

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

2022.03.31

A-F (16-2022)

DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) FOR 2022/23 TO 2024/25 AND NEW INTEGRATED DEVELOPMENT PLAN (IDP) FOR 2022/23 TO 2026/27

1. PURPOSE

The purpose of this report is to submit the Draft Medium-term Revenue and Expenditure Framework (MTREF) for the 2022/23 to 2024/25, and the New Integrated Development Plan (IDP) for 2022/23 to 2026/27 to Council for consideration in terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003).

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 compilation of the tabled budget and the development of the municipality's Integrated Development Plan started already 10 months before the beginning of the 2022/23 financial year when the report regarding the key deadlines was approved by Council on the 29th July 2021, Item A-F (62-2021), as required by Section 21(b) of the MFMA.

A number of factors were taken into consideration in the compilation of this MTREF, including but not limited to:

- The Division of Revenue Bill tabled by the national Minister of Finance in February 2022;
- Gauteng Province 2021/22 gazetted allocations as the 2022/23 gazette is not yet released;
- The City of Ekurhuleni Growth and Development Strategy
- The City of Ekurhuleni Long Term Funding Strategy;
- Guidelines from National Treasury contained in latest Budget Circulars; and
- Published tariff increases from NERSA, Rand Water and ERWAT.

The 2022/23 revenue and expenditure figures were arrived at after deliberations between Finance Department and the Senior Management Team (SMT) as well as the Budget Steering Committee (BSC). The two outer year figures are based on the outcome of these deliberations as well application of tariff increases and CPI. These outer year figures **are indicative** and may change before the beginning of each year

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The **consolidated 2022/23 draft MTREF budget** (including entities) reflects the following totals:

CONSOLIDATED	2021/22 Adjusted Budget	YTD Actuals	% Spent	2022/23 Proposed Budget	2023/24 Proposed Budget	2024/25 Proposed Budget
Total operating revenue (excluding capital transfers and contributions)	44,731,577,711	29,565,741,975	66.1%	48,141,256,337	52,072,281,663	56,428,892,330
Total operating expenditure	44,591,283,287	27,215,818,576	61.0%	47,824,665,509	51,607,502,401	55,897,379,083
<i>Surplus/(Deficit)</i>	140,294,424	2,349,923,400		316,590,828	464,779,262	531,513,247
Total Capital Budget	3,570,829,610	1,398,094,180	39.2%	3,323,852,795	3,618,375,004	3,672,997,497

The table above shows operating surpluses of R316.5 million, R464.7 million and R531.5 million in 2022/23, 2023/24 and 2024/25, respectively. Budgeted capital expenditure is kept at an average of R3.5 billion over the MTREF, with R3.3 billion in 2022/23.

The following attachments are provided.

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A New Integrated Development Plan (IDP)

SECTION TWO: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure B 2022/23 Draft Operating Budget per Department (also called Budget Book)

Annexure C 2022/23 Draft Capital Budget per ward

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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

SECTION FOUR: POLICIES AND TARIFFS

Annexure E: Budget related policies, including reviewed SCM Policy

Annexure F: Long-term Funding Strategy

Annexure G: Tariffs

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 IDP for the 2022/23 to 2026/27.
- **Annexure B** contains the detailed and consolidated draft operating budget per Department for the 2022/23 MTREF. This is the budget book as per National Treasury guidelines.

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- A detailed Capital Budget which makes reference to the ward information is included as **Annexure C**. Though this annexure is not required in terms of legislation, it assist in many ways when the budget is scrutinised during public participation.
- In terms of legislation the Service Delivery and Budget Implementation Plan (Measurable Performance Indicators section) (SDBIP) of Council must be reflected in National Treasury MBRR Table SA7. **Annexure D** contains the Draft SDBIP.
- The SCM policy has been revised and is attached as **Annexure E**.
- The City has developed a Long-term Funding Strategy and is included in **Annexure F**.
- **Annexure G** contains the detailed tariffs for various municipal services.

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 2022 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, National Treasury will schedule a benchmarking meeting with the City around April/May 2022 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**.

PROCESS FOLLOWED

The compilation of the 2022/23 budget started already 10 months before the beginning of the 2022/23 financial year when the report regarding the key deadlines was approved by Council on the 29th July 2021 item A-F (62-2021) as required by Section 21(b) of the MFMA.

