000	67 785 041	20,75%	7 665 000	(92 120 000)	(84 455 000)	242 163 000			(84 455 000)	242 163 000
Revenue	250 537 799	77 717 764	31,02%	110 000	(72 169 529)	(72 059 529)	178 478 270		47 919 684	(24 139 845)	226 397 954
USDG	1 269 818 461	387 164 721	30,49%	192 829 153	(191 329 153)	1 500 000	1 271 318 461	3 096 665		4 596 665	1 274 415 126
<b>Total</b>	<b>4 081 635 584</b>	<b>1 043 182 477</b>	<b>25,56%</b>	<b>405 013 822</b>	<b>(920 071 871)</b>	<b>(515 058 049)</b>	<b>3 566 577 535</b>	<b>4 252 075</b>	<b>-</b>	<b>(510 805 974)</b>	<b>3 570 829 610</b>

The table above shows the sources of funding the capital budget. It shows, amongst others, that:

- Ekurhuleni Housing Company (EHC) will receive an amount of R80.64 million from Social Housing Regulatory Authority (SHRA) during the year;
- External loans are reduced by R452.06 million. A refinancing of external loans with own revenue (R47.91m) pushes the external loans reduction to R499.98 million;
- There was an grant of ICDG amounting to R491 149 roll over from the previous year which was approved;
- R11.3 million NDPG which has been included as additional funds from the National Treasury's mid year gazette
- Own revenue was reduced by a net of R72.05 million, with refinancing of external loans , it becomes a net decrease of R24.13 million; and
- A roll-over of R3.09 million of USDG from the previous year was approved ; a further R1.5 million has been transferred from opex to capex

Finally, the sources of funding the capital budget reduce from R4.08 billion to R3.57 billion.

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**7. PROPOSED ADJUSTMENT TO THE 2021/2022 CITY-WIDE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN AND DEPARTMENTAL SDBIP**

**BACKGROUND**

In terms of section 72 (1) of the Municipal Finance Management Act 63 of 2003, the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year, taking into account:

- the monthly statements referred to in section 71 for the first half of the financial year;
- the municipality's service delivery performance during the first half of financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan; and
- the past year's annual report and progress on resolving problems identified in the annual report
- the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of reports in terms of section 88 from any such entities.

In terms of Section 54 (1) of the MFMA, the mayor must on receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.

The SDBIP can therefore only be revised after the consideration of, amongst other things:

- Monthly budget performance (section 71);
- Mid-year budget and performance assessments (section 72); and
- Assessment of the annual performance of the previous financial year.

**PROCESS FOLLOWED IN THE REVISION OF THE 2021/2022 CITY-WIDE SDBIP AND DEPARTMENTAL PERFORMANCE SCORECARDS**

The process towards the review of the 2021/2022 City-Wide SDBIP and departmental performance scorecards took into consideration the legislative requirements as per the MFMA. In line with this, departments and entities were provided an opportunity to review and adjust their 2021/2022 performance scorecards where necessary in line with the proposed budget adjustments.

**Principles for Adjustment of the 2021/22 SDBIP**

The following principles were communicated with City Departments for the adjustments of the 2021/2022 SDBIP:

- No indicator may be adjusted unless compelling reasons are provided; e.g. a reduction or increase in the budget during adjustment will require that the City wide and Departmental SDBIP targets be adjusted (downward/upwards);



