



NOTICE

SPECIAL COUNCIL MEETING

(In terms of Rule 19(1) b of the Standing Orders)

THURSDAY, 25 MAY 2017

KEDITSELANE TOURISM & MULTI CULTURAL VILLAGE

KATLEHONG

10:00



Ekurhuleni
METROPOLITAN MUNICIPALITY

EKURHULENI METROPOLITAN MUNICIPALITY

COUNCIL MEETING

**Notice is hereby given of an Special Council Meeting of the
Ekurhuleni Metropolitan Municipality**

to be held

on

THURSDAY, 25 May 2017

at

10:00

In the

KEDITSELANE TOURISM & MULTI CULTURAL VILLAGE

KATLEHONG

to consider the matters which appear on the agenda.



**CLR N P KUMALO
SPEAKER OF COUNCIL**

AGENDA

- 1. OPENING & WELCOME**
- 2. APPLICATIONS FOR LEAVE OF ABSENCE**
- 3. OFFICIAL NOTICES**
- 5. REPORTS OF THE EXECUTIVE**
- 6. ANNOUNCEMENTS**
- 7. CLOSURE**

INDEX

NON-DELEGATED MATTERS

FINANCE

ITEM A-F (17-2017)	REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP) AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2017/2018 TO 2019/2020	7
	RECOMMENDATION	34
	ANNEXURES	(Distributed under separate cover)
ITEM A-F (18-2017)	BRAKPAN BUS COMPANY: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2017/2018 TO 2019/2020	38
	RECOMMENDATION	43
	ANNEXURES	None
ITEM A-F (19-2017)	EKURHULENI DEVELOPMENT COMPANY (EDC): 2017/18 TO 2019/2020 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)	44
	RECOMMENDATION	50
	ANNEXURES	None
ITEM A-F (20-2017)	ERWAT: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2017/2018 TO 2019/2020	51
	RECOMMENDATION	56
	ANNEXURES	None

**ITEMS OF THE EXECUTIVE
NON DELEGATED
MATTERS**

FINANCE

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP) AND MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2017/2018 TO 2019/2020

PURPOSE

To submit the Reviewed Integrated Development Plan (IDP) for 2017/18 – 2020/2021 and the Medium-Term Revenue and Expenditure Framework (MTREF) for the 2017/2018 to 2019/2020 financial period to Council **for approval** in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003).

EXECUTIVE SUMMARY

The Draft IDP and Budget were tabled to Council on the 16th March 2017 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled budget was for Council to note the draft budget for the public consultation process to be embarked upon. The public consultations were conducted during the month of April 2017.

The **final budget** reflects the following totals:

	Adjustment Budget 2016/17	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Total Operating Revenue	34,210,955,606	33,919,427,529	36,915,730,823	40,292,082,686
Total Operating Expenditure	32,396,497,071	31,600,652,999	34,487,715,051	37,709,697,416
Total Gains and Losses	16,000,000	15,000,000	15,885,000	16,806,330
<i>Surplus/(Deficit) for the year</i>	1,798,458,535	2,303,774,530	2,412,130,772	2,565,578,940
<i>Less Grant Income recognised to fund Capital Expenditure</i>	(1,797,685,992)	(2,303,664,242)	(2,412,095,591)	(2,565,553,717)
<i>Surplus/(Deficit) for the year after Capital Grants</i>	772,543	110,288	35,181	25,223
Total Capital Expenditure	5,103,439,700	6,399,356,712	6,856,310,390	7,365,321,320

The following attachments 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

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Annexure E The Municipal Finance Management Act, Act 56 of 2003, Section 53(1)(c) requires that the Mayor of a municipality take all reasonable steps to ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the mayor within 28 days after the approval of the budget. **The Ekurhuleni 2017/2018 SDBIP will be approved by the Executive Mayor in June 2017 and tabled at Council**

Annexure F Capital Budget per Ward

SECTION FOUR: BEPP AND SERVICE LEVEL STANDARDS AND COST-CUTTING MEASURES

Annexure G Built Environment Performance Plan of EMM

Annexure H Service Level Standards

Contents 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 2017/18 financial year.
- **Annexure B** contains the detailed budget of EMM for the MTREF period. It is compiled in line with the Budget Guideline set out by National Treasury. The template supplied by National Treasury was used and it is in the exact format as prescribed.
- **Annexure C** is a complete list of all the various tariff schedules of Council. It includes the major tariff schedules 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. **Annexure E** detailing the SDBIP will be tabled to Council in June 2017.
- A detailed Capital Budget which make reference to the ward information is included as **Annexure F**. Though such an annexure is not required in term of legislation, it assist in many ways when budget is scrutinised during public participation.
- The Built Environment Performance Plan (BEPP) of Council forms the basis of the compilation of the budget which should form part of the approval of the annual budget. The BEPP is contained in **Annexure G** to this report.
- In terms of the MFMA Budget Circular No 78 it is required from municipalities to submit Service Level Standards of Council as part of the budget. **Annexure H** contains the Services Level Standards.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

DISCUSSION

Section 25(1) of the Municipal Systems Act 32 of 2000 directs that:

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 the municipality which:

- a) *Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;*
- b) *Aligns the resources and capacity of the municipality with the implementation of the plan;*
- c) *Forms the policy framework and general basis on which annual budget must be based;*
- d) *Complies with the provisions of Chapter 5 of the Act, and*
- e) *Is compatible with national and provincial development plans and planning requirements bidding on the municipality in terms of legislation.*

The current Council has since developed its strategic development plan for the term 2017/18 – 20/21 giving recognition and consideration to the work that has been done during the previous (2011 - 2016) term as the foundation upon which to build moving forward.

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-*
 - f) *must be approved before the start of the budget year;*
 - g) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
 - h) *must be approved together with the adoption of resolutions as may be necessary-*
 - i. *imposing any municipal tax for the budget year;*
 - ii. *setting any municipal tariffs for the budget year;*
 - iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - iv. *approving any changes to the municipality's integrated development plan; and*
 - v. *approving any changes to the municipality's budget related policies.*
- 3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.*

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

PROCESS FOLLOWED

1) Schedule of Key Deadlines for IDP and Budget compilation

The compilation of the tabled budget and the reviewing of the municipality's integrated development plan and budget-related policies started already 10 months before the begin of the 2017/18 financial year when the report regarding the key deadlines was submitted to Council for approval on 29 September 2016. The tabling of the Schedule of Key Deadlines is required in terms of section 21(b) of the MFMA. Due to the municipal elections that were held on the 3rd August 2016, Council could not sit before the 31st August 2017 to strictly comply with section 21(b) of the MFMA. However, approval was sought and obtained from the Gauteng Provincial Treasury to table the time schedule of key deadlines at a later date. In this case the date was the 29th September 2017.

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 were 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 be compliant on 1 July 2017.
 - a. Council is operating currently on version 5.4 of the mSCOA Framework of National Treasury.
 - b. 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 in the delay from tabling the draft budget in February 2017.
- d) Council had not yet received any guidelines in terms of tariff increases from NERA (regarding Eskom increases) nor Rand Water (regarding water increases) nor Erwat (regarding sewer purification increases). These bulk tariff increases have a huge impact on tariff increases which had to be included in the draft budget. In previous years Council received fairly good indicative bulk increase notifications from the bulk suppliers.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

- e) A factor that always impact on the draft budget is the fact that the final grant allocations to municipalities were only available after the Minister of Finance's Budget Speech at the end of February 2017. These allocations were not available at the time the draft budget was compiled.
- 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.
- 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 were 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.
 - a. It was critical to ensure that the Mayoral priorities (where possible) have been addressed in the 2016/17 Adjustment Budget.
 - b. Several one-on-one meetings with major departments had to be conducted to review the capital and operating budget requests.
 - c. This process in previous years was finalised in December of each year. In the current year it was only possible to finalise it after the Mid-year results were available in the middle of January 2017.
 - d. Based on the mid-year results it was necessary to make further amendments in January 2017.
 - e. The challenges relating the finalisation of the previous year's audit did impact on the availability of senior management to address new budget related matters.

The approval of the Schedule of Key Deadlines in September 2016 (instead of August 2016) already delayed the budget tabling process. However, the legislated timelines were complied with.

2) Strategic Mayoral Lekgotla

Section 53(1) of the MFMA requires of the mayor of a municipality to:

- a) *Provide general political guidance over the budget process and the priorities that must guide the preparation of the budget*

To give effect to the above requirement, the Executive Mayor convened a Mayoral Lekgotla in September 2016 with a Theme: *Charting a Socially Transformative Path to the Delivery City*. The objective of the Lekgotla was for setting the agenda and pronouncing on the development priorities for the term of Council (2017/18 – 2021). The Lekgotla resolved that the focus areas and priorities as agreed upon must guide and inform the 5 year IDP, the MTREF and the subsequent annual plans (SDBIP's).

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

The Lekgotla set the agenda for the 2017/18 – 2020/21 term of Council as a ***'Pro Poor'*** agenda wherein focus will be on:

- Short and medium term priorities meant to support improved and impactful service delivery; and
- Accelerating and broadening access to quality municipal services to the poor while maintaining quality service levels in affluent areas.

The following have since been pronounced as specific areas of intervention to be pursued during the term:

- Improve service delivery through visible and impactful programmes supported by Capex spending;
- Electrification of all informal settlements;
- Construction of 100 000 housing units;
- Provision of 59 000 serviced stands;
- Make informal settlements more habitable through up-scaling of services;
- Promote preservation of water usage and continue investing in water infrastructure to ensure security of supply;
- Making land available and cut the red tape in the process to access strategic and developable land parcels;
- Improved Organizational culture, relations between the staff and employer;
- Strongly pursue the issue of an Ekurhuleni University;
- Establish a commission to fight Fraud and Corruption;
- Ekurhuleni Power Station to broaden accessibility and ensure security of supply;
- Building capacity to minimise outsourcing of key Municipal Services Increase the number of local clinics piloting the 24-hour health care programme;
- Accelerate Wi-Fi rollout;
- Create a signature mega arts and culture festival for the city; and
- Implementation of the 10-point economic revival plan which include the following:
 - A clear roadmap for the effective implementation of the Aerotropolis Master Plan;
 - Revitalisation of the manufacturing sector;
 - Enabling Public Transport System;
 - Acceleration of IDZ / SEZ programme;
 - Land availability for strategic development;
 - Implementation of Township Economy Strategy;
 - Empowerment and support of SMMEs through public procurement;
 - Massive infrastructure investment;
 - Promote support of local products (Buy Local); and
 - Skills and capacity development;

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

CONTENTS OF THE 2017/18 – 20/21 IDP

Section 26 of the *Municipal Systems Act* contains information on the core components of an integrated development plan. It determines *inter alia* that an IDP must reflect:

- a. *the municipal council's vision for the long term development of the municipality;*
- b. *an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to adequate basic services;*
- c. *the Council's development priorities and objectives for its elected term;*
- d. *any development initiatives in the municipality, including infrastructure, physical, social, economic and institutional development;*
- e. *the Council's development strategies;*
- f. *a spatial development framework for the municipality;*
- g. *the Council's operational strategies;*
- h. *a disaster management plan;*
- i. *a financial plan; and*
- j. *the key performance indicators and performance targets in terms of the Performance Management System.*

In keeping with the above, the 2017/18 – 20/21 IDP document of the City OF Ekurhuleni consists of the following Chapters:

SITUATIONAL ANALYSIS

The chapter focuses on discussing City of Ekurhuleni in a nutshell, its location, and key facts about the City, its people, access to services and the built environment. Attention is also placed on highlighting key social, economic and developmental challenges faced by the City including service delivery backlogs (indication of communities which do not have access to basic services). The information presented in this chapter is sourced from Census 2011 data; GCRO QOLS 2016; Community Survey 2016; Surveys Conducted by the Municipality; and State of the Cities Reports (2016).

STRATEGIC CONTEXT

The chapter discusses the City's Vision, Mission and Values informing Ekurhuleni's approach to service delivery. It also discusses the City's Strategic Planning Framework, and outlines key inputs into the EMMs planning process from national, provincial and city level. Amongst these is the EMMs contribution to achievement of Sustainable Development Goals, the National Government Outcomes, and the provincial medium to long term programmes with emphasis on Transformation, Modernization and Re-industrialization (TMR).