A number of factors were taken into consideration in the compilation of this MTREF, including but not limited to:

- The Division of Revenue Bill tabled by the national Minister of Finance in February 2022;
- Gauteng Province 2021/22 gazetted allocations as the 2022/23 gazette is not yet released;
- The City of Ekurhuleni Growth and Development Strategy
- The City of Ekurhuleni Long Term Funding Strategy;
- Guidelines from National Treasury contained in latest Budget Circulars; and
- Published tariff increases from NERSA, Rand Water and ERWAT.

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Finance Department compiled the technical budget document for consultation with the departments within the City and its entities. The new administration revived the Budget Steering Committee (BSC) as required by sub-regulation 4 of the Municipal Budget and Reporting Regulations. The purpose of the BSC is to provide guidance over the budget process in terms of immediate and long-term priorities and oversee the allocation of the resources of the City. The BSC held a number of meetings to deliberate on the 2022/23 MTREF. These deliberations culminated in this budget.

6.2. 2022/2023 TO 2026/27 INTEGRATED DEVELOPMENT PLAN AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Background

In terms of Section 25 of the Systems Act, each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of its municipality. Section 25 also stipulates that the IDP is the principal strategic planning instrument, which guides and informs all planning and development, and all decisions with regard to planning, management and development in a municipal area. An IDP adopted by a municipal council must:

- Link, integrate and coordinate plans and take into account proposals for the development of the municipality.
- Align the resources and capacity of the municipality with the implementation plan;
- Form the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of the MSA, with particular reference to Chapter 5; and
- Be compatible with National and Provincial plans and planning requirements binding on the municipality in terms of legislation.

Translation of Policy Directives into The City's Programme of Action

For the policy directives to be realised, they needed to be processed, operationalised and translated into an implementable programme of action for the city for the current term of office. The City administration, both city departments and entities prepared their respective operational business plans and provided detailed responses as follows:

- An overview and analysis of the department/entity performance during the previous term, highlighting notable service delivery achievements against backlogs and commitments as well as challenges encountered;
- An identification of the relevant Mayoral directives for the term as per January 2022 Mayoral Lekgotla resolutions, then recommend high impact service delivery strategies, programmes, projects and services options guided by the current level of development in the city, also taking into account the organisational resources (human and financial);
- A review of previous service delivery commitments and align with mayoral objectives for the term;
- Development of relevant key performance indicators as well as their 5 year measurable targets (2022/23 – 2026/27 broken into annual financial years) for in-year and annual monitoring of the implementation of directives and commitments; and
- An assessment and consideration of ward based priorities when recommending strategies, programmes and service options for consideration;

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A clear alignment with the following key plans and planning requirements were also sought through the business plans from departments and entities:

- City OF Ekurhuleni Growth and Development Strategy (GDS 2055);
- Local Government Key Performance Areas;
- National and Provincial sector strategies and plans; and
- Considerations for the impact of Covid-19 on development and service delivery.

Aligned Institutional Strategic Objectives

The following five Strategic Objectives are proposed as building blocks for the institutionalisation of the broad political strategic priorities as laid down for term as well as for the development of the IDP, the MTREF and the annual Service Delivery and Budget Implementation Plan. These strategic objectives are further aligned to the five key performance areas of local government. The strategic objectives for the term of council are as follows:

GDS 2055	STRATEGIC OBJECTIVE	2022-2027 KEY FOCUS AREA
Re-Urbanise: To achieve urban integration	To deliver reliable, affordable and sustainable services and ensure improved infrastructure maintenance.	- Ensure that every community has access to reliable, clean, running water, which is safe to drink and to prepare food. - Modernise water management and the detection of water leaks. - Prevent untreated wastewater contaminating the environment, homes, streets, and sidewalks within the municipality.
		- Give residents back their power by helping to reduce their vulnerability to Eskom load shedding. - Eradicate ESKOM supply areas. - Enhance access to reliable, affordable, and sustainable electricity. - Incentivise pre-paid electricity systems and private electricity generation.
		- Invest in safe, reliable, and affordable public transport. - Invest in well-maintained roads. - Work to eradicate irrational national taxes and tolls on roads affecting municipal areas.
		- Develop a holistic infrastructure strategy which combines the imperatives of an increased spend on PPE maintenance, infrastructure renewal and measures to safeguard infrastructure from vandalism and theft.
		- Collaborate for transparent sustainable housing by increasing the scale of housing delivered through private initiative, diversifying housing options, and ensuring more people own their homes and receive their valid title deeds.
Re-Govern: To achieve effective co-operative governance	To build a clean, capable and modernised local state	- Govern in the interests of the people by eliminating corruption and adopting best practices in good governance.
		- Support devolution of power to the lowest effective level within the constitutional and legislative framework. - Ensure the effective functioning of ward committees by providing adequate administrative support.
		- Promote, where it is deemed appropriate by a competent