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- There must be a correlation between the adjustment of the SDBIP targets and the budget. Therefore, a department wishing to reduce targets must reflect a corresponding reduction in the associated budget;
- Poor performance or inability to achieve targets in the first and second quarter of the financial year will not be accepted as reasons to adjust the SDBIP; therefore departments must come up with a catchup plan to ensure they achieve targets.
- Where applicable, indicators in the City wide and Departmental SDBIPs must be allocated a budget (both OPEX and CAPEX);
- City-wide and departmental SDBIP targets may be adjusted upwards in line with an increase in budget and/or in line with mayoral lekgotla resolutions amongst other priorities;
- Only 3<sup>rd</sup> and 4<sup>th</sup> quarter targets may be adjusted in instances where the annual target is being revised. **The annual target must in all instances align to the quarterly targets;**
- No new indicator must be added to the City-wide SDBIP during adjustment;
- All indicators (unadjusted and adjusted) must be accompanied by a systems description and Technical Indicator Descriptions (templates and strategic alignment document to assist with completing the Sheet are attached). The information in the Description Sheet must be the same as that in the SDBIP scorecards (i.e. Definition and POE);
- During the 2021/22, IDP/Budget process ward needs were identified and departments responded to the needs in the approved budget. Departments must be cautious during the adjustment process (Budget and SDBIP) not to negatively affect the approved budget for the ward needs;
- The City Manager, Mayoral Committee and Council reserve the right to approve or reject proposed adjustments. Proposals for adjustments by Departments are therefore merely recommendations;
- All adjustments must be submitted by the stipulated due date where after no further submissions will be considered;
- It is expected that the mid-year performance assessment be taken into consideration to provide guidance on performance trends and the required adjustments for the remainder of the year; and
- The department will evaluate all submissions received on a case by case basis and make the necessary recommendations to the Mayoral Committee or SMT for the acceptance or rejection of such adjustments;

The table below outlines the overall guideline process followed:

ACTIVITY	DETAILS OF THE ACTIVITY	TIME FRAME	Deliverable/Output	RESPONSIBILITY
2021/22 SDBIP Adjustment	Guidelines for the proposed adjustment to the 2021/22 SDBIP to be issued to department based on proposed adjustment to the budget	06 January 2022	2021/2022 SDBIP Adjustment guidelines	Corporate Strategy and Planning department

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Submission of 2021/22 proposed adjusted SDBIP	Submission of the 2021/2022 SDBIP adjustment proposals.	17 January 2022	2021/22 proposed Adjusted SDBIP	All departments, offices and MOE
Analysis of the submitted proposed 2021/22 adjustment	The 2021/22 proposed adjustments will be analysed according to the issued guidelines	17-21 January 2022	Analysis and departmental engagements	Corporate Strategy and Planning department
2021/22 Final adjusted SDBIP	Final adjusted 2021/22 SDBIP presented at SMT	24 January 2022	2021/22 final adjustment SDBIP	All Departments, offices and MOEs
2021/22 Final adjusted SDBIP	Final adjusted 2021/22 SDBIP presented at the budget Steering Committee	26 January 2022	2021/22 final adjustment SDBIP	All Departments, offices and MOEs
Presentation of the 2021/22 proposed adjusted SDBIP	The proposed Adjusted SDBIP to be presented to internal governance structures including MAYCO	1 – 15 February 2022	2021/22 proposed adjusted SDBIP presented to internal governance structures	Strategy and Corporate Planning department
Tabling of the 2021/22 adjusted SDBIP	The 2021/22 adjusted SDBIP to be tabled to Council.	24 February 2022	2021/22 adjusted SDBIP to be tabled to Council.	Mayco/Council

**PROPOSED ADJUSTMENTS TO INDICATORS AND TARGETS**

The following departments submitted adjustments to the SDBIP in relation to indicators and targets. The table below does not take into account adjustments made due to errors, definitions relating to indicators and updating of baseline information. Further details on the adjustment of the City-Wide SDBIP and the departmental performance scorecards are reflected in Annexure C and D of this report.

**Citywide SDBIP Adjustments**

Department	Performance Indicator	Annual Target 2021/2022	Revised Annual Target	Reason for Adjustment
Energy	Number of dwellings provided with connections to mains electricity supply by the municipality	5000	2400	Post COVID 19 there has been a significant increase in Electrical Commodities (i.e., Copper, Steel, etc). The price of copper alone has increase by +/- 60% since March 2020 to date Copper constitute largely as the major component within electrical equipment's (i.e. cable, Miniature Substation, etc), manufacturing, the increase was purely on Copper Price and excluded other element such as Steel, PVC, Rubber, etc. which further impose significant increase on the price of the final product. The Current Contract was affected by this increase, which

