

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

2021.05.26

A-F (19-2021)

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

1. PURPOSE

To submit the 2021/22 to 2023/24 Medium-Term Revenue and Expenditure Framework (MTREF) and the 2021/22 Reviewed Integrated Development Plan (IDP) to Council for approval in terms of Section 24 of the Municipal Finance Management Act (MFMA, 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 draft 2021/22 to 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) and the 2021/22 reviewed Integrated Development Plan (IDP) were tabled before Council on the **25th March 2021** in line with the time schedule of key deadlines and section 16 of the MFMA, which requires the IDP/ budget to be tabled 90 days before the beginning of the budget year for consultation and public participation. As was the case with the previous 2020/21 MTREF, these documents are compiled in the midst of the COVID-19 pandemic, although at a lower level one (1) of the lockdown. It is now well known that the COVID-19 lockdown restrictions had a negative impact on economic activity globally and locally, including the City's finances. Nonetheless, the lower level one restrictions have seen a gradual recovery of the economy.

The tabled IDP/ budget were taken through the consultation and public participation processes in accordance with Chapter 4 of the Municipal Systems Act, **read with** sections 22 and 23 of the MFMA. The processes were undertaken from 6th to 29th April 2021. A combination of consultation platforms was utilised, including publication of the budget documents on the City's website, live local radio broadcasts and engagements, distribution of documents to all customer Care Centers and libraries, dedicated e-mail address, webinar with the business community as well as physical meetings under the COVID-19 regulations. The inputs were taken into consideration when compiling the final IDP/ budget. The service delivery imperatives, affordability, legislative requirements and financial viability of the City were amongst the factors taken into account when considering the inputs.

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This final 2021/22 MTREF is a culmination of the abovementioned processes.

The 2021/22 to 2023/24 **proposed consolidated (including entities) final budget** reflects the following totals:

CONSOLIDATED	2020/21 Revised Budget April '21	2020/21 YTD Actual Exp - April 2021	% Spent	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Total Revenue (excluding capital transfers and contributions)	41,994,730,833	33,096,625,399	78.8%	42,935,624,454	46,097,591,582	49,273,108,298
Total Expenditure	41,883,230,833	31,808,380,160	75.9%	42,675,624,454	45,826,671,582	48,990,267,818
Surplus/(Deficit)	111,500,000	1,288,245,239		260,000,000	270,920,000	282,840,480
Total Capital Budget	4,576,496,252	2,904,500,533	63.5%	4,081,635,584	4,037,864,173	4,110,834,535

The table above shows operating surpluses of R260.0 million, R270.9 million and R282.8 million in 2021/22, 2022/23 and 2023/24 financial years respectively. Budgeted capital expenditure is kept around the R4.0 billion affordability level in 2021/22 at R4.08 billion, R4.03 in 2022/23 and R4.11 billion in 2023/24.

The following Annexures are provided:

SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A Reviewed Integrated Development Plan (IDP)

SECTION TWO: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK

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

Annexure C Tariff Schedules;

Annexure D Budget-related Policies

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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

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

Annexure F 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 Reviewed IDP for the 2021/22 financial year;

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- **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 compiling this budget;
- **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. However, these Annexures **will be tabled within 28 days after approval** of the budget in accordance with section 53(1)(c)(ii) of the MFMA;
- 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; and
- **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 24 of the MFMA dealing with the approval of annual budgets, inter alia, reads as follows:

- 1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*
- 2) *An annual budget-*
 - a) *must be approved before the start of the budget year;*
 - b) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
 - c) *must be approved together with the adoption of resolutions as may be necessary-*
 - i. *imposing any municipal tax for the budget year;*
 - ii. *setting any municipal tariffs for the budget year;*
 - iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*

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- 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. **The Municipal Budget and Reporting Regulations stipulates that this submission must be made within 10 days after approval.***

PROCESS FOLLOWED

The 2021/22 budget preparation process commenced on the 30th July 2020 when the Executive Mayor tabled to Council a time schedule of key deadlines as required by section 21(1)(b) of the MFMA (Item AF 63-2020). The draft budget and related documents were tabled in Council on the 25th March 2021 and taken through the public participation process as required by Chapter 4 of the Municipal Systems Act read with sections 22 and 23 of the MFMA.

