

**EKURHULENI METROPOLITAN MUNICIPALITY
EXTRA ORDINARY COUNCIL MEETING**

2017.03.16

REVISED ITEM A-F (15-2017)

REVISED DATE FOR THE TABLING OF THE DRAFT 2017/18 MTREF BUDGET

PURPOSE

To recommend to Council to table the 2017/18 Draft MTREF Budget and IDP in March 2017.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Good Governance.

BACKGROUND

In terms of the MFMA and Municipal Budget and Reporting Regulations Council must adopt the Schedule of Key Deadlines for the next budget cycle before the end of August 2017.

Due to the elections that took place in August 2016 no Council meeting (other than the inauguration of Council) took place in August 2016. The report for the deadlines could therefore not be tabled in August 2016.

In line with the prescriptions stipulated in Section 27(2) of the MFMA and Section 60 of the Municipal Budget and Reporting Regulations Council applied and obtained approval from the MEC of Finance for the tabling of the Schedule of Key Deadlines in September 2016.

The revised schedule as approved by Council should be viewed against the proposed dates as stipulated in the MFMA budget process.

DISCUSSION

The report as approved in September 2016 proposed the following key deadlines:

- a) Approval of the (current) 2016/17 Adjustment Budget - January 2017.
- b) Tabling of the 2017/18 Draft MTREF, IDP and BEPP (Medium Term Revenue and Expenditure Framework known as Budget, Integrated Development Plan and

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2017	Built Environment Performance Plan)	-	February
	c) Approval of the 2017/18 MTREF, IDP and BEPP	-	May 2017

The above programme was based on the process followed in the previous years.

The approved schedule of key deadlines should be viewed in comparison with the dates recommended as per MFMA process:

Process	As per Council	As proposed per MFMA
Approval of the (current) 2016/17 Adjustment Budget	January 2017	End of February 2017
Tabling of the 2017/18 MTREF, IDP and BEPP	February 2017 **	End of March 2017
Public Participation on Draft Budget and IDP	March 2017	April 2017
Approval of the 2017/18 MTREF, IDP and BEPP	May 2017	May 2017.

The revised schedule should be as follows:

No	Activity	Proposed Date
1	Budget Steering Committee meeting (The submissions of the departments without any curtailment)	10 February 2017
2	One – on - One discussions with departments (The purpose is to finalise the draft figures)	15 – 24 February 2017
3	First Draft of 2017/18 MTREF (balanced)	27 February 2017
4	Special Mayoral Committee (to be arranged)	1 March 2017
5	Council meeting for tabling MTREF	
6	Minister of Finance Budget Speech - Final DORA regarding grant allocations - Eskom/ NERSA increases - Rand Water and Erwat increases	22 February 2017
7	Presentation of the Gauteng Provincial Budget	7 March 2017
8	Caucus Lekgotla	7 – 10 March 2017
9	Mayoral Lekgotla	15 – 17 March 2017
10	Special Mayoral Committee (to be arranged)	22 March 2017
11	State of the City Address	29 & 30 March 2017
12	Council meeting for tabling MTREF	30 March 2017
13	Public participation and Oversight input	April 2017
14	Approval of Final MTREF	May 2017

CHALLENGES EXPERIENCED WHICH NECESSITATED THAT THE 2017/18 DRAFT BUDGET BE TABLED IN MARCH 2017.

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As the budget process unfolded since the elections took place it was discovered that the tabling of the 2017/18 Draft Budget in February 2017 would not be practical for Council. Various reasons affected the tabling of the budget, of which the major issues are as follows:

- a. In terms of legislation National Treasury must conduct annually a Mid-Year Budget Assessment of all non-delegated municipalities. The Mid-Year Assessment of Ekurhuleni took place on 6 & 7 February 2017. It is required by National Treasury that the outcomes and recommendations from the Mid-Year Assessment must be taken into account during the compilation of the 2017/18 Draft Budget. The fact that the assessment only took place in February 2017 made it not possible to finalise the draft budget for tabling in February 2017.
- b. In terms of the mSCOA Regulations Council must be able to implement SCOA as from 1 July 2017. Though Council already implemented the mSCOA Framework it requires much more amendments and preparation to the compliant on 1 July 2017.
 - Council is operating currently on version 5.4 of the mSCOA Framework of National Treasury.
 - In terms of the Budget Guidelines issued by National Treasury it is compulsory for Council to implement version 6.1 of the mSCOA Framework. The conversion to the latest 6.1 version requires administratively a huge additional workload which severely strained the capacity in the Budget Office to prepare the draft budget in February 2017.
- c. National Treasury also issued an instruction that all municipalities must in terms of the mSCOA Framework be able to demonstrate how the entire budget (both capital and operating) is directly linked with the IDP. It is only possible to complete the linking of the IDP and the budget after the draft IDP for 2017/18 is completed. This process also resulted that the draft budget could not be tabled in February 2017.
- d. Council has not yet received any guidelines in terms of tariff increases from NERSA (in terms of regarding Eskom increases) nor Rand Water (regarding water increases) nor Erwat (regarding sewer purification increases). These bulk tariff increases are having a huge impact on tariff increases which must be included in the draft budget. In previous years Council received fairly good indicative bulk increase notifications from the bulk suppliers. Council has not yet received any indicative tariff increases that is reliable to use in the draft budget.
- e. A factor that always impact on the draft budget is the fact that the final grant allocations to municipalities will only be available after the Minister of Finance's Budget Speech at the end of February 2017. It is anticipated that the provisional grant allocations from National and Provincial Government might be amended. Any significant amendment could impact on the draft budget if it is prior to the Minister's Budget Speech.
- f. It should also be noted that National Treasury is recommending that municipalities should table the draft budget at the end of March each year. A number of above factors are common to all municipalities. It should be noted that Ekurhuleni was the only metro that tabled the draft budget in February 2016. All the other metros only tabled in March 2016.

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- g. IDP is an all-inclusive municipal plan which must reflect service delivery plans of provincial sector departments and state owned enterprises for horizontal and vertical alignment and to avoid duplication. The plans of the sector departments are only available in the beginning of March and will therefore be incorporated in the Draft IDP
- h. The finalisation of the 2016/17 Adjustment Budget during November/December 2017 required much more interaction than anticipated.
 - It was critical to ensure that the Mayoral priorities (where possible) have been addressed in the 2016/17 Adjustment Budget.
 - Several one-on-one meetings with major departments had to be conducted to review the capital and operating budget requests.
 - This process in previous years were finalised in December of each year. In the current year it was only possible to finalise it after the Mid-year result were available in the middle of January 2017.
 - Based on the mid-year results it was necessary to make further amendments in January 2017.
- i. The challenges relating to the finalisation of the previous year's audit did impact on the availability of senior management to address new budget related matters.
- j. The approval of the Schedule of Key Deadlines in September 2016 (instead of August 2016) already delayed the budget process.
- k. The establishment of the various governance structures (Mayoral Committee, Budget Steering Committee, Oversight Committees, etc.) impacted on the operational processes relating to the budget.
- l. According to the approved Annual Calendar of Council the caucus lekgotla's and Mayoral Lekgotla must take place during March 2017. This will be followed up by the State of the City Address on 29 March 2017 and debate on 30 March 2017. It is therefore ideal that the tabled budget at the end of March 2017 will be in line with the guidance of the State of the City Address.

The above factors are having a huge impact to ensure that a credible and funded 2017/18 Draft Budget and IDP are tabled to Council in February 2017. **It is therefore proposed that the draft budget be tabled in March 2017.**

It should also be noted that legislation (MSA) requires the tabling of the draft budget and IDP to be done 90 days before the start of the new financial year, which is essentially March of each year. The tabling in February is therefore an internal EMM arrangement. Therefore, the request to amend the approved schedule will therefore not result in non-compliance

The proposed changes must also be aligned with the public participation process. Therefore, as the tabling is now proposed to be in March, the public participation on the draft Budget and IDP would take place in April. Public participation taking place in April is in line with legislation.

The challenges associated with the month of April must however be noted. In terms of the current council calendar, the first two (2) weeks of April will be recess. This followed by the Easter Holidays and then the last week of April there will be Caucus and Council meetings. The public participation can therefore only take place on the third week of April. The public participation process will therefore take place on 18, 19, 20 and 22

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April. It will take the same format as the previous term, meaning that 5 meetings will be held per CCA per day. A proposed schedule is attached.

RECOMMENDATION

1. **That** the report on the revised date for the Tabling of the 2017/18 Draft MTREF (Budget, IDP and BEPP) **BE NOTED**.
2. **That** based on the motivation/reasons mentioned in the above report the Draft MTREF, IDP and BEPP for the 2017/18 financial year **BE TABLED** in March 2017.
3. **That** the public participation dates on the Draft Budget and IDP as reflected in the attached schedule **BE NOTED**.