At the City level, the EMM Growth and Development Strategy (GDS 2055) outlines the long term plan/vision of the city and the Growth and Development trajectory that will assist the city to achieve the vision. This chapter therefore indicates how the IDP is aligned to and addresses the above influencers. The Strategic Objectives that will propel the city towards achieving the planned outcomes in the next 5 years will be discussed as well.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS

This chapter articulates the broad institutional framework of the City and link this to the governance model of the City. A discussion on the adopted governance model will be provided with highlights of the implementation of the model. The approved macro structure of the city will be reflected in relation to how this aims to optimize efficiency and assist in reaching the developmental objectives of the municipality. Furthermore, the chapter will highlight the following:

- Provide a detailed discussion on the administrative and political governance of the City;
- Reflect on the successes and challenges of implementing the Governance model; and
- Reflect on the ability to deliver based on the staff compliment and the alignment to Employment Equity policies of the City

INTER-GOVERNMENTAL ALIGNMENT

This chapter deals with continuous strengthening of IGR and rigorous sectoral engagements with our counterparts. It also addresses the comments from the MEC: for Local government on the 2016/17 IDP as well as the EMMs response to the comments. Key areas of alignment between the City and other spheres of government and areas of joint initiatives including pronouncements in the State of the Nation and State of the Province addresses (SONA & SOPA) are also discussed in this chapter. The chapter should also address issues of inter-municipal alignment with a view to improve horizontal and vertical alignment.

COMMUNITY AND STAKEHOLDER PARTICIPATION

The chapter examines and reviews the public participation process that the city has adopted and implemented towards the development of the 2017/2021 IDP document. A high level summary of the public participation process and the associated outcomes are presented and analyzed in accordance with ward identified needs. This chapter will also discuss the outcomes of community consultation on the draft IDP and Budget normally held during April after tabling in May 2017.

This chapter seeks to demonstrate the credibility of the process leading up to the development of the IDP document and to show how community inputs have shaped the development of the 2017/18 IDP. Details are presented below to give perspective is the issues contained in the chapter.

MUNICIPAL SPATIAL DEVELOPMENT FRAMEWORK (MSDF)

This chapter summarizes the Ekurhuleni Metropolitan Spatial Development Framework (MSDF 2016) as adopted by the Council. It also discusses the City's restructuring and spatial transformation elements as well as significant national and provincial projects that will have a spatial impact in Ekurhuleni and that are aimed at reversing the apartheid spatial form.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

CAPITAL INVESTMENT FRAMEWORK (CIF)

The Capital Investment Framework chapter communicates the capital planning process (CIF) and the proposed 2017-2021 projects including mega projects of the municipality in line with the 2017-2020 MTREF, MSDF and Built Environment Performance Plan (BEPP). The chapter provides a list of all planned CAPEX projects for the MTREF which are ward referenced and are used as a basis to determine some of the targets in the scorecard that is outlined later in the document.

ORGANISATIONAL PERFORMANCE MANAGEMENT

City of Ekurhuleni performance management processes and systems are discussed in this chapter, including the following areas, amongst others:

- Legislative environment governing performance management;
- Plans and the alignment of targets and indicators;
- Monitoring and evaluation;
- Auditing of performance;
- Tools for performance management; and
- Roles and responsibilities related to performance management.

IDP / CORPORATE SCORECARD FOR 2016/17 – 20/21

This section outlines the Corporate Scorecard for the term of office of the current Council (2017 – 2021), it includes clearly defined key outcome (IDP) indicators with annual targets satisfying the SMART criterion. This scorecard serves as a performance contract between the City and its residents; and must be further broken down into output indicators in the SDBIP which will then be reported on, on a quarterly basis and annually.

The corporate scorecard will furthermore be used as a basis for performance monitoring and evaluation during each financial year starting with 2017/18 financial year.

FINANCIAL PLAN

This chapter provides a summary of the City's financial plan and 2017/18 MTREF. This includes a high level overview of the budget preparation process in accordance with the approved process plan and budget parameters as well as an outline of the budget itself and its allocations. Key areas to be address hereunder include but are not limited to:

- Budget assumptions;
- Any adjustment to budget related policies; and
- Revenue and Expenditure Frameworks.

SUMMARY OF RESPONSES TO IDP WARD PRIORITIES

Identification of the IDP and ward priorities started in October 2016. In that process a total of 560 IDP ward priorities were received from the Ekurhuleni community in October 2016 as part of the 2017/2021 IDP process. The 560 priorities represent the 5 priorities per ward for the 112 wards in Ekurhuleni. The table below indicates the number of priorities that will be addressed in the MTREF (2017/2018 to 2019/2020) and those that are non-committal from departments about the likely implementation in the MTREF.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

Responses to IDP ward priorities

NUMBER OF PRIORITIES RECEIVED	560	
Number of priorities that are being addressed in the current FY 2016/2017	18	
Number of priorities to be addressed in 2017/2018 FY	106	TOTAL NUMBER OF PRIORITIES TO BE ADDRESSED IN THE MTREF (106+201) 307
Number of priorities to be addressed in 2018-2020 (MTREF)	201	
Number of needs that will not be addressed in the MTREF 2017/2020 (560-307-18-24)	211	
Number of priorities that are outside the municipality's mandate	24	

A total of 307 (54.8% of the 560 needs) IDP ward needs will be addressed in the MTREF (2017/2020) and 211 (37.7% of the 560 needs) are non-committal from departments in terms of their implementation in the MTREF. 18 (3.2% IDP needs) of the identified needs are already being addressed in the 2016/2017 financial year.

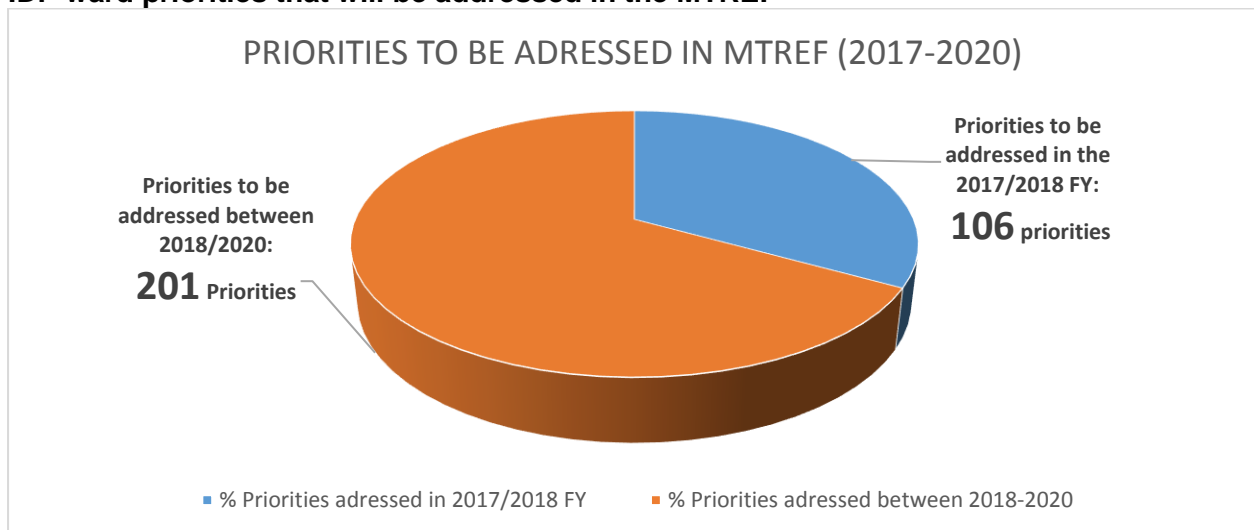
24 needs (4.3% of 560 needs) fall outside the municipality's mandate (these include, police stations, schools and solar geysers amongst others), these have been referred to the relevant provincial departments to address.

A minimum of 2 needs per ward have been addressed in the budget. It is important to note that the needs not being addressed does not imply that nothing is being done in the specific ward. In addition the needs might be implemented as part of the Lungile Mtshali community development programme.

IDP ward priorities that will be addressed in the MTREF (2017/2018-2019/2020)

307 IDP ward priorities will be addressed in the MTREF; 106 will be addressed in the 2017/2018 financial year and 201 in 2018/2019-2019/2020 as illustrated in the figure below.

IDP ward priorities that will be addressed in the MTREF



**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

106 of the 307 IDP priorities will be addressed in the 2017/2018 financial year. The Energy Department will address 24 priorities (23% of 106) in 2017/2018. The priorities to be addressed by the Energy Department include the electrification of informal settlements, street lights and high mast lights; network enhancements and protective structures for boxes amongst others.

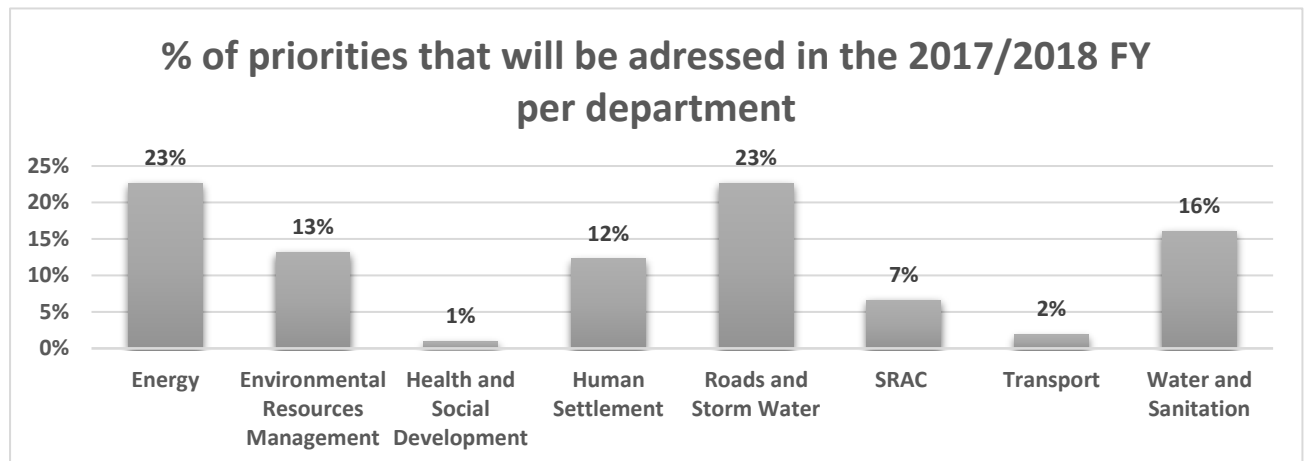
The Roads and Storm Water Department will address 24 priorities (23% of 106) through the upgrading and the construction of roads and storm water systems, paving of sidewalks, and construction of speed humps, pedestrian bridges as well as bicycle lanes.

The 17 priorities (16% of 106) that will be addressed by the Water and Sanitation Department in 2017/2018 include the upgrading and the development of sewer and water networks and the provision of basic services to informal settlements.

The 14 priorities (13% of 106) to be addressed by Environmental Resource Management in 2017/2018 include the development and upgrading of the various categories of parks as well as the wetlands. Human settlements will address 13 priorities (12% of 106) which include amongst others; housing development, land for human settlements, title deeds, basic services for informal settlements, formalization of informal settlements and relocations.

The Sports Recreation Arts and Culture Department will develop and upgrade sports grounds and stadia, swimming pools, libraries, tennis courts, auditoriums and a youth centre and this will contribute to addressing 7 priorities (7% of 106) in 2017/2018.

Response to IDP ward priorities per department (2017/2018)



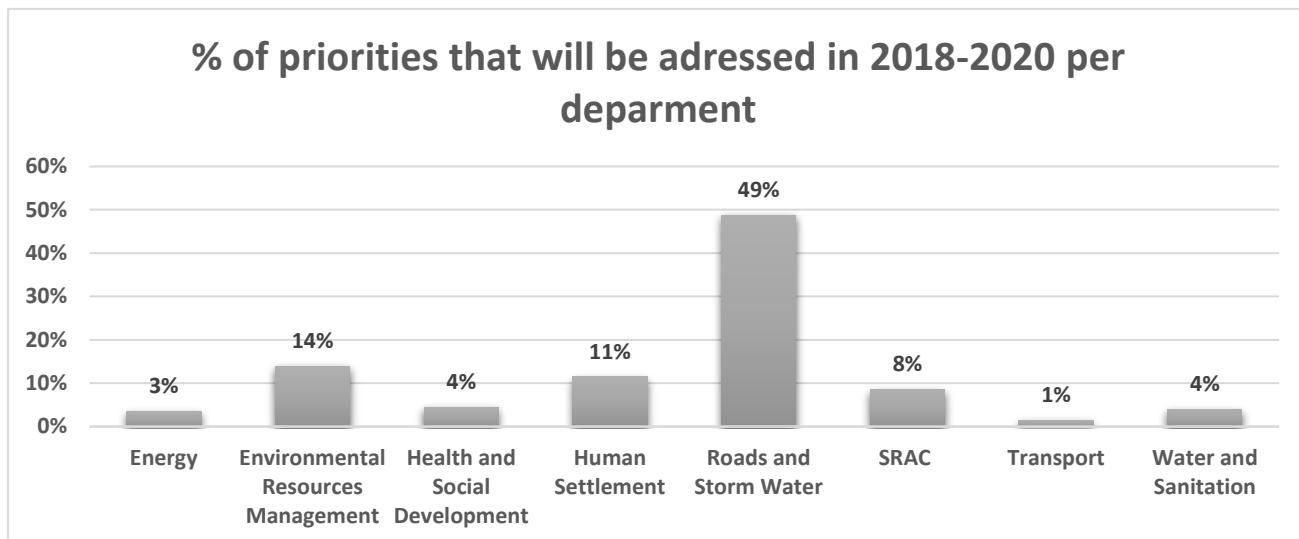
201 IDP priorities will be addressed in 2018/2019 and 2019/2020. The figure below provides a breakdown of the 201 priorities to be addressed per department. The Roads and Storm-water Department will address approximately 98 priorities (49% of 201), followed by Environmental Resources Management who will be addressing 28 priorities (14% of 201), Human Settlements at 23 priorities (11% of 201), SRAC at 17 priorities (8% of 201), Health and Social Development at 9 priorities (4% of 201) and Water and Sanitation departments at 8 priorities (4% of 201).