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GDS 2055	STRATEGIC OBJECTIVE	2022-2027 KEY FOCUS AREA
		<p>feasibility study, the establishment of sub-Councils in Metropolitan local governments.</p> <ul style="list-style-type: none"> - Audit and review the municipality's organogram and staff complement, including a review as envisioned by Section 4(3)a of the Regulations of the Municipal Structures Act, including remuneration levels. - Ensure the appointment of fit-for-purpose officials. - Review of salary scales before filling vacant posts, where this is indicated by the review. - Implement consequence management procedures for the transgression of laws and regulations, or non-performance. - As per legislation municipal services should be run in a cost reflective manner, where possible avoid above-inflation increases in tariffs, rates and taxes, where unavoidable, this shall be adequately explained to the public. - Be cognisant that illegal immigration and failures to document legal immigrants are issues that impact local governments and require this coalition government to develop a holistic strategy to respond to these challenges. - Any action in relation to illegal immigrants must adhere to the provisions of the South African Constitution, South African law, precepts of international law, the basic tenets of human compassion and decency, and avoid the promotion of xenophobia. - Promote multilingualism. - Render services in the languages of the said municipality (in accordance with Section 6(3)b of the South African Constitution).
Re-Mobilise: To achieve social empowerment	To promote safer, healthy and socially empowered communities	<ul style="list-style-type: none"> - Be tough on crime and tougher on the causes of crime by investing in localised law enforcement and tackling the local conditions, which give rise to crime in the first place. - Adopt a holistic approach to keeping communities in good health by ensuring that all departments work together to minimise the risks which lead to poor health, to respond effectively to health emergencies, and to achieve overall positive health outcomes. - Ensuring the resilience of communities through effective disaster risk management. - Protect and enhance the heritage landscape.
Re-Generate: To achieve environmental wellbeing	To protect the natural environment and promote resource sustainability	<ul style="list-style-type: none"> - Reclaim public spaces currently taken over by lawlessness, litter, and neglect so that they may be places for all residents to enjoy once again.
Re-Industrialise: To achieve job creating economic growth	To create an enabling environment for inclusive growth and job creation	<ul style="list-style-type: none"> - Focus first on getting the basics right as the foundation to bringing in investment and jobs to the local economy. Beyond that the parties to this agreement are committed to improving the business environment by making it easier to do business within the municipality.

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Meetings with the Oversight Committees

After the tabling of the Draft Budget/ IDP to Council on the 31st March 2022, 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

As mentioned above, the City's Long Term Funding Strategy (the Strategy) is one of the strategic documents that guided this budget. One of the elements of the Strategy is to provide limits to the funding mix of both operating and capital budgets. The funding limits are on external borrowings and internal sources. Grants from national and provincial government are excluded as they are determined outside the control of the City.

The MFMA Circulars 112 issued on the 6th December 2021, **read with** Circular 115 issued on 4th March 2022, provide guidance to municipalities and their entities on the preparation of their 2022/23 Medium Term Revenue and Expenditure Framework (MTREF). Some of the guidance provided in the Circulars is highlighted below.

Economic Outlook

- The South African economy will decline from October 2021 projected growth of 5.1% to growth of 4.8% in 2022. The factors that are affecting the national economy affect the City as well;
- The City's economy, which is largely logistics and manufacturing, has been hard hit by the decline in the economy;
- The Omicron variant of Corona Virus and continued lockdown restrictions were not helpful to some sectors of the economy, largely leisure and entertainment, manufacturing and construction; and
- The increase in unemployment, and the challenge of the economy to create jobs, affecting households' ability to pay for services.