Given the COVID-19 lockdown restrictions, a combination of various platforms were used for the public participation process, including CoE website, distribution to all CCCs and libraries, COE APP, e-mails to Budgettips, live radio broadcast and physical meetings subject to observation of Covid-19 protocols. The inputs were taken into consideration when compiling the final IDP/ budget. The service delivery imperatives, affordability, legislative requirements and financial viability of the City were amongst the factors taken into account when considering the inputs.

After the tabling of the Draft Budget/ IDP to Council on the 25th March 2021, the documents were referred to Oversight Committees to obtain input from Legislature. Administration made available personnel to attend the meetings and clarify matters where required.

6.2. FINAL 2021/2022 REVIEWED INTEGRATED DEVELOPMENT PLAN

Background

Section 25 of the Municipal Systems Act, 32 of 2000 requires that Municipalities in South Africa develop 5 year strategic plans (IDP's) and review these plans annually in terms of section 34. The IDP must align the resources and the capacity of a municipality to its overall development aims and guide the budget of the municipality.

The alignment of the budget with the IDP has been achieved through the development of the City's IDP Strategic Objectives which are aligned to the City's long term plan (GDS 2055). The GDS 2055 is also aligned to Provincial and National Plans (including the National Outcomes as outlined in the MTSF and the IUDF amongst other). The IDP Strategic Objectives are as follows:

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

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 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 was 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 and the community participation process undertaken during April 2021, the public participation chapter has been reviewed to highlight the outcome of these processes.;
- The chapter on the IDP performance information was 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.
- The Chapter on the Built Environment Performance Plans was reviewed to highlight the current approach and principles of BEPP.

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.

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The Budget Steering Committee is chaired by the Member of Mayoral Committee (MMC) Finance, ICT and Economic Development and all the members of Mayoral Committee and Heads of Departments were integral part to the meetings. Several meetings were held during the compilation of the draft and final budgets.

The main function of the Budget Steering Committee is to give administration strategic guidance with the compilation of the IDP and Budget. This ensures that the budget is aligned with the strategic objectives of the City as well as National and Provincial government priorities.

6.3. KEY ASPECTS CONTAINED IN THE BUDGET

MFMA Circular 107 issued on the 4th December 2020, **read with** Circular 108 issued on 8th March 2021, provided 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.

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;

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- 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 shows 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 are be justified** in the municipal budgets.

National Treasury advises municipalities against **approving 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.

Tariffs per rating category are 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	N/A
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

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35	Public Benefit Activity Properties	0.25	0.00263	0.00263
25	Private Towns	1	0.01052	N/A
11	Informal Settlements	1	0.01052	N/A
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

Water – A tariff increase of 8% is proposed. Rand Water indicated an increase of 5.8% of bulk water purchases to its customers. The increase proposed by the City is to cover the costs of storage, reticulation and chemicals.

Sewer – The proposal is for a tariff increase of 8% for domestic and 17% for industrial customers. ERWAT has increased its sewer purification costs to the City by 17%. This takes into account input costs such as fuel, chemicals and labour.

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. This practice has seen the selling tariff of electricity increasing lower than the buying tariff.

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

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Burial and Cemetery tariff increase is proposed at **6.0% for CoE residents** and **10% 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. The details of the tariffs are contained in Annexure C.

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.

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:

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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 only Note: Electricity used for business purposes is excluded from the free basic electricity 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 and deemed indigent households ONLY. Allocation is: <ul style="list-style-type: none"> • 6kl of water and sewer to registered and deemed indigents only

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 20th May 2021, the National Treasury conducted a benchmark assessment of the budgets, inclusive of the tariff proposals, of the City. The purpose of the benchmark engagement was, amongst others, to compare the City’s budget with the budgets of other metros and to determine whether the City’s budget is credible, relevant, sustainable and mSCOA compliant. The outcome of the assessment was that the budget met all these assessments.

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

The operating revenue budget table below shows that revised operating revenue increases from R41.9 billion in 2020/21 to R42.9 billion in 2021/22, an increase of R940.8 million or 2.2%.