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

Response to IDP ward priorities per department (2018/2020)



IDP REVIEW AND SDBIP PREPARATIONS

After the Draft Budget/IDP was tabled on the 16th March 2017 it was circulated and published on the City's website. Hard copies were made available at all EMM Libraries and Pay points where the public were given the opportunity to submit written comments on the budget. A dedicated email address gave the public a further opportunity to submit comments on the tabled IDP/Budget. All stakeholders in EMM were requested to give their respective inputs and comments on the tabled 2017/18 IDP and Budget.

IDP and Budget consultation meetings have taken place from 18 April 2017 to 22 April 2017 involving the public at each CCA. In total 20 different meetings were held over the period. The following table reflects the schedule of meetings that took place over the period.

Schedule of consultation meetings on the draft IDP/Budget

DATE	CCA	VENUE	MMC	Chairperson	Nr of CLR/Officials	Nr of Community
18 April 2017	Tsakane	Tsakane Hall	Clr P Mabunda	Clr M Chauke	52	283
18 April 2017	Benoni	Wattville Day Care Centre	Apology	Clr C Mashigo	28	180
18 April 2017	Tembisa 1	Rabasothe Hall	Clr L Mpya	Clr P Nkunjana	57	335
18 April 2017	Katlehong 1	DH Williams Hall	Clr K Mabaso	Clr Z Zwide	65	863
18 April 2017	Springs	Springs Supper Hall	Clr V Chauke	Clr I Berg	36	296
19 April 2017	Brakpan	Indoor Sports Centre	Clr P Mabunda	Apology	53	148
19 April 2017	Etwatwa	Stompie Skosana Hall	Apology	Clr J Moimana	33	312
19 April 2017	Kempton Park	City Hall Kempton Civic Centre	Clr M Madhlaba	Clr P Mtsweni	46	67

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

DATE	CCA	VENUE	MMC	Chairperson	Nr of CLR/Officials	Nr of Community
19 April 2017	Nigel	Mckenzville Hall, Alra Park.	Clr N Shongwe	Clr J Nhlapo-Koto	33	107
19 April 2017	Thokoza	Thokoza Auditorium Hall	Clr D Mlambo	Clr N Nkosi	53	451
20 April 2017	Kwathema	Kwathema Civic Hall	Clr V Chauke	Clr I Berg	39	343
20 April 2017	Daveyton	Victor Ndlazilwane Hall	Apology	Clr C Mashigo	28	139
20 April 2017	Edenvale	Sam Hlalele Hall	Clr M Madihlaba	Clr P Mtsweni	29	173
20 April 2017	Germiston	Dinwiddie Hall	Clr N. Shongwe	Clr. D. Peterson	55	156
20 April 2017	Vosloorus	Vosloorus Civic Hall	Clr D Mlabo	Clr G Ngobeni	44	737
22 April 2017	Alberton	Alberton Council Chamber Side Hall	Clr D Mlambo	Clr I Berg	54	417
22 April 2017	Boksburg	Boksburg - City Hall	Clr P Mabunda	Clr G Ngobeni	46	123
22 April 2017	Duduza	Monty Motloug Hall	Clr N Shongwe	Clr J Nhlapo-Koto	34	294
22 April 2017	Tembisa 2	Olifantsfontein Hall	Clr L Mpya	Clr P Nkunjana	48	210
22 April 2017	Katlehong 2	Palmridge Hall		Clr T Maama	41	219

The issues raised by the communities during the consultations can be summarized, per key service delivery department, as follows:

Summary of issues raised at the community consultation meetings

<p><u>Human Settlements</u></p> <ul style="list-style-type: none"> • Construction and maintenance of RDP Houses • Upgrade of Informal Settlements • Monitoring of informal settlements • Illegal selling of RDP Houses • Maintenance and / refurbishment of hostels • Issuing of title deeds. 	<p><u>Parks</u></p> <ul style="list-style-type: none"> • Grass cutting • Maintenance of parks • Request for new parks
<p><u>Energy</u></p> <ul style="list-style-type: none"> • Electrification of informal settlements • Installation and maintenance of high mast lights and street lights • Safety and maintenance of electric boxes and cable • Illegal connections • Cable theft • Solar geyser installation 	<p><u>Waste Management</u></p> <ul style="list-style-type: none"> • Illegal dumping- cleaning of open spaces • Monitoring of Lungile Mtshali programme for clean City • Concern about the general cleanliness of some areas in the city
<p><u>Sport, Recreation, Arts and Culture (SRAC)</u></p> <ul style="list-style-type: none"> • Maintenance and upgrade of sports facilities • Accessibility of libraries to people with disabilities. • Construction of youth and arts centres 	<p><u>Health and Social Development</u></p> <ul style="list-style-type: none"> • Building of new clinics • Shortage of medication • 24hr operation of clinics

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

<ul style="list-style-type: none"> • Construction of community halls and/ or multipurpose centres • Need for Recreation centres and facilities. 	<ul style="list-style-type: none"> • Staff shortage at clinics • Provision of mobile clinic • Construction and support to ECD Centres
<p><u>Roads and Storm-water</u></p> <ul style="list-style-type: none"> • Maintenance of roads and the elimination of potholes. • Need for speed humps. • Maintenance and upgrade of storm water drainages. • Grading of Roads in informal settlements • Installation of traffic signs • Tarring of roads • Paving of side walks 	<p><u>Other</u></p> <ul style="list-style-type: none"> • Construction of schools and police stations • Reconsideration of the Clean City and Lungile Mtshali project's implementation • Registration of indigents • Construction of a University • Shopping centre • Damaged water pipes and dysfunctional metering system • Establishment of township enterprises • Water blockages • Upgrade of public transport system and taxi ranks. • Provision of school transport • Ease of access of ambulances in informal settlements • Concerns on the expense of graves • Monitoring of service provider's contracts

The above comments align well with the matters raised in the process which unfolded with ward Councillors and Ward Committees during September 2015.

Residents were also invited to submit budget tips via electronic mail to budgettips@ekurhuleni.gov.za. Very few comments (15) were received electronically and it appear that residents are not making use of this facility to comment on the budget. However, these comments will also be reviewed and distributed to the relevant departments for consideration.

Budget Steering Committee

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

The Budget Steering Committee is chaired by the MMC Finance and all the members of Mayoral Committee are invited to the meetings.

Several meetings were held during the compilation of the budget since it was tabled until the planned approval in May 2017. The main function of the Budget Steering Committee is to give administrative guidance with the compilation of the IDP, Budget and BEPP. This ensures that the budget is aligned with the strategic view from National and Provincial government.

The draft and final budget was submitted and considered by the Budget Steering Committee prior to the tabling and submission of the documents to Council.

Meetings with the Oversight Committees

After the budget was tabled to Council in March 2017, it was referred to Oversight Committee to obtain input from Legislature. The Finance Oversight Committee inter alia considered the Draft Budget on 5 April 2017 and the budget was comprehensively presented by the Administration to the committee.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

The draft budget was also made available to the caucuses of the political parties. Administration made themselves available to attend some meetings when information was required.

A major aspect that was addressed and raised was the concern regarding the capital spending capability of the Metro, especially taking into consideration the fact that the current level of performance is not desirable.

The draft tariffs from the bulk suppliers and the increase in certain of the sundry tariffs were also debated.

The current economic climate was another matter of concern and extensive deliberations took place around the methodologies to create economic growth.

FINAL BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2017/18 AND CAPITAL INVESTMENT FRAMEWORK (CIF) APPROVAL

The BEPP must be noted as a legislative requirement in terms of the Division of Revenue Act, 2017. The BEPP also encompasses the capital investment framework in its function to strategically and spatially, guide, co-ordinate and align the municipal budget across all sectors. The CIF is a legislative requirement in terms of the Spatial Planning and Land Use Management Act, 2013, and the Municipal Planning and Performance Management Regulations, 2001 as promulgated in terms of the Municipal Systems Act. The item is therefore submitted for approval in conjunction with the IDP and Budget.

The BEPP/CIF is in line with the Spatial Development Framework (SDF), which is a chapter in the IDP. The capital prioritization model is an instrument utilized in the implementation of the CIF in alignment with the annual budget process set out by the EMM Finance Department in order to strategically prioritize the multi-year capital budget. The National Treasury first introduced the Built Environment Performance Plan (BEPPs) in the financial year 2011/2012 as an eligibility requirement in respect of the Urban Settlements Development Grant (USDG). Likewise, the BEPPs will become one of the eligibility requirements for the Integrated City Development Grant (ICDG) in the 2017/18 financial year. The BEPP approach is based on spatial targeting, the integration of key sectors (economic, transport and housing), co-ordination, and fiscal alignment and governance that should result in triggering long-term spatial transformation and facilitating economic growth. The purpose of the BEPP is to provide a single overview of a municipality's built environment as informed by the medium term capital investment strategy, plans, programmes and projects in relation to the associated longer term (to 2030) plans, outputs and outcomes.

The Ekurhuleni BEPP is compiled from a range of current Ekurhuleni planning and strategy documents and is thus not a new plan as such, but is rather a 're-packaging' of existing plans and information into a digestible, measurable format as required by National Treasury. Summaries or extracts from a number of documents were analysed and incorporated into this report as detailed in the reference section at the end of this report. Key Ekurhuleni documents were integrated into this report.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

The core objective of the BEPP is that it is intended to be a brief, strategic document that enhances planning for the built environments. The BEPP will provide (i) a strategic overview of the built environment; (ii) programmes and targets with an outcomes focus; (iii) basis for infrastructure grant submissions and grant alignment. The BEPP is a long-term, outcomes based strategic plan aimed at the integration of South African cities towards accelerated and inclusive economic growth. It provides a strategic public management framework across sectors and spheres for the alignment of public resources into strategic urban locations across the planning, funding, delivery and operations cycle; and the design and application of fiscal and regulatory instruments aimed at catalyzing private fixed investment and spatial transformation. The inclusion of the CIF into the BEPP strives to support the BEPP through the implementation and application of the Capital Prioritization Model and Geographic Priority Areas that guide the spatial and strategic prioritization of the municipal capital budget in alignment with the annual multi-year capital budget evaluation process and in accordance with the EMMs overarching strategies.

As per the Division of Revenue Act, the Draft BEPP 2017/18 was submitted on 31 March 2017. The Final BEPP 2017/18 must be submitted on 30 May 2017 together with the IDP and Budget. The City Planning Department has co-ordinated the compilation of the BEPP.

In terms of the Division of Revenue Act 2017, the following grants are made available to Ekurhuleni Metropolitan Municipality:

NAME OF THE GRANTS:

Urban Settlement Development Grant (USDG);
Integrated City Development Grant (ICDG);
Human Settlements Development Grant (HSDG);
Public Transport Infrastructure Grant (PTIG);
Neighbourhood Development Partnership Grant (NDPG); and
Integrated National Electrification Grant (INEG).

Submission of the BEPP is a requirement for all the above mentioned infrastructure grants.

KEY ASPECTS CONTAINED IN THE DRAFT BUDGET AND FINAL BUDGET

In terms of the budget regulations Council must give reasons if the draft budget tabled to Council is changed when the budget is submitted for final approval. The Draft Operating Budget has to be changed due to the following factors:

NERSA – Final approval of the electricity tariff increases

During the compilation of the draft budget, provision was made for the following electricity tariff increases:

- Bulk Purchases: Increase of 7%
- Tariff Increases: Increase of 7%

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

Subsequent to the tabling of the draft budget NERSA announced the tariff increase of Eskom. Council received the following guidance of tariff increases applicable to municipalities:

- Bulk Purchases: Increase of 0.31%
- Tariff Increases: Increase ranges between 1.88% to 2.2%

Tariffs changed from an estimated 7% to 1.88% increase following the NERSA announcement and the bulk was to increase with 0.31%, resulting in R44 million reduction in surplus.