MFMA Circular 115 (4th March 2022) showed the CPI projections as follows:

Fiscal year	2021/22 (Estimate)	2022/23 (Forecast)	2023/24 (Forecast)	2024/25 (Forecast)
CPI Inflation	4.5%	4.8%	4.4%	4.5%

Source: MFMA Budget Circular 115

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 three 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

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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 is **not** part of these municipalities and does not intend to be, now and in the future.

6.4. SUMMARY OF MAJOR TARIFFS

Assessment rates. The City has implemented the new valuation roll from 1st July 2021. The objection and appeal process is still in progress and will conclude on 29th April 2022. In order the shield rate-payers from the impact of the new, it is proposed that the base rates not be increased during the 2022-23 financial year. This means that **there are no proposed changes in the rates for all categories of properties.**

Rand Water indicated a tariff increase of 8.0%. **A tariff increase of 11%** is proposed to cater for the cost of doing business, such as water reticulation and overhead costs.

ERWAT proposes a selling **tariff increase of 11% for domestic and industrial sewer customers.**

Refuse removal tariff increase is proposed at **7.0%**.

The **electricity tariff** increases are based on NERSA approval of Eskom application. NERSA indicated a tariff increase of 9.61%.

Sundry tariffs increases are in line with the CPI rate of **4.8%**.

Burial and Cemetery tariff increase is proposed **4.8%**.

Similarly, the **Municipal Bus Services** tariffs were reviewed. These **increase by an average of 4.8%**.

The table below reflects the tariff assumptions for the 2022/23 MTREF for the major trading services rendered:

Service category	2021/22 Proposed tariff increase	2022/23 Proposed tariff increase	2023/24 Proposed tariff increase	2024/25 Proposed tariff increase
	%	%	%	%
Property rates	0 (New roll)	0	4.4	4.5
Sanitation	Sell 8%, (domestic) 17% (industrial)	11.0	11.0	11.0

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Service category	2021/22 Proposed tariff increase	2022/23 Proposed tariff increase	2023/24 Proposed tariff increase	2024/25 Proposed tariff increase
Refuse removal	7.0% cost reflective	7.0	7.0%	7.0%
Water	Sell 8%, buy 5.8%	11.0	11.0	11.0
Electricity	17.8% (bulk purchases)	9.61	9.61	9.61

The financial sustainability of the 2022/23 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 is implementing more robust credit control measures, develop new strategies to bill properties that remain unbilled, optimise existing revenue base and continue to implement the revenue enhancement strategy. This latter project is in progress and subjected to monitoring and valuation.

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.

With regards to free basic water and sanitation, as well as free basic electricity to indigent households, Council took a resolution last year to align those components of free basic services for indigent households with national legislation. This resolution will be implemented with effect from 1st July 2023.

The current 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

National Treasury will conduct a benchmark assessment of the budgets, inclusive of the tariff proposals, of all the metros during April/ May 2022 to compare the budget of the City with those of other metros. The outcome of this engagement will a good perspective on how it performs in comparison with other metros.

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6.5. 2022/23 MTREF SUMMARY (OPERATING BUDGET)

The 2022/23 revenue and expenditure figures were arrived at after deliberations between Finance Department and the Senior Management Team (SMT) as well as the Budget Steering Committee (BSC). The two outer year figures are based on the outcome of these deliberations as well application of tariff increases and CPI. The outer year figures are indicative and may change before the beginning of each year.

The details of the figures and are provided in **Annexure B**. The following table is a summary of the **consolidated** 2022/23 MTREF Operating Budget.