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				resulted in a high cost per connection as compared to the previous years. It is for this reason that the Department is adjusting its target.
Energy	Number of high mast lights installed	45	35	Post COVID 19 there has been a significant increase in Electrical Commodities (i.e., Copper, Steel, etc). The price of copper alone has increased by +/- 60% since March 2020 to date Copper constitute largely as the major component within electrical equipment's (i.e. cable, Miniature Substation, etc), which are the critical components in the installation of High Mast and Streetlight. It is for this reason that the Department is adjusting its target.
Energy	Number of street lights installed	300	148	Post COVID 19 there has been a significant increase in Electrical Commodities (i.e., Copper, Steel, etc). The price of copper alone has increased by +/- 60% since March 2020 to date Copper constitute largely as the major component within electrical equipment's (i.e. cable, Miniature Substation, etc), which are the critical components in the installation of High Mast and Streetlight. It is for this reason that the Department is adjusting its target.
Energy	Number of PV Solar lighting units installed in informal settlements	8900	0	The annual budget was adjusted downwards which would not yield 8900 PV solar lighting units at R1960,30 per unit.
Environmental Resource and Waste Management	<b>Original</b> Percentage of informal settlements receiving basic refuse removal services <b>Adjusted</b> Percentage of known informal settlements receiving basic refuse removal services	100%	-	The indicator and the POE have been adjusted to provide clarity in terms of the informal settlements that will receive basic refuse removal
Environmental Resource and Waste Management	Number of formal households with access to refuse removal	723 890	733 591	The quarter 3 and 4 targets have been adjusted upwards as a result of an increase in formal households based on the Service Point Audit results that have been incorporated by Finance. The POE has been adjusted to improve the measurement of the indicator.
Human Settlements	Number of subsidised housing units constructed using various Human Settlements Programmes	269	1797	The Provincial Department Human Settlements Development Grant (HSDG) approved the application for budget rollover so as to enable the City to continue with the construction and finalization of housing projects which were not completed last financial year
Human Settlement	Number of serviced sites	3128	2598	The majority of service stands were achieved and accounted for in the last financial year
Transport and Fleet Management	<b>Original</b> Percentage of municipally-contracted bus fleet that are low entry <b>Adjusted</b>	34%	-	The indicator was adjusted to comply with C88 POE was also adjusted to improve verifiability of reported performance

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	Percentage of scheduled municipal buses that are low entry			
Transport and Fleet Management	Number of scheduled operational public transport access points refurbished- Taxi ranks	5	3	Designs had to be amended due to additional project scope on the targeted facilities. Increased cost estimates resulted in a direct impact on the available budget for refurbishments. The definition was revised to clarify what refurbishment means in this case
Water and Sanitation	Number of new water connections meeting minimum standards	1000	-	The formula was adjusted to improve verifiability of reported performance
Water and Sanitation	<b>Original</b> Percentage of Callouts resolved to within 48 hours (sanitation/wastewater) <b>Adjusted</b> Percentage of Callouts resolved within 24 hours (sanitation/wastewater)	85%	-	KPI adjusted in line with C88 and in line with the service standards. POE adjusted to improve the verifiability of reported performance.
Water and Sanitation	<b>Original</b> Percentage of Callouts resolved to within 48 hours (water) <b>Adjusted</b> Percentage of Callouts resolved within 24 hours (water)	85%	-	KPI adjusted in line with C88 and in line with service standards. POE adjusted to improve the verifiability of reported performance.
Water and Sanitation	Infrastructure Leakage Index	6.43	8.32	Covid restriction had a negative effect on supply chain processes as a result appointment of contractors/consultant were delayed.
Water and Sanitation	Kilometers of water and sewer pipes replaced, upgraded and extended	20	7	Delayed SCM processes for New Water and Sewer panels. Delayed WULA - EIA approvals. MTREF Budget shortages.
Water and Sanitation	Number of reservoirs constructed	10	7	Covid 19 linked delays have affected Progress and planned Completion for 30th June 2022. Delayed suppliers for Steel Pipes due NUMSA Strike. Delayed SCM processes for the New Reservoirs Panel.
Water and Sanitation	Percentage reduction in Non-Revenue Water (NRW)	33.00%	34%	Covid restriction had a negative effect on supply chain processes as a result appointment of contractors/consultant were delayed
Economic Development	Average time (days) taken to finalise business license applications	30 days	90 days	Dependencies or hold-ups from internal departments on provision of business licence applications comments has previously impeded the attainment of the full concrete target intended. The best prospects to minimising the reoccurrence in the future underscores the need for the adjustment of the target to 90 days as it takes 60 days on average for the rezoning processes to be completed.