There is a structural change in tariffs affecting business customers with an impact of R120 million reduction in revenue. Also the structural change in Time of Use (between the City and Eskom) which resulted in the bulk purchase provision increasing with 1.16% as compared to 0.31%, with additional cost of R75 million.

The net result of the changes is R225 million reduction in surplus.

Reduction in the water tariffs

The bulk tariff increase from Rand Water is 10.2% when the provision for 10% was tabled in the draft budget. The tariff increase to the residents will remain the same and the bulk purchase will increase with 0.2%. The city will absorb the 0.2% increase.

Sanitation tariffs

The increase in sanitation tariffs will remain unchanged at 9% when the bulk purification costs is proposed to increase with 11.58%.

The biggest cost driver of the sanitation tariffs is the bulk purification costs payable to ERWAT for sewer purification. The increase in the sanitation sales relates directly to the increase in the ERWAT costs. During the compilation of the draft budget ERWAT proposed a bulk tariff increase of 17.71%. The proposed tariff is reduced to 11.58% following the lower electricity tariff announced by NERSA. However, the City's tariff increase is 9.0%, meaning that the municipality will absorb the shortfall of 2.58%.

Changes to Employee related Costs

The provision made for the Classic Scale did not take into account the cost of employee benefits which also have an impact on the employee related costs. The additional provision of R134 million is now included in the final budget.

Increase in repairs and maintenance and other items

Repairs and maintenance for the Human Settlements is increased with R50 million to address the hostel re-development, roads maintenance is increased with R100 million to address backlogs and in response to the concerns raised during public participation process. Grass Cutting is increased with R10 million and Contracted services for the collection of refuse increased with R40 million.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

Other Changes of the Operating Expenditure Budget

The reduction of electricity sales also resulted in a reduction in the provision of bad debts with an amount of approximately R43.0 million.

After taking into consideration all the above factors the budget resulted in a deficit of approximately R554 million. In order to balance the budget it was necessary to reduce the expenditure budget with this amount. The reduction of the expenditure budget was mainly focused on discretionary budget votes, which implies that committed expenditure categories such as salaries, depreciation, cost of free basic services, interest on loans, bulk purchases **and repair and maintenance** could not be reduced. The reduction was mainly done on general expenditure line items which are regarded as non-essential. It includes the line items such as:

Advertising	Master plans
Human Resource Management	Postage
Special Events	Refreshments
Awareness campaigns	Travel & Accommodation Costs
Telephone: Cellular Phones	Corporate Gifts
Materials: Printing & Stationery	Materials: Books & Periodicals
Telephone: General Communication & Fax	General Materials and Supplies
Community Development Projects	Workshops

The only alternative if the above expenditure budget line items were not reduced is to increase the tariffs of services. The focus on the above budget line items is in line with the instruction from National Treasury regarding cost containment measures as contained in Circular 82.

SUMMARY OF TARIFF INCREASES

It is proposed that the **property rate tariff** remain the same as last year (**does not increase**). This is due to the fact that the municipality will implement the new valuation roll from 1st July 2017. The number and values of properties have increased and it is considered prudent not to increase the tariff as ratepayers will realise an increase in their bills.

As pointed out earlier in this report **electricity tariff** increases are proposed to range from **1.88% to 2.2%**. It is important to note that the increases in the various types of tariffs will be based on the NERSA guidance and in line with the tariff increases for Eskom users in EMM areas.

The **bulk water tariff** purchased from Rand Water has been finalised. Rand Water indicated a tariff increase **10.2%**. However, the City will **increase water tariffs by 10%** and the 0.2% will not be passed on to the customers.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

ERWAT was granted a **sanitation tariff** increase of 11.58%. However, the City will increase its tariff by **9.0%** to its consumers, meaning that a shortfall of 2.58% will be absorbed by the City.

Refuse removal tariff increase was set at **7.5%** for all users. This is largely based on the increase of the main cost drivers of the service.

Sundry tariff increases were limited, in most instances, to be within the CPI rate. Special focus was given to tariffs of social services not to increase, especially to accommodate the poorest of the poor.

It should be noted that due to input received from the public participation the **Sports and recreation tariff** increase was **reduced 6% to 0%**.

Similarly Council reviewed the **Municipal Bus Services tariff** increases. It is proposed the **average increase be 5.17%** (ranging from 3% to 6.25%).

The following table reflects the multi-year tariff assumptions for the 2017/18 MTREF for the major services rendered:

Revenue category	2017/18 proposed tariff increase	2018/19 proposed tariff increase	2019/20 proposed tariff increase
	%	%	%
Property rates	0	10.0	10.0
Sanitation	9.0	8.0	8.0
Solid Waste	7.5	7.5	7.5
Water	10.0	8.0	8.0
Electricity	Ranges between 1.88 and 2.2	10.0	10.0

The impact of the above tariff increases on households is estimated to vary between 5.2% and 7.4%, as set out in Table 13 MBRR Table SA14 – household bills in **Annexure B**.

The financial sustainability of the 2017/18 MTREF is largely dependent on the collection level of billed income. Provision is made for a **collection level of 94%**. To achieve this collection, the EMM will have to implement more robust credit control measures and reduce outstanding consumer debt.

In order to sustain the services rendered to our community the **repair and maintenance** budget has been increased to R3.424 billion (R2.934 billion in 2016/17) or **13.79%**.

In terms of Council's social commitment to assist the poorer communities in Ekurhuleni provision was also made for the **supply of free basic services and social contributions** to identified structures in Ekurhuleni.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

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.

Council will continue with the supply of **free basic water and sanitation** to residents. All residents receive 6Kl water and 6Kl sanitation free, whilst indigents receive an additional 3Kl per month.

The total amount budgeted for **free basic services** and social grants to our community amounts to **R3.1 billion**.

Annual Budget Assessment and Benchmarking with other metros conducted by National Treasury

National Treasury annually conducts a benchmarking exercise on the budgets of municipalities prior to tabling for approval by respective municipal councils. The benchmarking exercise with the City is scheduled for the 23rd and 24th May 2017. National Treasury is still in the process of benchmarking and as such the comparative tariff and other information is not available.

At the benchmarking exercise scheduled for the 23rd and 24th May 2017, National Treasury will give comments on the following aspects of the budget:

- *Credibility*
 - Budget assumptions are credible
 - Budget is Multi-year
- *Relevance*
 - Budget alignment to the SDF, IDP and BEPP
 - Evidence of alignment of the capital budget
- *Sustainability*
 - Cash flow sustainable over MTREF
 - Adequate cash coverage

2017/18 MTREF SUMMARY (OPERATING BUDGET)

The following table is a summary of the 2017/18 MTREF Operating Budget.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

2017/18 MTREF SUMMARY (OPERATING BUDGET)

EMM - OPERATING BUDGET									
DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO	F00 R'000 PROJECTED	F01 R'000 2017/18	% B to B	% Of Total	F02 R'000 2018/19	F03 R'000 2019/20
	R	R	R	R	R	R	R	R	R
METRO TOTAL									
INCOME									
NON - EXCHANGE REVENUE									
Property Rates	(5,298,765)	(5,298,765)	(3,975,575)	(5,275,450)	(5,066,264)	-4.39%	14.94%	(5,576,728)	(6,134,665)
Fines, Penalties and Forfeits	(114,941)	(129,941)	(89,019)	(129,941)	(164,257)	26.41%	0.48%	(173,948)	(184,037)
Licenses and Permits	(304,932)	(304,932)	(183,995)	(242,259)	(319,873)	4.90%	0.94%	(338,746)	(358,393)
Transfers and Subsidies	(7,005,045)	(6,936,836)	(5,454,753)	(6,936,836)	(7,709,719)	11.14%	22.73%	(8,210,802)	(8,826,866)
- Operational: Monetary	(5,128,290)	(5,139,150)	(4,611,852)	(5,139,150)	(5,406,054)	5.19%	15.94%	(5,798,706)	(6,261,312)
- Capital: Monetary	(1,876,755)	(1,797,686)	(842,901)	(1,797,686)	(2,303,664)	28.15%	6.79%	(2,412,096)	(2,565,554)
SUB TOTAL: NON - EXCHANGE REVENUE	(12,723,683)	(12,670,474)	(9,703,342)	(12,584,487)	(13,260,113)	4.65%	39.09%	(14,300,224)	(15,503,961)
EXCHANGE REVENUE									
Service Charges	(19,747,231)	(19,785,551)	(14,493,359)	(19,552,398)	(19,324,686)	-2.33%	56.97%	(21,202,135)	(23,269,082)
Interest, Dividends and Rent on Land	(800,617)	(800,617)	(698,444)	(787,727)	(965,222)	20.56%	2.85%	(1,022,170)	(1,104,645)
Operational Revenue	(21,830)	(21,830)	(10,723)	(17,143)	(22,875)	4.79%	0.07%	(24,225)	(25,645)
Rental from Fixed Assets	(70,948)	(71,068)	(52,702)	(68,689)	(80,108)	12.72%	0.24%	(84,835)	(89,755)
Sales of Goods and Rendering of Services	(267,813)	(237,813)	(140,891)	(133,519)	(266,424)	12.03%	0.79%	(282,143)	(298,995)
SUB TOTAL: EXCHANGE REVENUE	(20,908,439)	(20,916,879)	(15,396,119)	(20,559,478)	(20,659,315)	-1.23%	60.91%	(22,615,507)	(24,788,122)
Contra Accounts									
Contra Accounts	(623,602)	(623,602)	(471,568)	(623,602)	-	-100.00%	0.00%	-	-
- Cost of Free Basic Services	(1,066,056)	(1,066,056)	(825,400)	(1,066,056)	-	-100.00%	0.00%	-	-
- Revenue Cost of Free Basic Services	(195,027)	(195,027)	(183,212)	(195,027)	-	-100.00%	0.00%	-	-
- Property Rates Revenue Foregone	637,481	637,481	537,043	637,481	-	-100.00%	0.00%	-	-
TOTAL INCOME	(34,255,725)	(34,210,956)	(25,571,029)	(33,767,566)	(33,919,428)	-0.85%	100.00%	(36,915,731)	(40,292,083)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