2022/23 MTREF Operating revenue

Description	Budget Year 21/22			2022/23 MTREF			
	Approved Budget	Adjusted Budget	YTD Actual	% Actuals	2022/23 Draft Final	2023/24 Draft Final	2024/25 Draft Final
	R	R	R		R	R	R
Revenue By Source							
Property rates	7,581,352,036		5,445,123,236	72%	7,581,352,036	7,914,931,527	8,271,103,450
Service charges - electricity revenue	18,022,467,596		11,761,085,880	65%	19,760,579,818	21,644,698,104	23,709,880,153
Service charges - water revenue	5,230,162,808		3,549,673,948	68%	6,091,505,528	6,803,035,650	7,597,349,301
Service charges - sanitation revenue	2,070,698,373		1,430,738,517	69%	2,298,639,109	2,551,372,435	2,831,900,580
Service charges - refuse revenue	1,546,062,461		1,070,878,781	69%	1,719,415,847	1,839,535,775	1,968,251,810
Rental of facilities and equipment	124,118,652		91,275,478	74%	133,858,854	135,908,329	138,572,646
Interest earned - Investments	75,001,853		63,808,255	85%	80,637,665	80,666,317	81,157,402
Interest earned - Outstanding Debtors	449,232,694		330,469,031	74%	430,374,355	430,374,355	430,374,355
Fines, penalties and forfeits	779,684,671		71,997,444	9%	817,243,638	817,243,638	817,243,638
Licences and permits	309,884,050		214,026,798	69%	324,758,486	324,758,486	324,758,486
Transfers and subsidies	5,297,376,380		3,459,291,905	65%	5,555,961,947	6,016,489,091	6,488,832,564
Other revenue	3,245,536,137		2,077,372,702	64%	3,346,929,054	3,513,267,956	3,769,467,945
Total Revenue (excluding capital transfers and contributions)	44,731,577,711		29,565,741,975	66%	48,141,256,337	52,072,281,663	56,428,892,330

The following factors contributed to changes between the 2021/22 main adjusted budget and the 2022/23 proposed budget:

- Service charges revenue, excluding assessment rates, increases due to related tariff increases in section 6.4 of the report;
- Rental of facilities increase due to lower lock down restrictions and the gradual opening of social and economic activities. A CPI increase has been assumed;
- Interest on investments increases as it is projected that the increased operating surplus will enable the city to gradually increase its investments;
- Fines and penalties are expected to increase as the EMPD has put measures in place to enforce the NRTA prescripts the Criminal Procedure Act for various offences as a result of a motor vehicle accidents and other offences. Strict enforcement of Council by-laws is also in progress;
- Licenses and permits revenue is projected to increase as new precincts will be opening and the current backlogs will bring in additional revenue;

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- Interest on outstanding debtors will increase slightly due to the levels of unemployment and the state of the economy; and
- 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.

Operating revenue increases from R44.7 billion in 2021/22 adjusted budget to R48.1 billion in 2022/23, an increase of 7.6% or R3.4 billion.

The 2022/23 MTREF operating expenditure is depicted in the table below.

2022/23 MTREF Operating Expenditure

Description	Budget Year 21/22			2022/23 MTREF		
	Approved Budget	YTD Actual	% Actuals	2022/23 Draft Final	2023/24 Draft Final	2024/25 Draft Final
	R	R		R	R	R
Expenditure By Type						
Employee related costs	10,106,119,405	6,590,763,341	65%	10,816,234,768	11,330,738,027	12,055,666,031
Remuneration of councillors	155,879,152	93,081,729	60%	163,361,354	170,549,255	178,223,973
Debt impairment	4,512,352,923	2,497,914,172	55%	4,703,780,642	5,166,197,981	5,682,641,093
Depreciation & asset impairment	2,505,909,100	1,675,967,022	67%	2,842,210,754	2,964,325,999	3,096,871,396
Finance charges	1,487,136,596	560,274,043	38%	1,489,922,883	1,547,227,458	1,616,266,952
Bulk purchases	14,224,084,756	9,146,847,138	64%	15,418,907,875	16,900,664,922	18,524,818,821
Other materials & inventory consumed	4,932,005,688	3,426,135,390	69%	5,543,800,765	6,148,323,096	6,838,013,271
Contracted services	4,863,126,306	2,140,196,293	44%	5,154,373,208	5,463,801,304	5,874,613,675
Transfers and subsidies-exp	579,177,790	246,506,909	43%	523,660,989	663,719,174	714,674,972
Other expenditure	1,222,491,571	834,443,855	68%	1,168,412,271	1,251,955,185	1,315,588,899
Loss on disposal of PPE	3,000,000	3,688,682	123%	-	-	-
Total Expenditure	44,591,283,287	27,215,818,576	61%	47,824,665,509	51,607,502,401	55,897,379,083
Surplus/(Deficit)	140,294,424	2,349,923,400	1675%	316,590,828	464,779,262	531,513,247

The 2022/23 MTREF operating expenditure was arrived at after taking into account the following factors:

- Employee costs are based on CPI of 4.8% plus 1% of the annual notch increases to employees who qualify. A provision was also made of actuarial valuation at the end of the year;
- Councillor remuneration based on increase of 4.8% in line with CPI. The Gazette for Remuneration of Public Office Bearers has not yet been released;
- Debt impairment aligned to collection rate of 90.0% as well as assessment of debtors in line with debt impairment policy;
- Depreciation is based on the asset register as well as planned investments in capital budget;
- Bulk purchases is aligned to billing revenue;
- Contracted services are based on existing commitments as well as affordability;
- Transfers and subsidies are the planned contributions to grant recipients, bursaries an assistance to indigent customers; and

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- Other expenditure is linked to related revenue from sundry/ other income.