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Description	Budget Year 20/21			Budget Year 21/22	Budget Year 22/23	Budget Year 23/24
	Revised Budget	YTD Actual as at April 2021	% Actuals	Proposed Budget	Proposed Budget	Proposed Budget
	R	R		R	R	R
Revenue By Source						
Property rates	5,950,478,219	4,942,708,608	83%	6,681,352,036	6,961,968,825	7,268,295,459
Service charges	25,777,967,736	19,347,894,952	75%	26,557,357,613	28,900,599,404	31,450,297,841
Rental of facilities and equipment	128,688,592	144,913,826	113%	134,649,974	137,524,888	140,338,887
Interest earned - Investments	218,775,886	154,774,848	71%	188,724,013	188,739,685	188,769,845
Interest earned - Outstanding Debtors	404,804,733	292,133,650	72%	345,510,534	348,775,119	350,721,013
Fines, penalties and forfeits	579,646,635	97,641,098	17%	579,684,671	579,684,671	579,684,671
Licences and permits	310,023,261	266,222,563	106%	249,884,050	249,884,050	249,884,050
Transfers and subsidies	5,555,006,719	5,005,181,967	88%	4,952,925,426	5,273,290,955	5,443,839,474
Other revenue	3,069,339,052	2,845,153,888	93%	3,245,536,137	3,457,123,985	3,601,277,058
Total Revenue (excluding capital transfers and contributions)	41,994,730,833	33,096,625,399	79%	42,935,624,454	46,097,591,582	49,273,108,298

The table above shows, amongst others, the revised budget and actual spending for the current 2020/21 financial year, the proposed 2021/22 tabled budget as well as the proposed budget for the two outer years. The following factors contributed to changes between the 2020/21 revised budget and the 2021/22 proposed budget. Comments are made on items that have significant changes, **i.e. more than 5%**.

- Property rates revenue 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;
- Licenses and permits in current year exceeded plans due to build up of backlogs from hard lockdown (levels 5 to 3); This backlog is not envisaged in the new year;
- Net reduction in grants. (Province grants now included); e.g. equitable share and USDG decreased; and
- Other revenue increase due to increase in sundry tariffs;

Substantial increases in revenue in the two outer years are due to the increases in tariffs such as assessment rates, service charges and grants and subsidies from national and provincial spheres.

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

2021/22 Proposed MTREF Operating Expenditure

As can be seen from the table below, revised consolidated operating expenditure increases from R41.8 billion in 2020/21 to the proposed R42.6 billion in 2021/22, an increase of R792.3 million or 1.9%. Major changes are elaborated below.

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	Revised Budget R	YTD Actual R	% Actuals	Approved Budget with MTREF 20/21 R	Proposed Budget R	Proposed Budget R	Proposed Budget R
Expenditure By Type							
Employee related costs	9,876,050,802	7,897,912,595	80%	10,589,143,831	10,261,652,212	11,109,632,676	11,777,798,128
Remuneration of councillors	142,795,066	117,822,300	83%	154,218,672	155,879,152	162,426,077	169,572,820
Debt impairment	3,640,329,061	2,988,199,836	82%	3,386,998,276	3,386,510,775	3,539,291,128	3,624,808,534
Depreciation & asset impairment	2,725,499,998	2,219,626,401	81%	2,517,844,099	2,505,909,100	2,613,223,403	2,725,164,310
Finance charges	1,216,580,276	910,132,195	75%	1,206,325,987	1,176,609,784	1,227,462,462	1,282,896,653
Bulk purchases	16,150,921,749	12,030,119,517	74%	18,362,200,272	14,224,084,756	15,490,028,299	16,868,640,817
Other materials & inventory consumed	1,527,200,638	1,148,418,905	77%	2,226,802,505	4,847,761,189	5,190,209,076	5,459,866,621
Contracted services	5,010,606,982	3,329,420,767	66%	4,718,738,413	4,395,050,359	4,668,174,493	5,155,106,156
Transfers and subsidies-exp	486,906,890	364,074,665	75%	711,421,125	627,141,790	678,041,790	729,180,990
Other expenditure	1,093,339,371	803,691,474	74%	1,291,381,850	1,082,025,337	1,134,480,178	1,182,790,881
Loss on disposal of PPE	13,000,000	(1,038,497)	-8%	13,702,000	13,000,000	13,702,000	14,441,908
Total Expenditure	41,883,230,833	31,808,380,160	76%	45,178,777,030	42,675,624,454	45,826,671,582	48,990,267,818
Surplus/(Deficit)	111,500,000	1,288,245,239	1155%	438,072	260,000,000	270,920,000	282,840,480