EMM - OPERATING BUDGET									
DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO	F00 R'000 PROJECTED	F01 R'000 2017/18	% B to B	% Of Total	F02 R'000 2018/19	F03 R'000 2019/20
	R	R	R	R	R	R	R	R	R
METRO TOTAL									
EXPENDITURE									
Employee Related Costs	6,996,750	6,748,515	4,898,379	6,581,848	7,710,104	14.25%	24.40%	8,194,809	8,752,821
Senior Management	75,985	75,985	29,194	56,989	63,429	-16.52%	0.20%	67,806	72,417
- SM - Salaries Allowances & Service Benefits	74,330	64,330	28,188	48,247	62,252	-3.23%	0.20%	66,547	71,073
- SM - Social Contributions	1,656	1,656	1,006	1,242	1,177	-28.88%	0.00%	1,259	1,344
- SM - Post Retirement Benefit	-	10,000	-	7,500	-	-100.00%	0.00%	-	-
Municipal Staff	6,920,765	6,672,530	4,869,184	6,524,859	7,646,675	14.60%	24.20%	8,127,003	8,680,404
- MS - Salaries Allowances & Service Benefits	5,884,995	5,555,113	3,992,374	5,457,932	6,351,052	14.33%	20.10%	6,741,982	7,201,202
- MS - Social Contributions	1,212,466	1,213,598	814,290	1,163,108	1,440,989	18.74%	4.56%	1,540,417	1,645,166
- MS - Post Retirement Benefit	-	80,515	62,521	80,515	31,330	-61.09%	0.10%	33,491	35,769
- MS - Cost Capitalised to PPE	(176,696)	(176,696)	-	(176,696)	(176,696)	0.00%	-0.56%	(188,888)	(201,733)
Remuneration of Councillors	126,553	126,553	89,396	116,809	130,316	2.97%	0.41%	139,308	148,781
- ROC - Allowances & Service Related Benefits	113,791	113,791	85,567	111,252	124,441	9.36%	0.39%	133,027	142,073
- ROC - Social Contributions	12,763	12,763	3,829	5,557	5,875	-53.97%	0.02%	6,281	6,708
Contracted Services	2,633,959	2,680,670	1,485,640	2,634,456	3,850,562	43.64%	12.19%	4,090,300	4,474,269
- Outsource Services	1,779,054	1,781,989	1,085,271	1,770,794	1,997,432	12.09%	6.32%	2,139,761	2,305,279
- Consultants and Professional Services	339,021	408,746	171,884	405,036	437,280	6.98%	1.38%	475,866	516,302
- Contractors	515,884	489,934	228,485	458,625	1,415,850	188.99%	4.48%	1,474,674	1,652,688
Operational Cost	1,644,190	1,467,799	1,223,495	2,769,561	1,014,050	-30.91%	3.21%	1,098,266	1,184,437
Inventory	7,761,088	4,999,307	2,396,415	3,594,656	1,868,971	-62.62%	5.91%	1,999,955	2,212,458
Bulk Purchases	9,084,679	11,862,635	8,728,267	11,724,361	12,221,456	3.02%	38.67%	13,383,045	14,655,948
Interest Dividends and Rent on Land	662,383	663,333	396,217	640,390	738,209	11.29%	2.34%	986,116	1,125,824
Operating Leases	29,793	48,012	17,918	36,563	40,273	-16.12%	0.13%	44,339	48,725
Contribution for Bad Debt	1,468,871	1,468,871	1,101,653	1,468,871	1,540,949	4.91%	4.88%	1,662,032	1,820,811
Transfers and Subsidies	200,852	485,529	183,245	484,929	483,964	-0.32%	1.53%	506,609	543,956
- Operational: Monetary	200,852	485,529	183,245	484,929	483,964	-0.32%	1.53%	506,609	543,956
Depreciation and Amortisation	1,805,346	1,805,346	1,354,010	1,803,583	2,001,799	10.88%	6.33%	2,382,937	2,741,668
Contra Accounts Revenue	1,840,488	1,837,613	1,403,355	1,840,488	-	-100.00%	0.00%	-	-
- Cost of Free Basic Services Delivered	1,621,879	1,519,004	1,012,936	1,521,879	-	-100.00%	0.00%	-	-
- Revenue Cost of Free Basic Services	218,609	318,609	390,419	318,609	-	-100.00%	0.00%	-	-
TOTAL EXPENDITURE	34,254,952	34,194,183	23,277,989	33,696,514	31,600,653	-7.58%	100.00%	34,487,715	37,709,697
DEFICIT / (SURPLUS)	(773)	(16,773)	(2,293,040)	(71,052)	(2,318,775)	13724.82%		(2,428,016)	(2,582,385)
DISP OF FIXED AND INTANGIBLE ASSETS	-	15,000	-	15,000	15,000	-		15,885	16,806
INVENTORY	-	1,000	-	1,000	-	(1)		-	-
TOTAL GAINS AND LOSSES	-	16,000	-	16,000	15,000			15,885	16,806
DEFICIT / (SURPLUS) AFTER GAINS AND LOSS	(773)	(773)	(2,293,040)	(55,052)	(2,303,775)			(2,412,131)	(2,565,579)
TOTAL RECOVERIES	-	-	-	-	(3,129,817)	100.00%		(3,373,343)	(3,635,385)
TOTAL CHARGES	-	-	-	-	3,129,817	100.00%		3,373,343	3,635,385
DEFICIT / (SURPLUS) AFTER RECOV & CHARG	(773)	(773)	(2,293,040)	(55,052)	(2,303,775)			(2,412,131)	(2,565,579)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

CAPITAL BUDGET 2017/18 MTREF

The Capital Budget for 2017/18 as contained in the Tabled Budget amounts to R6.4 billion. The table below shows the draft capital budget per department.

2017/18 - 2019/20 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT								
Department	Adjusted Budget 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Chief Operating Officer	180,000	0.00%	112,200,000	1.75%	112,200,000	1.64%	112,200,000	1.52%
City Manager	3,240,000	0.06%	2,380,000	0.04%	140,000	0.00%	140,000	0.00%
City Planning	4,100,000	0.08%	2,900,000	0.05%	51,788,636	0.76%	48,400,000	0.66%
Communication and Brand Management	1,550,000	0.03%	750,000	0.01%	950,000	0.01%	1,150,000	0.02%
Corporate Legal Services	650,000	0.01%	450,000	0.01%	500,000	0.01%	500,000	0.01%
Council General	421,418,041	8.26%	549,150,000	8.58%	532,400,000	7.77%	581,400,000	7.89%
Customer Relations Management	63,234,796	1.24%	35,000,000	0.55%	8,000,000	0.12%	5,000,000	0.07%
Disaster & Emergency Management Services	198,151,320	3.88%	211,770,000	3.31%	192,500,000	2.81%	142,000,000	1.93%
Economic Development	174,473,566	3.42%	145,100,000	2.27%	180,800,000	2.64%	175,300,000	2.38%
EMPD	108,200,000	2.12%	149,000,000	2.33%	114,500,000	1.67%	95,000,000	1.29%
Energy	648,829,000	12.71%	717,700,000	11.22%	717,200,000	10.46%	745,151,000	10.12%
Environmental Resources Management	142,219,668	2.79%	167,000,000	2.61%	320,950,000	4.68%	345,200,000	4.69%

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

2017/18 - 2019/20 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT								
Department	Adjusted Budget 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
EPMO	550,000	0.01%	1,150,000	0.02%	1,150,000	0.02%	1,100,000	0.01%
Executive Office	12,900,000	0.25%	7,550,000	0.12%	3,500,000	0.05%	4,300,000	0.06%
Finance	8,951,000	0.18%	2,087,400	0.03%	660,000	0.01%	680,000	0.01%
Fleet Management	23,320,487	0.46%	3,712,800	0.06%	3,017,200	0.04%	11,514,000	0.16%
Health & Social Development	82,613,483	1.62%	91,150,000	1.42%	111,700,000	1.63%	144,700,000	1.96%
Human Resources Management & Development	1,000,000	0.02%	1,500,000	0.02%	1,800,000	0.03%	1,400,000	0.02%
Human Settlements	710,359,021	13.92%	1,001,526,242	15.65%	1,087,711,733	15.86%	1,293,466,717	17.56%
ICT	426,814,962	8.36%	609,347,770	9.52%	570,606,971	8.32%	644,846,768	8.76%
Internal Audit	424,500	0.01%	440,000	0.01%	450,000	0.01%		0.00%
Legislature	5,859,500	0.11%	6,444,500	0.10%	5,979,850	0.09%	6,492,835	0.09%
Real Estate	113,520,000	2.22%	166,710,000	2.61%	199,220,000	2.91%	196,500,000	2.67%
Risk Management	324,000	0.01%	310,000	0.00%	310,000	0.00%	310,000	0.00%
Roads and Stormwater	645,638,415	12.65%	683,800,000	10.69%	662,450,000	9.66%	712,050,000	9.67%
SRAC	125,173,112	2.45%	132,900,000	2.08%	124,150,000	1.81%	159,700,000	2.17%

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

2017/18 - 2019/20 MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT								
Department	Adjusted Budget 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Strategy & Corporate Planning	520,000	0.01%	560,000	0.01%	570,000	0.01%	570,000	0.01%
Transport	718,458,860	14.08%	831,018,000	12.99%	863,756,000	12.60%	893,250,000	12.13%
Waste Management	126,210,700	2.47%	166,450,000	2.60%	168,500,000	2.46%	167,500,000	2.27%
Water & Sanitation	334,555,269	6.56%	599,300,000	9.37%	818,850,000	11.94%	875,500,000	11.89%
Total	5,103,439,700	100%	6,399,356,712	100%	6,856,310,390	100%	7,365,321,320	100%

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

The **Capital Budget** of **R6.4 billion** for 2017/18 is 25.3% more when compared to the 2016/17 Adjusted Budget of **R5.1 billion**.

The Capital Budget will be funded as follows:

2017/18 - 2019/20 MULTI YEAR CAPITAL BUDGET - PER SOURCES OF FINANCE								
Source Of Finance	Adjusted Budget 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Capital Replacement Reserve (CRR)	485,037,594	9.50%	-	0.00%	-	0.00%	-	0.00%
Energy Efficiency & Demand Side Management (EEDMS)	15,000,000	0.29%	12,000,000	0.19%	16,000,000	0.23%	20,000,000	0.27%
External Loans	1,856,086,653	36.37%	3,245,427,170	50.71%	3,438,560,778	50.15%	3,782,800,000	51.36%
Human Settlement Development Grant (HSDG)	23,158,888	0.45%	-	0.00%	-	0.00%	-	0.00%
Intergrated City Development Grant (ICDG)	38,078,000	0.75%	48,646,000	0.76%	48,221,000	0.70%	50,921,000	0.69%
Intergrated National Electrification Programme (INEP)	40,000,000	0.78%	40,000,000	0.63%	45,000,000	0.66%	45,451,000	0.62%
Neighborhood Development Partnership Grant (NDPG)	41,234,000	0.81%	82,000,000	1.28%	55,000,000	0.80%	55,000,000	0.75%
SRAC Provincial Grant	7,699,900	0.15%	9,000,000	0.14%	9,000,000	0.13%	9,000,000	0.12%
Public Transport Network Grant (PTNG)	410,002,000	8.03%	660,718,000	10.32%	631,906,000	9.22%	670,650,000	9.11%
Revenue	964,629,460	18.90%	850,265,300	13.29%	1,005,654,021	14.67%	1,016,967,603	13.81%
(USDG)	1,220,663,943	23.92%	1,451,300,242	22.68%	1,606,968,591	23.44%	1,714,531,717	23.28%
Wi-Fi Connectivity-National Grant	1,849,262	0.04%	-	0.00%	-	0.00%	-	0.00%
Total	5,103,439,700	100%	6,399,356,712	100%	6,856,310,390	100%	7,365,321,320	100%

The National Treasury has set a benchmark of 39% - 40% of the Capital Budget to be spent on renewal projects and this was taken into account.

The following table provides a breakdown of 2017/2018 draft budgeted capital expenditure per Capital Investment Framework (CIF) classification.

2017/18 - 2019/20 DRAFT MULTI YEAR CAPITAL BUDGET - PER CIF CATEGORIES								
CIF Categories	Adjusted Budget 2016/17	%	Budget Year 2017/18	%	Budget Year 2018/19	%	Budget Year 2019/20	%
Economic Development	1,152,704,855	22.59%	1,463,968,000	22.86%	1,388,156,000	20.25%	1,441,050,000	19.57%
Upgrading and Renewal	2,116,144,990	41.47%	2,700,282,470	42.20%	2,895,142,657	42.23%	3,141,392,603	42.65%
Urban Restructuring	1,834,589,855	35.95%	2,236,106,242	34.94%	2,573,011,733	37.53%	2,782,878,717	37.78%
Total	5,103,439,700	100%	6,399,356,712	100%	6,856,310,390	100%	7,365,321,320	100%

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

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** to this report.