The table shows that the budgeted operating surplus is R316.5 million for 2022/23 and increases to R531.5 million in 2024/25.

6.6. 2022/23 MTREF SUMMARY (CAPITAL BUDGET)

The proposed consolidated Capital Budget for 2022/23 (including the three entities) as contained in the table below amounts to **R3.32 billion and is 6.9% (R246.9 million) less** when compared to the 2021/22 Adjusted Budget of **R3.57 billion**.

2022/23 - 2024/25 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT						
Department	Adjusted Budget 2021/22	Actual as at 18 March '22	% Spent	Draft Budget Year 2022/23	Draft Budget Year 2023/24	Draft Budget Year 2024/25
Chief Operating Officer	37,642,310	642,326	1.71%	34,000,000	37,000,000	37,000,000
City Planning	300,000	78,860	26.29%	300,000	350,000	350,000
Communication and Brand Management	5,025,000	25,000	0.50%	50,000	100,000	100,000
Council General	64,567,852	24,798,832	38.41%	29,000,000	27,000,000	27,000,000
Disaster & Emergency Management Services	39,600,000	10,712,357	27.05%	36,000,000	39,000,000	39,000,000
Economic Development	64,500,000	1,747,631	2.71%	58,000,000	63,000,000	47,000,000
Ekurhuleni Metro Police Department	40,946,879	13,728,123	33.53%	37,000,000	40,000,000	40,000,000
Energy	401,149,784	217,754,215	54.28%	558,033,106	629,138,785	702,397,830
Environmental Resources & Waste Management	135,900,000	44,892,082	33.03%	126,000,000	138,000,000	138,500,000
Executive Office	250,000	85,444	34.18%	750,000	400,000	550,000
Finance	150,000	31,900	21.27%	50,000	52,500	55,000
Health and Social Development	1,656,686	1,220,752	73.69%	5,050,000	4,000,000	4,000,000
Human Resources Management	75,000	24,703	32.94%	150,000	150,000	150,000
Human Settlements	640,504,820	278,742,376	43.52%	582,000,000	635,000,000	635,000,000
Information and Communication Technology	429,793,219	207,564,356	48.29%	272,000,000	296,000,000	296,000,000
Internal Audit	20,000	19,200	96.00%			
Legislature			#DIV/0!	537,500		-
Real Estate	137,417,735	29,322,705	21.34%	173,136,190	162,000,000	148,000,000
Roads and Stormwater	313,759,448	150,436,575	47.95%	283,287,921	312,856,726	307,879,790
Sport Recreation Arts and Culture	48,045,307	3,389,563	7.05%	41,375,790	35,981,000	35,981,000
Strategy & Corporate Planning	10,000	10,000	100.00%	10,000	10,000	10,000
Transport Planning & Provision	287,605,954	131,901,359	45.86%	304,000,000	325,956,831	326,575,757
Water and Sanitation	667,322,124	221,868,202	33.25%	690,250,000	771,000,000	774,000,000
Brakpan Bus Company (BBC)	3,454,957	29,000	0.84%			
Ekurhuleni Housing Company (EHC)	84,032,535	17,127,528	20.38%	1,313,488	1,379,162	1,448,120
ERWAT	167,100,000	41,941,093	25.10%	91,558,800	100,000,000	112,000,000
Total	3,570,829,610	1,398,094,180	39.15%	3,323,852,795	3,618,375,004	3,672,997,497

The reduction in the capital budget is informed by the City's long term funding strategy as was pointed out above. The detail of capital budget projects is in **Annexure C** and the Long-term Funding Strategy is in **Annexure F**.