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

- Employee costs are based on propose increase of 3.9% without notch increases (there is no legal bases or agreement on the annual notch increment);
- 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 reprioritisation; and
- Transfers and subsidies increase due to giving up of R150.0 million by ERWAT resulting from underspending in current year. The budgeted allocation in the following year remains.

The proposed capital budget is reflected in section 6.6 below.

6.6. 2021/22 MTREF SUMMARY (CAPITAL BUDGET)

The table below shows the summary of the capital budget per department.

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
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2021/22 - 2023/24 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT						
Department	Adjusted Budget 2020/21	Actual as at 30 April '21	% Spent	Final Budget Year 2021/22	Final Budget Year 2022/23	Final Budget Year 2023/24
Chief Operating Officer	57,514,800	35,134,992	61.09%	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	1,426,925	56.51%	5,025,000	7,500,000	-
Corporate Legal Services	29,300	29,300	100.00%	-	-	-
Council General	175,934,576	127,439,752	72.44%	186,567,852	137,356,473	185,156,248
Disaster & Emergency Management Services	94,614,500	47,620,072	50.33%	82,780,000	59,000,000	59,000,000
Economic Development	124,442,550	62,616,802	50.32%	135,500,000	83,000,000	93,720,000
Ekurhuleni Metro Police Department	68,538,500	42,352,002	61.79%	84,149,000	92,552,000	92,200,000
Energy	593,890,800	382,604,070	64.42%	401,149,784	456,825,000	456,825,000
Environmental Resources & Waste Management	223,500,000	154,002,459	68.90%	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	2,140,881	97.78%	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	795,567,000	470,213,650	59.10%	628,783,391	750,027,093	733,246,093
Information and Communication Technology	519,319,768	371,716,882	71.58%	445,670,173	299,979,250	299,979,250
Internal Audit	20,000	19,900	99.50%	20,000	-	-
Real Estate	213,605,857	121,339,707	56.81%	194,026,059	158,704,900	166,000,000
Roads and Stormwater	513,862,595	281,745,740	54.83%	336,441,991	351,507,940	346,210,553
Sport Recreation Arts and Culture	69,649,100	49,660,301	71.30%	90,159,806	82,549,299	89,145,299
Strategy & Corporate Planning	10,000	9,950	99.50%	10,000	10,000	-
Transport Planning & Provision	292,864,166	208,258,243	71.11%	392,703,000	424,487,000	424,481,200
Water and Sanitation	765,741,764	502,994,995	65.69%	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	55,830,000	41,339,813	74.05%	187,100,000	221,200,000	254,000,000
Total	4,576,496,252	2,904,500,533	63.47%	4,081,635,584	4,037,864,173	4,110,834,535
Parent Municipality	4,514,541,287	2,861,911,492	63.39%	3,883,611,391	3,811,716,250	3,851,820,938
Entities	61,954,965	42,589,041	68.74%	198,024,193	226,147,923	259,013,597
Total	4,576,496,252	2,904,500,533	63.47%	4,081,635,584	4,037,864,173	4,110,834,535

The proposed **consolidated** Capital Budget for 2021/22 (including the three entities) as contained in the table above amounts to **R4.08 billion and is 12.9% (R494.8 million) less** when compared to the 2020/21 revised Budget of **R4.57 billion**. The detail of the projects is provided in **Annexure F**. The consolidated capital budget over the **MTREF is R12.23 billion**.

Below is the depiction of sources of funding the capital budget.