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Economic Development	Average time (days) taken to finalise informal trading permits	30 days	60 days	The City's process of finalising trading permits takes more than 30days due to site visit to be conducted by other departments prior to provision of comments on the trading permits applications
City Planning	Number of applications lodged for township regularisation	8	3	Late approval of IPW Funds allocated to the 8 townships were limited
City Planning	Percentage of Development Planning applications finalized in accordance with the approved Municipal Spatial Development Framework	-	99%	This indicator is only introduced now in the scorecard for reporting for reporting in Quarter 3 and 4 for improved performance
Roads & Storm water	Number of Storm water systems constructed	21	17	A number of projects contributing to this indicator are funded by external loans instrument. An instruction from council is that this funding source is not to be used for the current financial year. This has necessitated a review of targeted performance for the year. POE was adjusted to improve verifiability of reported performance
Roads and stormwater	Kilometres of new municipal lanes built	8.41	5	A number of projects contributing to this indicator are funded by external loans instrument. An instruction from council is that this funding source is not to be used for the current financial year. This has necessitated a review of targeted performance for the year. POE was also adjusted to improve verifiability of the reported performance
ERWAT	Total revenue generated from external business	R56 300 000	R32 200 000	The previous income target included intervention income from the ELM project, which was a once-off project. The target has been adjusted to align to the revenue reasonably expected to be generated based on current ERWAT projects
ERWAT	Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	85%	82.5%	The following are the reasons for adjusting downwards: 1. Critical equipment failure at various plants 2. Power outages due to Load Shedding and cable theft
Finance	Percentage of billed amounts collected	90%	85%	The economy has not recovered from the impact of the pandemic. As we are adjusting for additional allocation to budget for debt impairments.
Finance	Percentage of tenders completed within the validity period (120 days from the date of close of advert)	90%	72%	Reasons for adjustment is due to various items pending to serve at BEC is the biggest challenge at the moment. The biggest contributor is COVID-19 that impact the performance of the division. In most instance, evaluators have to self-isolate after having been in contact with a person who tested positive.
Service Delivery Coordination	Percentage of customer queries resolved in accordance with	95%	-	The indicator on "Percentage of customer queries resolved in accordance with Ekurhuleni Service Standards" is removed completely since it is a duplication of the

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	Ekurhuleni Service Standards			National Treasury indicator GG2.31 - "Percentage of official complaints responded to through the municipal complaint management system", as per definition or explanatory notes. This KPI is proposed for removal also because it is based on Emis, and such a system no longer forms part of CoE's tools/mechanisms for dealing with service delivery complaints and queries.
Ekurhuleni Metropolitan Police(EMPD)	Percentage Increase in road policing citations	10%	1%	The target is adjusted downwards as a result of delayed court judgements (AARTO).
Economic Development	Number of Tertiary Bursary recipients benefiting from the City of Ekurhuleni's Community Bursary Scheme	230	210	The reduction on the target is informed by plummeting performance rate of the learners who could not find their groove with different learning method which has resulted from Covid-19.
Economic Development	Number Of Young People benefiting from work readiness programme	500	91	Host institutions are unwilling to accommodate large number of young people for placement purposes due to the Covid19 pandemic. In addition to this, the majority of the mentors at the host institutions are working remotely thereby delaying the transfer of skills.
Disaster and Emergency Services	Number of new fire stations constructed	1	0	Budget cut by R43.1m
Sports, Recreation, Arts and Culture Department	Number of SRAC school activities implemented	15	12	Participation of this programme is open and based on the interest and willingness of the schools. Response is low due to Covid-19 lockdown restrictions
Information and Communication Technology	Kilometer of (fibre) broadband installed and commissioned	100	50	Adjustment of the Broadband Fibre KPI to zero (0) post the budget adjustment wherein the ICT Capex budget was cut by 15 million
Information and Communication Technology	Number of ICT Security Measures Implemented	40	30	Adjustment of the Approved information security policy, documented process/standard, configured control or security solution to realign with Information Security Plan due to limited budget