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2022/23 - 2024/25 MULTI YEAR CAPITAL BUDGET - PER SOURCES OF FINANCE						
Source Of Finance	Adjusted Budget 2021/22	Actual as at 18 March '22	% Spent	Draft Budget Year 2022/23	Draft Budget Year 2023/24	Draft Budget Year 2024/25
External Loans	996,624,569	358,569,093	35.98%	746,182,950	965,676,538	951,345,382
Intergrated City Development Grant (ICDG)	491,149	-	0.00%			
Neighborhood Development Partnership Grant (NDPG)	65,457,265	10,023,245	15.31%	60,000,000	49,651,000	30,000,000
SRAC Provincial Grant	27,086,996	408,638	1.51%	12,000,000	12,500,000	12,750,000
Public Transport Network Grant (PTNG)	242,163,000	93,440,095	38.59%	260,000,000	277,956,831	278,575,757
Revenue	307,042,490	98,811,189	32.18%	273,690,797	253,939,600	248,000,923
Urban Settlement Development Grant (USDG)	1,274,415,126	490,461,489	38.49%	1,271,111,700	1,327,026,800	1,386,516,200
Informal Settlement Upgrading Partnership Grant (ISUPG)	657,549,015	346,380,431	18.41%	700,867,348	731,624,235	765,809,235
Total	3,570,829,610	1,398,094,180	39.15%	3,323,852,795	3,618,375,004	3,672,997,497

The following should be noted from the sources of funding table above:

- External loans are below R750 million in 2022/23 and below R1.0 billion in each outer years in line with Long Term Funding Strategy; and
- Own Revenue funding is slightly over R250.0 million in 2022/23 as required by funding strategy, due to R12 million of own revenue from EHC & ERWAT, and Funding of Support Departments projects.

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 C**.

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. All budget related policies are contained in **Annexure E**.

6.8 INCENTIVES

To increase revenue collection and reduce the growing debtors' book, an incentive of **2% discount**, for servicing an account for 12 consecutive months.

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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 D**.

8. LEGAL IMPLICATIONS

The tabling of the IDP and Budget in March 2022 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

All Departments participated in the development of the draft budget. The recommendations have been presented to the Senior Management Team and the Budget Steering Committee.

RECOMMENDATION

1. **That** the report regarding the Draft Medium-term Revenue and Expenditure Framework for 2022/23 to 2024/25 and the new Integrated Development Plan for 2022/23 to 2026/27 for the City of Ekurhuleni **BE NOTED**.
2. **That** the reviewed 2022/23 to 2024/25 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 municipality **BE PERMITTED** to enter into long-term borrowings for the funding of the capital programmes in respect of the 2022/23 financial year limited to an amount of **R750 million**, in terms of Section 46 of the Municipal Finance Management Act.
4. **That** the taking up of an external loan of R750 million to fund the 2022/23 Capital Budget **BE APPROVED** for a term of 10 to 15 years and that a further report **BE SUBMITTED** to Council to give feedback on the public comments received in this regard before the transaction is finalised.
5. **That** authority **BE GRANTED** to the City Manager and the Chief Financial Officer to negotiate a bridging finance to a maximum amount of **R500 million (five hundred million rand)**, in respect of bank overdraft facilities and/or the raising of short-term loans, including loans at call from Council's bankers, for the financial year ending 30 June 2023 in order to finance temporarily (within a period of one year) –

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- Expenditure on the Capital Budget; or
 - Expenditure on the Operating Budget incurred in anticipation of the receipt of revenue estimated and from which the expenditure would have been defrayed.
6. **That** an Incentive of **2% discount**, for servicing an account for 12 consecutive months, **BE APPROVED**.
7. **That** the implementation of resolution number 5 contained in the previous year budget Item A-F (19-2021) regarding the revised free basic services (to reduce free basic water to 6kl and free basic electricity to 50kwh to indigent households) from 1 July 2022 **BE NOTED**.
8. **That** the Draft Medium-term Revenue and Expenditure Framework for 2022/23 to 2024/25 and the new Draft Integrated Development Plan for 2022/23 to 2026/27 financial period, inclusive of draft tariffs and draft budget-related policies, as contained in the Budget Document **BE SUBJECTED** to a detailed review and public participation process in terms of Sections 22 and 23 of the Municipal Finance Management Act read with Chapter 4 of the Municipal Systems Act.