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
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2021/22 - 2023/24 MULTI YEAR CAPITAL BUDGET - PER SOURCES OF FINANCE						
Source Of Finance	Adjusted Budget 2020/21	Actual as at 30 April '21	% Spent	Final Budget Year 2021/22	Final Budget Year 2022/23	Final Budget Year 2023/24
External Loans	1,712,992,626	1,158,554,200	67.63%	1,496,613,309	1,342,596,355	1,311,097,133
Integrated City Development Grant (ICDG)	52,940,000	40,743,412	76.96%	-	-	-
Neighborhood Development Partnership Grant (NDPG)	70,000,000	47,438,091	67.77%	54,000,000	80,000,000	87,155,000
SRAC Provincial Grant	9,360,070	4,107,295	43.88%	26,499,000	12,250,000	12,946,000
Public Transport Network Grant (PTNG)	233,295,000	171,405,319	73.47%	326,618,000	370,000,000	350,000,000
Revenue	383,068,313	219,524,258	57.31%	250,537,799	274,693,373	297,108,056
Urban Settlement Development Grant (USDG)	2,114,840,243	1,262,727,957	59.71%	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	4,576,496,252	2,904,500,533	63.47%	4,081,635,584	4,037,864,173	4,110,834,535

- The Integrated City Development Grant (ICDG) was discontinued;
- A new grant called ISUPG is introduced in the new year. This is still a conditional grant.

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 F**.

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:

POLICIES

Annexure D1	Medium - term Budget Statement Policy (reviewed)
Annexure D2	Pricing Policy Statement (reviewed)
Annexure D3	Property Rates Policy (reviewed)
Annexure D4	Provision of Free Basic Electricity Policy (reviewed)
Annexure D5	Waste Management Tariff Policy (reviewed)
Annexure D6	Consumer Deposit Policy (reviewed)
Annexure D7	Indigent Support Policy (reviewed)
Annexure D8	Credit Control & Debt Collection Policy (reviewed)

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
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Annexure D9	Provision for Doubtful Debt and Debt Write-Off Policy (reviewed)
Annexure D10	Budget Implementation and Monitoring Policy (reviewed)
Annexure D11	Municipal Entity Financial Support Policy (reviewed)
Annexure D12	Accounting Policy (reviewed)
Annexure D13	Electricity Metering for Residential and business Customers (reviewed)
Annexure D14	Policy for the vending of pre-paid electricity (reviewed)
Annexure D15	Policy for Correction of Meter Reading and Billing Data (reviewed)
Annexure D16	Electricity Tariff Policy (reviewed)
Annexure D17	Virement Policy (reviewed)
Annexure D18	Consumer Agreement (reviewed)
Annexure D19	Supply Chain Management Policy (reviewed)
Annexure D20	Treasury Policy Consolidation of various policies) (reviewed)
Annexure D21	Grants-in-Aid Policy (reviewed)
Annexure D22	Asset Management Policy (reviewed)
Annexure D23	Cost Containment Policy (reviewed)
Annexure D24	Policy for the wheeling of Electricity (reviewed)
Annexure D25	Policy guideline for Small-scale Embedded generation (reviewed)
Annexure D26	Ekurhuleni Community Enterprise Development (reviewed)

BY-LAWS

Annexure D01	Credit Control and Debt Collection (reviewed)
Annexure D02	Property Rates (reviewed)

7. SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

In terms of section 53(1)(c)(ii) of the MFMA, the SDBIP is required 28 days after approval of the MTREF. The Departmental and City-wide SDBIPs will be tabled then as **Annexures E1 and E2**.

8. LEGAL IMPLICATIONS

The approval of the IDP and Budget in May 2021 will ensure compliance with Section 24 of the MFMA.

9. COMMUNICATION IMPLICATIONS

The IDP and budget were communicated to the departments and will be made public and placed on the CoE website once approved.

10. OTHER DEPARTMENTS/ BODIES CONSULTED

The inputs of the Budget Steering Committee and Senior Management team were incorporated in the IDP/ Budget.