**Departmental SDBIP adjustments**

Department	Performance Indicator	Annual target for 2021/2022	Revised Annual Target	Reason for Adjustment
City Planning	Percentage of Land Affected by Geotechnical Hazards Rehabilitated	90%	60%	Budgetary Constraints
City Planning	Number of Metropolitan Spatial Development Framework reviewed	1	0	No budget allocated
City Planning	Number of Regional Spatial Development	6	0	No budget allocated

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	Frameworks reviewed			
Energy	Number of Substations upgraded	2	0	The department initially advertised the tender 5 June 2020 which subsequently closed on 23 July 2020. However, during evaluation, it was realised that the Department has omitted some critical Specification which led to a cancellation. The Department re-advertise the tender on 1st October 2021 which subsequently closed on 17th of November 2021. The Department is currently busy with the BEC report and planned to be finalised middle February.
Disaster and Emergency Services	Number of work opportunities created	30	10	Activities reduced due to budget cut on projects.
Economic Development	Percentage of Department CAPEX Spent	95%	95%	Proposed budget cut of R54 000 000 due to 3 projects being without contractors. Procurement of contractors is in progress, site handover is anticipated as follows; Labore Manufacturing Facility project by end of Jan 2022, Reiger Park project by end of Feb 2022 and Labore Automotive Hub project by end of Mar 2022. It must be noted that the RED Contractor's panel was initially supposed to have been completed in September 2021, which the department had planned to utilize for Labore Automotive and Reiger Park following the contract end in June 2021.
Economic Development	Number of work opportunities created	200	169	Targets for the third and fourth quarter are based on the CAPEX projects. It is envisaged that less work opportunities will be created due to budget adjustment and delays foreseen in implementation on these projects. Some parts of the projects that were supposed to be done labour intensively will not be in a position to start in this financial year.
Ekurhuleni Metropolitan Police(EMPD)	Number of fines issued for traffic violations	1 742 193	1 607 227	The target is adjusted downwards as a result of delayed court judgements (AARTO).
Environmental Resources and Waste Management	Percentage of recyclable waste reclaimed or diverted from the landfill sites	7.5%	5.5%	Various operations at the 5 landfill sites have been hampered due to the delay and non-payment of invoices (i.e. June, July, August and September 2021) which negatively affected the cash flow and led to the Site Operator being unable to bear the costs of day-to-day operation of the site. The department has made several requests to finance to priorities these payments. One site that has been closed since January 2021 has reopened on the 18 January 2022.  The recyclables tonnages are currently obtained from 3 of the 5 COE - landfill sites as the two other sites were temporarily closed.