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 EMM 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. A detailed explanation of all the various changes of the policies that have changed is contained in Annexure B of the budget. The following budget related policies are included as **Annexure D** to this report:

Annexure D1:	Medium-term Budget Policy Statement (reviewed)
Annexure D2:	Pricing Policy Statement (reviewed)
Annexure D3:	Property Rates Policy (remains unchanged)
Annexure D4:	Provision of Free Basic Electricity Policy (remains unchanged)
Annexure D5:	Waste Management Services Tariff Policy (reviewed)
Annexure D6:	Consumer Deposit Policy (reviewed)
Annexure D7:	Indigent Policy (remains unchanged)
Annexure D8:	Credit Control & Debt Collection Policy (reviewed)
Annexure D9:	Provision for Doubtful Debtors and Debtors Write Off (reviewed)
Annexure D10:	Budget Implementation and Monitoring Policy (remains unchanged)
Annexure D11:	Municipal Entity Financial Support Policy (reviewed)
Annexure D12:	Accounting Policy (reviewed)
Annexure D13:	Funding and Reserves Policy (remains unchanged)
Annexure D14:	Borrowing Policy (remains unchanged)
Annexure D15:	Cash Management Policy (remains unchanged)
Annexure D16:	Policy on Electricity Metering for Residential and Small Business Customers in the EMM (reviewed)
Annexure D17:	Policy for the Vending of Pre-paid Electricity (reviewed)
Annexure D18:	Policy for Correction of Meter Reading and Billing Data (remains unchanged)
Annexure D19:	Electricity Tariff policy (reviewed)
Annexure D20:	Virement Policy (remains unchanged)
Annexure D21:	Consumer Agreement Policy (reviewed)
Annexure D22:	Renewable Energy Revenue Loss Mitigation Policy (new)
Annexure D23:	Supply Chain Management Policy (reviewed)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

RECOMMENDATION

1. **That** the Council of Ekurhuleni Metropolitan Municipality, acting in terms of section 24 of the Municipal Finance Management Act (Act 56 of 2003), **APPROVES** and **ADOPTS**
 - 1.1 The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 22 of **Annexure B**;
 - 1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 23 of **Annexure B**;
 - 1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 25 of **Annexure B**; and
 - 1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 26 of **Annexure B**.
 - 1.2 The financial position, cash flow budget, cash backed reserve / accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1 Budgeted Financial Position as contained in Table 27 of **Annexure B**;
 - 1.2.2 Budgeted Cash Flows as contained in Table 28 of **Annexure B**;
 - 1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table 29 of **Annexure B**;
 - 1.2.4 Asset management as contained in Table 30 of **Annexure B**, and
 - 1.2.5 Basic service delivery measurement as contained in Table 31 of **Annexure B**.
2. **That** the Council of Ekurhuleni Metropolitan Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000), **APPROVES** and **ADOPTS** with effect from 1 July 2017:
 - 2.1 Schedule 1 - Tariffs for property rates
 - 2.2 Schedule 2 – Tariffs for electricity
 - 2.3 Schedule 3 - Tariffs for the supply of water
 - 2.4 Schedule 4 - Tariffs for the supply of sewer
 - 2.5 Schedule 5 – Tariffs for waste management services

– as set out in **Annexure C**.
3. **That** the Council of the Ekurhuleni Metropolitan Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000), **APPROVES** and **ADOPTS** with effect from 1 July 2017 the tariffs for other services, as set out in the various tariff schedules as contained in **Annexure C**.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

4. **That** to give proper effect to the municipality's annual budget, the Council of the Ekurhuleni Metropolitan Municipality **APPROVES**:
- 4.1 **That** cash backing **IS IMPLEMENTED** through the utilisation of a portion of the revenue generated from property rates and user charges for services, to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants **ARE CASH BACKED** as required in terms of the municipality's funding and reserves policy as prescribed by Section 8 of the Municipal Budget and Reporting Regulations.
- 4.2 **That** the municipality **BE PERMITTED** to enter into long-term borrowings for the funding of the capital programmes in respect of the 2017/18 financial year, limited to an amount of R3.245 billion, 2018/19 financial year limited to an amount of R3.438 billion and 2019/20 financial year limited to an amount of R3.782 billion, in terms of Section 46 of the Municipal Finance Management Act.
- 4.3 **That** the Municipal Manager **BE AUTHORISED** to sign all necessary agreements and documents to give effect to the above lending programme.
- 4.4 **That** the taking up of an external loan of R3.245 billion to fund the 2017/2018 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** to guide the implementation of the municipality's annual budget, the Council of the EMM **APPROVES** the policies as set out in the following Annexures of this document:
- | | |
|---------------------|---|
| Annexure D1 | Medium-term Budget Policy Statement (reviewed) |
| Annexure D2 | Pricing Policy Statement (reviewed) |
| Annexure D3 | Property Rates Policy (remains unchanged) |
| Annexure D4 | Provision of Free Basic Electricity Policy (remains unchanged) |
| Annexure D5 | Waste Management Services Tariff Policy (reviewed) |
| Annexure D6 | Consumer Deposit Policy (reviewed) |
| Annexure D7 | Indigent Policy (remains unchanged) |
| Annexure D8 | Credit Control & Debt Collection Policy (reviewed) |
| Annexure D9 | Provision for Doubtful Debtors and Debtors Write Off (reviewed) |
| Annexure D10 | Budget Implementation and Monitoring Policy (remains unchanged) |
| Annexure D11 | Municipal Entity Financial Support Policy (reviewed) |
| Annexure D12 | Accounting Policy (reviewed) |
| Annexure D13 | Funding and Reserves Policy (remains unchanged) |
| Annexure D14 | Borrowing Policy (remains unchanged) |
| Annexure D15 | Cash Management Policy (remains unchanged) |
| Annexure D16 | Policy on Electricity Metering for Residential and Small Business Customers in the EMM (reviewed) |

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

- | | |
|---------------------|---|
| Annexure D17 | Policy for the Vending of Pre-paid Electricity (reviewed) |
| Annexure D18 | Policy for Correction of Meter Reading and Billing Data (remains unchanged) |
| Annexure D19 | Electricity Tariff policy (reviewed) |
| Annexure D20 | Virement Policy (remains unchanged) |
| Annexure D21 | Consumer Agreement Policy (reviewed) |
| Annexure D22 | Renewable Energy Revenue Loss Mitigation Policy (unchanged) |
| Annexure D23 | Supply Chain Management Policy (reviewed) |
- 6.** **That** to ensure oversight of the municipal entities as required by Section 89 of the Municipal Finance Management Act, Council **APPROVES** the salaries and benefits of the Municipal Entities **TO BE IN LINE** with the proposed increases as set out in the budget of EMM.
- 7.** **That** the Chief Financial Officer, in consultation with the City Manager, **BE DELEGATED** the authority to adjust the 2017/18 Operating and Capital Budgets (income and expenditure) with:
- 7.1 all operating and capital grants received in addition to the currently gazetted DORA grants
 - 7.2 income received for recoverable jobs
 - 7.3 insurance claims received
 - 7.4 developers' contributions received
 - 7.5 transactions on the internal cost management structure
 - 7.6 disbursement of centralised budgets
- 8.** **That** the Chief Financial Officer **BE AUTHORISED** to amend the structure on the financial system, in collaboration with the Heads of Departments, to align the financial system to the outcome of the revised organogram and the new Standard Chart Of Accounts (SCOA) structure proposed by National Treasury.
- 9.** **That**, in order to facilitate multi-year budgeting, departments **BE AUTHORISED** to commit projects on the 2018/19 and 2019/20 budgets, on both internal and confirmed external funding sources.
- 10.** **That** authority **BE GRANTED**, to a maximum amount of R200m, 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 2018 in order to finance temporarily –
- 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.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (17-2017)

- 11. That** the EMM IDP for 2017/18 as contained in **Annexure A, BE ADOPTED.**
- 12. That** a copy of the IDP **BE SUBMITTED** to the MEC for Local Government for comments.
- 13. That** the MEC for Local Government **BE REQUESTED** to approve the EMM IDP for 2017/18 as its Land Development Objectives as envisaged in Section 72a of the Development Facilitation Act.
- 14. That** the Built Environment Performance Plan (BEPP) for the 2017/2018 to 2019/2020 financial period attached to the report as **Annexure G, BE ADOPTED.**

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

**BRAKPAN BUS COMPANY: MEDIUM-TERM REVENUE AND EXPENDITURE
FRAMEWORK (MTREF): 2017/2018 TO 2019/2020**

PURPOSE

To submit Brakpan Bus Company's Medium-term Revenue and Expenditure Framework for the 2017/2018 to 2019/2020 financial period.

EXECUTIVE SUMMARY

The Budget was tabled to Council on the 16th March 2017 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled budget was for Council to note the draft budget for the public consultation process to be embarked upon. The public consultations were conducted during the month of April 2017.

The Final budget contained in this report has been reviewed by the Budget Steering Committee.

DISCUSSION

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- 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.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

Section 24 of the MFMA dealing with the approval of annual budgets and, 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*

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

- c) *must be approved together with the adoption of resolutions as may be necessary-*
- i. imposing any municipal tax for the budget year;*
 - ii. setting any municipal tariffs for the budget year;*
 - iii. approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - iv. approving any changes to the municipality's integrated development plan; and*
 - v. approving any changes to the municipality's budget related policies.*
- 3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.*

Operating Budget

The total original Company Net Operating Surplus for 2016/17 was R708 000 and the reallocation remains unchanged. For the multi-year budget of 2017/18, net operating surplus of R65 045, R286 024 and R 113 086 for the 2018/19 and 2019/20 financial years respectively will be realised.

Operating Income

The total annual average income will be realized in the following line items.

- The annual fare increase of 8% will be factored on the special trips and coupons.
- 4% growth card passengers and coupon sales is envisaged, this increase will be realized because of the new eight (8) buses that will be purchased during the third quarter of 2016/17 financial year,
- Growth of special hire trips by 10% and fare increase of 6%.
- 3% increase of Gauteng Department of Roads and Transport (DoRT) subsidy,
- A new stream of revenue will be from branding of buses, which was R3 Million in 2016/17 after adjustment, and it is budgeted at R7, 3 million for 2017/18.

Operating Expenditure

The four (4) main cost drivers of this, is the repair of buses, depreciation of new buses, and fuel increase due to the operating of the suspended trips.

- Depreciation will increase with R 680 004, due to the second trench of buses that will be purchased.
- Repairs budgeted for at R4 million, because buses are repaired by original manufacturer
- Diesel will increase by R1 458 375 to R8 097 961 , given the project of purchasing new buses, even the suspended routes due to shortage of buses will be operated and extra specials trips will be operated too.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

Salaries and Board of Directors remuneration

- Senior Managers increase will be 6%.
- Board remuneration will increase by 6%.
- All other staff members whose salaries are discussed at bargaining council level is budgeted at 9% as per signed agreement at bargaining council.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

OPERATING BUDGET										
DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO DATE	F00 R'000 PROJECTED	F01 R'000 2017/18	%	%	%	F02 R'000 2018/19	F03 R'000 2019/20
R	R	R	R	R	R	B to B	P to B	Of Total	R	R
BBC										
INCOME										
EXCHANGE REVENUE										
Interest, Dividends and Rent on Land	(20)	(20)	(363)	(400)	(200)	900,00%	-50,00%	0,43%	(53)	(56)
Sales of Goods and Rendering of Services	(39 894)	(33 893)	(12 305)	(30 513)	(40 802)	0	0	0	(44 035)	(46 137)
SUB TOTAL: EXCHANGE REVENUE	(39 914)	(33 913)	(12 668)	(30 913)	(41 002)	20,90%	32,64%	87,41%	(44 088)	(46 193)
Contra Accounts	(5 000)	(5 000)	(2 500)	(14 483)	(5 905)	0	(0)	0	(5 000)	(5 000)
- Cost of Free Basic Services	(5 000)	(5 000)	(2 500)	(14 483)	(5 905)	0	(0)	0	(5 000)	(5 000)
TOTAL INCOME	(44 914)	(38 913)	(15 168)	(45 395)	(46 907)	20,54%	3,33%	100,00%	(49 088)	(51 193)
EXPENDITURE										
Employee Related Costs	16 902	16 902	7 882	16 902	18 861	11,59%	11,59%	40,26%	19 298	20 456
Senior Management	3 387	4 748	2 280	4 748	5 453	14,85%	14,85%	11,64%	5 780	6 127
- SM - Salaries Allowances & Service Benefits	3 387	4 748	2 280	4 748	5 453	14,85%	14,85%	11,64%	5 780	6 127
Municipal Staff	13 516	12 154	5 602	12 154	13 408	10,32%	10,32%	28,62%	13 518	14 329
- MS - Salaries Allowances & Service Benefits	13 516	12 154	5 602	12 154	13 408	10,32%	10,32%	28,62%	13 518	14 329
Remuneration of Councillors	3 053	3 053	1 177	3 053	3 336	9,29%	9,29%	7,12%	3 336	3 536
- ROC - Allowances & Service Related Benefits	3 053	3 053	1 177	3 053	3 336	9,29%	9,29%	7,12%	3 336	3 536
Operational Cost	16 107	16 316	6 989	16 316	21 975	34,69%	34,69%	46,91%	23 767	24 687
Interest Dividends and Rent on Land	1 200	-	-	-	-	0,00%	0,00%	0,00%	-	-
Depreciation and Amortisation	3 329	1 935	882	1 935	2 671	38,01%	38,01%	5,70%	2 401	2 401
TOTAL EXPENDITURE	40 591	38 205	16 930	38 205	46 842	22,61%	22,61%	100,00%	48 802	51 080
DEFICIT / (SURPLUS)	(4 323)	(708)	1 762	(7 190)	(65)	-90,88%	-99,10%		(286)	(113)
DEFICIT / (SURPLUS) AFTER GAINS AND LOSS	(4 323)	(708)	1 762	(7 190)	(65)				(286)	(113)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

Capital Budget

The Company has the following projects in its Final Capital budget for the multi-year period of 2016/17 to 2020/21 which is detailed below.