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

2021.05.26

A-F (19-2021)

RECOMMENDATION

1. **That** the Council of the City of Ekurhuleni, acting in terms of section 24 of the Municipal Finance Management Act (MFMA, Act 56 of 2003), **NOTES** the 2021/22 to 2023/24 consolidated MTREF of the City and Entities and the 2021/22 reviewed IDP.
2. **That** the Council of the City of Ekurhuleni **APPROVES** and **ADOPTS** the 2021/22 to 2023/24 consolidated MTREF of the City and Municipal Entities and the 2021/22 reviewed IDP.
3. **That** the Council of the City of Ekurhuleni **APPROVES** and **ADOPTS** the budget-related documents as contained in **Annexures A to F** of the report.
4. **That** to guide the implementation of the municipality's annual budget, the Council of the City of Ekurhuleni **APPROVES** the reviewed policies and by-laws as set out in the following Annexures of this document:

POLICIES:

Annexure D1	Medium - term Budget Statement Policy (reviewed)
Annexure D2	Pricing Policy Statement (reviewed)
Annexure D3	Property Rates Policy (reviewed)
Annexure D4	Provision of Free Basic Electricity Policy (reviewed)
Annexure D5	Waste Management Tariff Policy (reviewed)
Annexure D6	Consumer Deposit Policy (reviewed)
Annexure D7	Indigent Support Policy (reviewed)
Annexure D8	Credit Control & Debt Collection Policy (reviewed)
Annexure D9	Provision for Doubtful Debt and Debt Write-Off Policy (reviewed)
Annexure D10	Budget Implementation and Monitoring Policy (reviewed)
Annexure D11	Municipal Entity Financial Support Policy (reviewed)
Annexure D12	Accounting Policy (reviewed)
Annexure D13	Electricity Metering for Residential and business Customers (reviewed)
Annexure D14	Policy for the vending of pre-paid electricity (reviewed)
Annexure D15	Policy for Correction of Meter Reading and Billing Data (reviewed)
Annexure D16	Electricity Tariff Policy (reviewed)
Annexure D17	Virement Policy (reviewed)
Annexure D18	Consumer Agreement (reviewed)
Annexure D19	Supply Chain Management Policy (reviewed)
Annexure D20	Treasury Policy Consolidation of various policies) (reviewed)
Annexure D21	Grants-in-Aid Policy (reviewed)
Annexure D22	Asset Management Policy (reviewed)
Annexure D23	Cost Containment Policy (reviewed)
Annexure D24	Policy for the wheeling of Electricity (reviewed)
Annexure D25	Policy guideline for Small-scale Embedded generation (reviewed)
Annexure D26	Ekurhuleni Community Enterprise Development (reviewed)

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

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BY-LAWS:

Annexure D01 Credit Control and Debt Collection (reviewed)

Annexure D02 Property Rates (reviewed)

5. **That** the implementation of the revised indigent policy as contained in Annexure D7 **BE IMPLEMENTED** effectively from 01 July 2022
6. **That** the municipality **BE PERMITTED** to enter into long-term borrowings for the funding of the capital programmes in respect of the 2021/22 financial year limited to an amount of **R1.496 billion**, 2022/23 financial year limited to an amount of **R1.342 billion** and 2023/24 financial year limited to an amount of **R1.311 billion**, in terms of Section 46 of the Municipal Finance Management Act.
7. **That** the taking up of an external loan of R1.496 billion to fund the 2021/22 Capital Budget **BE APPROVED** for a term of 10 to 15 years and that a further report **BE SUBMITTED** to Council to give feedback on the public comments received in this regard before the transaction is finalised.
8. **That** the City Manager **BE AUTHORISED** to sign all necessary agreements and documents to give effect to the above lending programme.
9. **That**, in order to facilitate multi-year budgeting, departments **BE AUTHORISED** to commit projects on the 2022/23 and 2023/24 budgets, on both internal and confirmed external funding sources.
10. **That** authority **BE GRANTED** to the City Manager and the Chief Financial Officer to negotiate a bridging finance to a maximum amount of **R400 million (four 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 2022 in order to finance temporarily (within a period of one year) –
 - Expenditure on the Capital Budget; or
 - Expenditure on the Operating Budget incurred in anticipation of the receipt of revenue estimated and from which the expenditure would have been defrayed.
11. **That** the copy of the revised IDP **BE SUBMITTED** to the MEC for Local Government and relevant provincial department.