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Environmental Resources and Waste Management	Amount of gas flared from the landfill sites (tons)	54000t	31 500t	<p>Various operations at the 5 landfill sites have been hampered due to the delay and non-payment of invoices (i.e. June, July, August and September 2021) which negatively affected the cash flow and led to the Site Operator being unable to bear the costs of day-to-day operation of the site. The department has made several requests to finance to priorities these payments. One site that has been closed since January 2021 has reopened on the 18 January 2022.</p> <p>Rietfontein is currently not producing any LFG. The entire well system needs to be moved to Area C in order to improve the Gas Yield. This project is scheduled for 2022/23 FY. Therefore, no LFG gas is expected to be harvested from this site during 2021/2022. Rooikraal, Simmer and Jack flare compounds were recently vandalised, and maintenance will be addressed when the new contract is awarded. The contract is expected to start towards the end of Quarter 3, hence these sites are also not expected to yield any gas until all parts have been replaced</p>
Health and Social Development	Number of 15-35 year olds reached with behaviour change programmes	1000	1 500	<p>The annual target was adjusted upwards due to unforeseen changes that resulted in the relaxation of the COVID-19 Regulations. This allowed for physical convening of Outreach Programmes being implemented inclusive of Capacity Building Workshops resulting in the over achievement of the Q1 and Q2 targets. In addition, we were able to access School learners to conduct workshops and programmes</p>
Health and Social Development	Number of persons reached with gender based violence awareness programmes implemented	500	830	<p>The annual target was adjusted upwards due to unforeseen changes that resulted in the relaxation of the COVID-19 Regulations and the impact of the National Thematic programmes (Women's Month and 16 Days of Activism Programmes) undertaken. This also allowed for physical convening of Outreach Programmes being implemented inclusive of Capacity Building Workshops. The increase in performance for both Q1 and Q2 for this Indicator was largely due to the Women's Month Programme (August – Q1) and the 16 Days of Activism Against Gender-Based Violence (November/December-Q2).</p>
Human Resource Management	Percentage implementation of the business partnering model	75%	70%	<p>The target has been adjusted downwards based on the change of the Political Leadership and expected processes in terms of the implementation of Section 66 of the MSA regarding staff establishment. This situation impacts on the structure as well as the recruitment processes.</p>
Human Settlements	Number of Households in Informal	3 000	1600	<p>The projects which are earmarked for relocations in the upcoming quarters are not ready. These are the projects which are</p>



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	Settlements Relocated			supposed to accommodate all the beneficiaries of relocations and allocations once they are finished.
Human Settlements	Hectares of land acquired for human settlement development	120	0	SMT has taken a decision that the City will henceforth no longer purchase land.
EPMO	Number of bankable special projects packaged for Capex intensive departments	6	0	This KPI must be removed from the scorecard and be replaced with a new one that articulates the recognition of the need to develop business cases for mobilisation of funds. The business bases will provide the framework for the packaging and marketing of bankable projects to potential external investors and grant funding institutions.
Real Estate	Percentage of customer queries resolved in line with Ekurhuleni Service Standards	90.00 %	80%	Due to the City's cash flow challenges SMT resolved to limit IPWs from revenue votes
Roads and Stormwater	Number of Eco-Systems upgraded and protected	4	0	Unfortunately, the department will not be able to attend to any of the watercourse projects as planned. The reasons for this is that the first three project fall under the "External Loans" funding source which we were instructed not to touch. The funds for the last project (Tembisa Natural Watercourses upgrading (Tembisa 1)) we had to re-allocate to the Matabane Bridge Project due to the urgency of the project. Head Office approved the re-allocation of the funds and the funds were utilised on the reconstruction of the Matabane Bridge.
Sports, Recreation, Arts and Culture Department	<b>Original</b> Number of ECD supported with SRAC programmes  <b>Adjusted</b> Number of ECD participants supported with SRAC programmes	175	165	Participation of this programme is open and based on the interest and willingness of the early childhood centres. Response was low due to COvid-19 lockdown restrictions
Sports, Recreation, Arts and Culture Department	<b>Original</b> Number of beneficiaries participating in accredited capacity building programmes  <b>Adjusted</b> Number of beneficiaries	435	345	Lack of staff capacity to implement and facilitate capacity building programmes