Department	Project name	Capitalisation investment framework Category	Source of finance	Original Budget 2016/17	Adjusted Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20	Approved Budget 2020/21
BBC	IT Equipment	NEW	In house	40,000	40,000	50,000	50,000	50,000	50,000
BBC	Furniture & fittings and other assets	NEW	In house	40,000	40,000	50,000	50,000	50,000	50,000
BBC	Motor vehicle	NEW	In house	320,000	320,000	250,000	250,000	250,000	400,000
BBC	Bus	NEW	In house	3,000,000	4 700 000	-	-	-	-
BBC	Bus	New	Conditional Grant		5 300 000	6,000,000			
BBC	Bus	NEW	Conditional Grant	15,000,000				-	-
Total				18,400,000	10 400 000	6,350,000	350,000	350,000	500,000

KEY PRIORITIES AND FLAGSHIP PROJECTS

In order to improve on the competitiveness of the company, and improve on income generated, the company will be embarking on the following priority projects:

- The number of commuters transported;
- Improve on customer satisfaction levels as areas requiring improvement were identified by Phase 1 and 2 of customer survey;
- Improve on governance and risk management systems and controls, in order to optimise effectiveness and efficiencies;
- Vigorous marketing of Brakpan Bus Company services, and maximise the use of buses on special hire trips;
- Intensify the current use pre paying system that has assisted in improving the collection of revenue and has minimised the time and money spent on disciplinary matters.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

- Strategic key positions were identified, and relevant personnel have been employed, and other positions are still to be addressed.

FINANCIAL IMPLICATIONS

- The incentivising of the good performance of the drivers, for example, no incidents or accidents reported will be looked into, which will also assist in improving the staff morale;
- Mechanisms of reducing pilferage was introduced by introducing a perpetual cash card, this has significantly reduced the amount of cash carried by bus drivers on daily basis, and we have further increased the number of selling points by using a mobile ticket selling office.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (18-2017)

LEGAL IMPLICATIONS

The tabling of the Budget in May 2017 will ensure compliance with Section 24 of the MFMA.

OTHER DEPARTMENTS/ BODIES CONSULTED

Board of Directors, Department of Finance and of Transport

RECOMMENDATION

That the Medium-term Revenue and Expenditure Framework of Brakpan Bus Company for the 2017/2018 to 2019/2020 financial period **BE APPROVED**.

EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING

2017.05.25

ITEM A-F (19-2017)

EKURHULENI DEVELOPMENT COMPANY (EDC): 2017/18 TO 2019/2020 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

PURPOSE

To submit the Ekurhuleni Development Company's Medium-term Revenue and Expenditure Framework for the 2017/2018 to 2019/2020 financial period.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Budget Monitoring

EXECUTIVE SUMMARY

The Draft Budget was tabled to Council on the 16th March 2017 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled budget was for Council to note the draft budget for the public consultation process to be embarked upon. The public consultations were conducted during the month of April 2017.

The final budget contained in this report was reviewed by the Budget Steering Committee.

The following tables are provided in the report:

Table 1	Ekurhuleni Development Company's Final Medium-term Revenue and Expenditure Framework – Departmental Operating Budgets per Category
Table 2	Ekurhuleni Development Company's Final Detailed Departmental Capital Budgets
Table 3	Ekurhuleni Development Company's Final Detailed Departmental Capital Budgets: Investment property

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

DISCUSSION

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- 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.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

Section 24 of the MFMA dealing with the approval of annual budgets and, 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;*
 - 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.*

In terms of the legislative process, the IDP and budget was tabled to Council on 16 March 2017 for endorsement and the public participation processes was conducted during April 2017.

Operating Budget - Income

The budgeted operating income amounts to **R132, 713 million**, of which **R50, 099 million** is derived from rental income and recoveries, **R8, 000 million** from operational grant and **R74 614 million** from Capital transfers and subsidies.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

The Fire station and Delville ext. 9 projects are expected to be completed and added to the EDC rental stock in the 2016/17 financial year. Hence the projected rental income is anticipated to increase in the 2017/18 by **10%** from **2016/17 (R34, 899 million)** to **2017/18 (R38, 321 million)**. Furthermore the projected income derived from utilities will increase by **R4, 201 million** from **2016/17 (R6, 101 million)** to **2017/18 (R10, 302 million)**, this includes CPI increase and utilities relating to new properties.

The Germiston Fire Station Social Housing project was awarded Grant qualifying status in terms of the social housing investment programme 6A for 2015/16 for the amount of **R18 842 250** per 150 units. Social Housing Regulatory Authority (SHRA) has approved and transferred the amount of R8 411 649 to EDC as a capital Grant in the 2016/17 financial year and a balance of R10 430 601 will be claimed by 30 June 2017. The amount is allocated to capital transfers and subsidies in the 2016/17 budget.

A further **R12, 562 million** is anticipated for 2017/18 financial year for Delville ext. 9 based on R125 615 per 100 units.

Capital allocation in kind of **R69, 376 million** and **R62, 052 million** for 2016/17 and 2017/18 respectively, is for the acquisition of Germiston Fire Station and Delville Social Housing properties. This has been included in the anticipation that the properties will be transferred to EDC in the respective years.

Operational grant is increasing by an additional **R4, 5 million** to cover the regular maintenance costs, taking into account the acquisition of the subsidised units in Germiston Fire Station and Delville Social Housing properties as projected for the 2017/18 financial year.

Additional personnel was appointed to sufficiently capacitate EDC to handle current and future pipeline projects, furthermore the job grading and implementation of performance management system was approved. An amount of **R5.4 million** per annum to cover this costs. (Detailed in the expenditure below). The shareholder has approved the retainer for Directors (Board members) at R30 000.00 per month for eight (8) board members. This has been included in the Operational grant for the total of **R2, 8 million**.

The operational grant has therefore increased from **R3, 5 million** (2016/17) to **R8 million** (2017/18).

Operating Budget - Expenditure

The following categories of expenditure are affected:

Provision for Bad Debts

EDC is affected by general economic conditions. Payment levels are affected by tenants not being able to afford current rentals due to indebtedness and loss of income. However credit control remains a focus area for the EDC. Due to the increase in the debtor's book and the difficulties around recovering some of the debt above 120 days, which includes vacated tenants, management took a decision to make 100% provision for Bad Debt for debtors above 120 days.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

The budgeted target of 93% payments levels was achieved in the 2015/16 financial year and EDC continues to maintain payment levels of 93% in the current financial year. The entity managed to recover 95 % on average for the 2016/2017 quarter 2.

Employee related costs was increased with the following:

- 7% salary increase as per South African Local Government Bargaining Council salary and wage collective agreement (CPI plus 1%).
- New Housing Supervisors, Maintenance Technician, Development Manager and Executive Corporate Services positions.
- Implementation of Job grading results.
- Implementation of performance management system. Staff receiving 13th Cheque will also receive performance bonus with effect from July 2017.

Consultants and Professional Services (Directors Fees)

R2, 880 million at R30 000 per month for 8 board members has been approved by the shareholder for 2017/18 budget. The retainer has been approved with effect from February 2017. However only **R480 000** is included in the additional operational grant due to lack of budget funding.

Contractors (Office Rental)

The budgeted amount for office rental for EDC is R960 000 compared to 2016/17 budget of R475 000. This office relocated to new offices mid 2016/17 financial year.

Repairs and Maintenance budget was only adjusted by CPI percentage and has increased by R1, 6 million. Spending of these funds is reported on in the quarterly performance reporting of the entity and address the structural maintenance of the properties of the entity.

EHC has a shortfall of **R2 403 million** in the 2017/18 due to a lack of budget funding of operational expenses. The reduction in the budget has impact on the professional fees, being the retainer for the director's fees as approved by the shareholder.

Capital grants received do not affect the net deficit as they are capital in nature and will be transferred the balance sheet and cannot cover operational losses.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

OPERATING BUDGET										
DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO DATE	F00 R'000 PROJECTED	F01 R'000 2017/18	% B to B	% P to B	% Of Total	F02 R'000 2018/19	F03 R'000 2019/20
	R	R	R	R	R	R	R	R	R	R
EDC										
INCOME										
Transfers and Subsidies	(3 500)	(21 326)	(10 162)	(99 545)	(82 614)	0	(0)	0	(99 455)	(8 989)
- Operational: Allocations in Kind						0.00%	0.00%	-		
- Operational: Monetary	(3 500)	(11 326)	(1 750)	(11 326)	(8 000)	(0)	(0)	0	(8 480)	(8 989)
- Capital: Allocations in Kind				(69 376)	(62 052)	100.00%	(0)	0	(90 975)	-
- Capital: Monetary		(10 000)	(8 412)	(18 842)	(12 562)	0	(0)	0		
SUB TOTAL: NON - EXCHANGE REVENUE	(3 500)	(21 326)	(10 162)	(99 545)	(82 614)	0	(0)	0	(99 455)	(8 989)
EXCHANGE REVENUE										
Service Charges						0.00%	0.00%	0.00%		
Interest, Dividends and Rent on Land	(1 822)	(1 822)	(785)	(1 571)	(1 476)	-18.99%	-6.02%	1.11%	(1 564)	(1 658)
Agency Services						0.00%	0.00%	-		
Operational Revenue	(6 101)	(6 101)	(2 695)	(4 636)	(10 302)	68.84%	122.22%	7.76%	(10 920)	(11 575)
Rental from Fixed Assets	(34 899)	(34 899)	(16 129)	(27 660)	(38 321)	0	0	0	(40 620)	(43 058)
Sales of Goods and Rendering of Services						0.00%	0.00%	-		
SUB TOTAL: EXCHANGE REVENUE	(42 822)	(42 822)	(19 610)	(33 867)	(50 099)	16.99%	47.93%	37.75%	(53 105)	(56 291)
TOTAL INCOME	(46 322)	(64 148)	(29 771)	(133 411)	(132 713)	106.89%	-0.52%	100.00%	(152 559)	(65 280)
EXPENDITURE										
Employee Related Costs	15 185	15 185	8 479	16 854	19 308	27.15%	14.56%	14.55%	20 466	21 694
Senior Management	8 262	8 262	4 008	8 305	9 406	13.85%	13.27%	7.09%	9 971	10 569
- SM - Salaries Allowances & Service Benefits	7 810	7 810	3 808	7 905	8 836	13.13%	11.77%	6.66%	9 366	9 928
- SM - Social Contributions	452	452	200	399	571	0	0	0	605	641
- SM - Post Retirement Benefit						0.00%	0.00%	-		
- SM - Cost Capitalised to PPE						0.00%	0.00%	-		
Municipal Staff	6 923	6 923	4 471	8 549	9 902	43.02%	15.82%	7.46%	10 496	11 125
- MS - Salaries Allowances & Service Benefits	6 476	6 476	4 232	8 071	9 481	46.40%	17.46%	7.14%	10 050	10 653
- MS - Social Contributions	447	447	239	478	421	(0)	(0)	0	446	473
- MS - Post Retirement Benefit						0.00%	0.00%	-		
- MS - Cost Capitalised to PPE						0.00%	0.00%	-		
Contracted Services	7 604	10 430	3 653	7 306	9 589	(0)	0	0	10 164	10 774
- Outsource Services						0.00%	0.00%	-		
- Consultants and Professional Services	4 252	7 078	1 549	3 098	5 216	(0)	0	0	5 529	5 861
- Contractors	3 352	3 352	2 104	4 208	4 373	0	0	0	4 635	4 913
Operational Cost	18 836	23 836	7 422	14 844	21 889	-8.17%	47.46%	16.49%	23 203	24 595
Inventory						0.00%	0.00%	-		
Bulk Purchases						0.00%	0.00%	0.00%		
Interest Dividends and Rent on Land	1	1	66	133	27	2581.56%	-79.83%	0.02%	28	30
Operating Leases						0.00%	0.00%	-		
Contribution for Bad Debt	3 322	3 322	1 412	4 894	5 907	77.82%	20.70%	4.45%	6 262	6 637
Transfers and Subsidies	-	10 000	8 412	88 219	74 614	0	(0)	0	90 975	-
- Operational: Allocations in Kind						0.00%	0.00%	-		
- Operational: Monetary						0.00%	0.00%	-		
- Capital: Allocations in Kind				69 376	62 052	100.00%	(0)	0	90 975	
- Capital: Monetary		10 000	8 412	18 842	12 562	0	(0)	0		
Depreciation and Amortisation	1 253	1 253	626	1 253	1 378	9.98%	10.00%	1.04%	1 461	1 548
TOTAL EXPENDITURE	46 201	64 027	30 071	133 503	132 712	107.28%	-0.59%	100.00%	152 559	65 279
DEFICIT / (SURPLUS)	(121)	(121)	300	92	(0)	-99.90%	-100.13%		(0)	(0)
TOTAL GAINS AND LOSSES	-	-	-	-	-				-	-
DEFICIT / (SURPLUS) AFTER GAINS AND LOSSES	(121)	(121)	300	92	(0)				(0)	(0)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

Capital Budget

The capital budget consists of the items in table 2 below of the movable assets that need to be replaced and replenished. Table 3 is for capex relating to investment property.