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	participating in certified capacity building programmes			
Sports, Recreation, Arts and Culture Department	Number of mass participation programmes implemented	13	11	This is a mass participation programme. Low turnout due to Covid-19 lockdown restrictions
Sports, Recreation, Arts and Culture Department	Number of heritage site nominations for declarations completed	4	2	Limitations to implement due to dependencies. The decision /adjudication resides with PHRAGH to declare heritage sites.
Sports, Recreation, Arts and Culture Department	Number of commemoration events implemented.	8	6	Shortage of budget to implement all planned events
Sports, Recreation, Arts and Culture Department	Percentage of customer queries resolved in accordance with Ekurhuleni Service Standards	90%	70%	The target is being decreased as a result of the continuous system (IMS) technical malfunctions for closing calls.
Sports, Recreation, Arts and Culture Department	Number of work opportunities created	200	100	Target is decreased due to budget cuts for contracted services as well as the Capital budget
Strategy and Corporate Planning	Number of evaluations conducted	1	0	Conducting evaluation studies is a specialty that requires the evaluation services to be sourced from external evaluators or be conducted internally by a Chief Specialist: Evaluation. However, the challenge for the department is the current position for Chief Specialist: Evaluations is currently vacant. To outsource the conducting of one Evaluation Study will cost up to R200 000 and the department has to advertise a mini-tender up to R200 000. The department does not have a budget for R200 000 for contracted services to outsource this service.
Transport and Fleet Management	Number of Repeat Audit Findings Resolved	1	0	The department did not get findings from the AG in the 2020/21 FY. As a result, the department does not have AG findings to resolve. The KPI is therefore not applicable in this current FY.
Transport and Fleet Management	Km Operated by Buses on Contracted Routes	328 263	173 431	The contractual agreement between BBC and GDRT has been terminated as at the end of December 2021. The termination was necessitated by the disestablishment of the entity. The routes were operated on behalf of Province, therefore, the operations ceased to exist as of 31 December 2021. A letter to this effect was sent to GDRT. This KPI will not be applicable for the remaining 2 quarters, hence the reduction on targets for Q3 & Q4 to zero (0)

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Transport and Fleet Management	Total Revenue Generated from Core Business Activities	R10,477 839	R5 383 776	The termination of the contract between BBC and GDRT deems the performance indicator no longer achievable. Revenue from core activities had two components which were subsidy claims from GDRT as well as ticket sales. Non- operation of the routes owned by GDRT will result in no revenue generated.
Water and Sanitation	Number of Additional Chemical Toilets Provided to Informal Settlements	1000	560	Budget deficit
Water and Sanitation	Number of work opportunities created	3000	800	We do not have many hard labor projects as planned. Reservoirs as the majority of our current Projects are not labor-intensive projects due to its complexity. Pipeline projects are delayed bu WULA - EIA Approvals and therefore did not start early as planned.
Finance	Number of Days Cash / Cost Coverage	30 days	25 days	The budget adjustment is done on a break-even basis. The city is not building enough reserves. The current economic climate constitutes enough reserves to be collected on break-even basis.

**RECOMMENDATION**

1. **That** the report on the SDBIP, Capital and Operating Adjustments Budget for 2021/2022 **BE NOTED**.
2. **That** the 2021/2022 Budget **BE ADJUSTED** as allowed for in the MFMA Municipal Budget and Reporting Regulations as per the following mandatory tables as contained in **Annexure E** (NT schedules) of the report:
  - a. Table B1 – Adjustments Budget Summary;
  - b. Table B2 – Adjustments Budget Financial Performance Standard Classification;
  - c. Table B3 - Adjustments Budget Financial Performance Revenue and Expenditure by Municipal Vote;
  - d. Table B4 - Adjustments Budget Financial Performance Revenue and Expenditure;
  - e. Table B5 – Adjustments Capital Budget by Vote and Funding;
  - f. Table B6 – Adjustments Budget Financial Position;
  - g. Table B7 – Adjustments Budget Cash Flow;
  - h. Table B8 – Cash Backed Reserves and Accumulated Surplus Reconciliation;
  - i. Table B9 – Asset Management; and
  - j. Table B10 – Basic Service Delivery Measurement.
3. **That** the 2021/2022 Operating Budget as reflected in **Annexure A**, with the amounts as reflected in the Annexure, as well as the adjustments of the Operating and Capital Grants as detailed in the report **BE ADJUSTED**.

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4. **That** the 2021/2022 Capital Budget of the City as reflected in **Annexure B BE ADJUSTED DOWNWARD** by an amount of **R567 369 273** and the Consolidated Capital Budget of the City and its entities **BE ADJUSTED DOWNWARD** by an amount of **R510,805,974**.
5. **That** the changes in respect of Council's City-wide and Departmental SDBIPs for 2021/2022 **BE NOTED** as set out in **Annexures C** and **D** of the report, respectively.
6. **That** the adjusted SDBIP, Capital and Operating Budget for the 2021/2022 financial year **BE APPROVED**.