Table 2: Capital Budget-Property, plant and equipment

Department	Project Name	Source of funding	Budget 2017/18	Budget 2018/19	Budget 2019/20
EDC	IT Equipment	Internal	600 000	636 000	674 160
EDC	Furniture, Fittings and Office Equipment	Internal	390 000	413 000	438 000
EDC Total			R 990 000	R 1 049 000	R 1 112 160

Table 3: Capital Budget – Investment property.

Department	Project Name	Source of funding	Budget 2017/18
EDC	Detail designs and procurement (x2 @ R5m per 300 units-Lakeside and Queen Street)	Grant	10 000 000
EDC	Project planning (x6 @ R1.8m Airport park, Kempton Park, Lakeside, Queen Street, Pirroville and N17)	Grant	10 800 000
EDC	Access Control system (Delville and Fire station)	Grant	2 332 000
EDC	Refurbishment of two of the 9 buildings to be acquired by EMM (R5, 5m x2 Sterling court and Fredrick mansions.)	Grant	11 000 000
EDC Total			34 132 000

Funding of investment property.

Department	Period: 2016/17	Period: 2017/18	Total
SHRA-Grant	(18 842 000)	(12 562 000)	(31 404 000)
CAPEX	-	34 132 000	34 132 000
Deficit (Surplus)	(18 842 000)	21 570 000	2 728 000

EMM council has approved the acquisition of 7 buildings in Germiston and 2 buildings in Benoni. The rates and taxes was disputed by the owner, however the EMM Real Estate department has engaged the owner to find a settlement solution.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (19-2017)

EDC entered into a restructuring capital grant agreement with the SHRA, in terms of which the Grant will be disbursed on application by the EDC for a drawdown of funds based on actual proven expenditure and milestone progress on the development phase of Delvile and Fire station projects.

Delvile and Fire Station project budget is with EMM and the project is almost complete. The use of the grant drawdown from SHRA for other social housing programmes will be dependent on SHRA approval as the restructuring capital grant agreement (SHRA grant) requires the grant to be used for Delvile and Fire Station.

Should the SHRA not allow the planned use of the restructuring grant, then the council will be approached in the adjustment budget to fund the full CAPEX shortfall of **R34 132 000**.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The tabling of the IDP and Budget in May 2017 will ensure compliance with Section 24 of the MFMA.

RECOMMENDATION

That the Medium-term Revenue and Expenditure Framework of EDC ET AL for the 2017/2018 to 2019/2020 financial period **BE APPROVED**.

EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING

2017.05.25

ITEM A-F (20-2017)

**ERWAT: MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF):
2017/2018 TO 2019/2020**

PURPOSE

To submit ERWAT's Medium-term Revenue and Expenditure Framework for the 2017/2018 to 2019/2020 financial period.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

All wards

EXECUTIVE SUMMARY

The Draft Budget was tabled to Council on the 16th March 2017 as required by section 16 of the Municipal Finance Management Act. The intention of the tabled budget was for Council to note the draft budget for the public consultation process to be embarked upon. The public consultations were conducted during the month of April 2017.

The final budget contained in this report was reviewed by the Budget Steering Committee.

DISCUSSION

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- 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.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (20-2017)

Section 24 of the MFMA dealing with the approval of annual budgets and, 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;*
 - 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.*

In terms of the legislative process, the IDP and budget was tabled to Council on 16 March 2017 for endorsement and the public participation processes was conducted during April 2017.

The final budget contained in this report was reviewed by the Budget Steering Committee.

Operating Budget

The total original Company Net Operating Surplus for 2016/17 was R50 mil. For the multi-year budget of 2017/18, net operating surplus of R50 mil, R50 mil for 2018/2019 and R50 mil for the 2019/20 financial years respectively will be realised.

Operating Income

The tariff increase is 11.58%; however the total annual income increase will be 11.39% from 2016/17 to 2017/18 financial year due an increase in operational revenue by 13.64%.

Operating Expenditure

The total annual expense has increased by 12.12%

Interest Expenditure

- The Interest charges increased by 23.64%, due to additional Nedbank loan taken up and the last draw down took place in July 2016.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (20-2017)

Salaries and Board of Directors Remuneration

- Senior Managers increase will be 7.50%, which arises from a 7.50% annual increase on current senior staff.
- Other salaried staff has increased with 8.27% - the increase is made up of the annual increase of 7% for current employees and ERWAT has planned to employ additional staff, which results in the 8.27% salary increase.

Operational Costs:

Operational costs have increased by 9.87% due to:

- **Road Transport /Local Travel – 26% increase:** Transportation of Shift Workers to and from all 19 plants has required by law, which has seen our transport cost raise.
- **Security – 10% increase:** There was an increase on security cost due to PSIRA regulated increases that happens yearly and also for posting of additional guards.
- **Insurance – 150% increase:** ERWAT was under-insured in the prior years.

Bulk purchases:

- Bulk purchases have increased by 3.25% that is line with inflation

Depreciation:

- Depreciation cost has increased by 80.80% due to the additions of capital assets and the componentization of the plants that was completed in 2016/2017.

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (20-2017)

OPERATING BUDGET											
Department	DESCRIPTION	F00 R'000 ORG BUDGET	F00 R'000 ADJ BUDGET	F00 R'000 YEAR TO DATE	F00 R'000 PROJECTED	F01 R'000 2017/18	% B to B	% P to B	% Of Total	F02 R'000 2018/19	F03 R'000 2019/20
		R	R	R	R	R				R	R
ERWAT	ERWAT										
ERWAT	INCOME										
ERWAT	NON - EXCHANGE REVENUE										
ERWAT	Transfers and Subsidies	(50 354)	(50 354)	(15 406)	(51 333)	(50 000)	(0)	(0)	0	(50 000)	(50 000)
ERWAT	- Operational: Allocations in Kind						0.00%	0.00%	-		
ERWAT	- Operational: Monetary	(354)	(354)	(1 333)	(1 333)	-	(0)	0.00%	-	-	-
ERWAT	- Capital: Allocations in Kind						0.00%	0.00%	-		
ERWAT	- Capital: Monetary	(50 000)	(50 000)	(14 074)	(50 000)	(50 000)	-	-	0	(50 000)	(50 000)
ERWAT	SUB TOTAL: NON - EXCHANGE REVENUE	(50 354)	(50 354)	(15 406)	(51 333)	(50 000)	(0)	(0)	0	(50 000)	(50 000)
ERWAT	EXCHANGE REVENUE										
ERWAT	Service Charges	(645 216)	(645 216)	(322 608)	(645 216)	(719 935)	11.58%	11.58%	78.72%	(904 469)	(970 164)
ERWAT	Interest, Dividends and Rent on Land	(2 040)	(2 040)	(6 885)	(13 770)	(4 321)	111.81%	-68.62%	0.47%	(3 189)	(1 770)
ERWAT	Agency Services						0.00%	0.00%	-		
ERWAT	Operational Revenue	(123 454)	(123 454)	(55 536)	(123 454)	(140 295)	13.64%	13.64%	15.34%	(137 063)	(148 597)
ERWAT	Rental from Fixed Assets						0.00%	0.00%	-		
ERWAT	Sales of Goods and Rendering of Services						0.00%	0.00%	-		
ERWAT	SUB TOTAL: EXCHANGE REVENUE	(770 710)	(770 710)	(385 029)	(782 440)	(864 551)	12.18%	10.49%	94.53%	(1 044 721)	(1 120 531)
ERWAT	TOTAL INCOME	(821 064)	(821 064)	(400 436)	(833 772)	(914 551)	11.39%	9.69%	100.00%	(1 094 721)	(1 170 531)
ERWAT	EXPENDITURE										
ERWAT	Employee Related Costs	278 135	278 135	127 607	261 137	301 112	8.26%	15.31%	34.83%	340 250	364 067
ERWAT	Senior Management	2 858	2 858	1 611	2 857	3 072	7.50%	7.52%	0.36%	2 090	2 236
ERWAT	- SM - Salaries Allowances & Service Benefits	2 858	2 858	1 611	2 857	3 072	7.50%	7.52%	0.36%	2 090	2 236
ERWAT	Municipal Staff	275 278	275 278	125 996	258 281	298 040	8.27%	15.39%	34.47%	338 160	361 831
ERWAT	- MS - Salaries Allowances & Service Benefits	275 278	275 278	125 996	258 281	298 040	8.27%	15.39%	34.47%	338 160	361 831
ERWAT	Contracted Services	-	-	-	-	-	0.00%	0.00%	-	-	-
ERWAT	- Outsource Services						0.00%	0.00%	-		
ERWAT	- Consultants and Professional Services						0.00%	0.00%	-		
ERWAT	- Contractors						0.00%	0.00%	-		
ERWAT	Operational Cost	206 014	206 014	70 242	224 417	226 339	9.87%	0.86%	26.18%	353 390	393 031
ERWAT	Inventory						0.00%	0.00%	-		
ERWAT	Bulk Purchases	195 937	195 937	77 078	195 937	202 296	3.25%	3.25%	23.40%	220 593	236 035
ERWAT	Interest Dividends and Rent on Land	51 055	51 055	31 985	51 055	63 125	23.64%	23.64%	7.30%	57 183	51 847
ERWAT	Operating Leases						0.00%	0.00%	-		
ERWAT	Contribution for Bad Debt	1 107	1 107	-	1 107	1 500	35.54%	35.54%	0.17%	1 500	1 500
ERWAT	Transfers and Subsidies	-	-	-	-	-	0.00%	0.00%	-	-	-
ERWAT	Depreciation and Amortisation	38 816	38 816	19 778	38 816	70 178	80.80%	80.80%	8.12%	71 805	74 051
ERWAT	Discontinued Operations						0.00%	0.00%	-		
ERWAT	Contra Accounts Revenue	-	-	-	-	-	0.00%	0.00%	-	-	-
ERWAT	TOTAL EXPENDITURE	771 064	771 064	326 690	772 469	864 551	12.12%	11.92%	100.00%	1 044 721	1 120 530
ERWAT	DEFICIT / (SURPLUS)	(50 000)	(50 000)	(73 745)	(61 303)	(50 000)	0.00%	-18.44%		(50 000)	(50 000)
ERWAT	TOTAL GAINS AND LOSSES	-	-	-	-	-				-	-
ERWAT	DEFICIT / (SURPLUS) AFTER GAINS AND LOSSES	(50 000)	(50 000)	(73 745)	(61 303)	(50 000)				(50 000)	(50 000)

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (20-2017)

Capital Budget

ERWAT has the following projects in its Draft Capital budget for the multi-year period; capital expenditure is set to reduce up by 8% to ensure that the projects can take place with the cash flow available to ERWAT.

CAPITAL BUDGET 2017/2018 - 2021/22							
BUDGET PER DEPARTMENT	Department	ACTUAL PERIOD 2016/17	PERIOD 2016/17 - Revised	% SPEND TO DATE	PERIOD 2017/18	PERIOD 2018/19	PERIOD 2019/20
ADMINISTRATION	Corporate service	-	-		355,000	80,000	50,000
FINANCE	Finance	-	150,000	0%	156,000	70,000	50,000
PERSONNEL	HR	-	-		940,000	110,000	190,000
HEAD OFFICE - INFORMATION SYSTEMS - CE & IN	IT	570,243	8,828,441	6%	8,000,000	8,400,000	8,820,000
LABORATORY	LAB	1,043,372	3,761,500	28%	3,300,000	2,205,000	1,855,000
COMMERCIAL BUSINESS	LCB	22,100	2,011,000	1%	405,000	310,000	620,000
PUBLIC RELATIONS	Marketing		150,000	0%	300,000	200,000	350,000
HEAD OFFICE - MD OFFICE OPERATIONS	MD	-	50,000	0%	235,000	60,000	20,000
LOSS CONTROL DEPT	PMO	2,213,533	133,306,522	2%			
Ancor	PMO	627,682	-		43,250,000	8,500,000	5,500,000
Benoni	PMO		-		7,800,000	11,867,589	10,700,000
Carl	PMO		-		1,200,000	-	-
Daveyton	PMO		-		7,350,000	1,400,000	5,000,000
Dekema	PMO		-		11,880,000	-	-
Development	PMO	1,189,574	6,200,000	19%	3,860,000	6,520,000	5,000,000
Esther Park	PMO		-	0%	50,000	-	500,000
FLOW - MONITORING ALL Plants	PMO	-	1,200,000	0%			
Hartebeestfontein	PMO	2,124,036	5,844,786	36%	17,210,000	10,585,000	4,600,000
Heidelberg	PMO		-		5,640,000	1,000,000	3,500,000
Herbert Bickley	PMO		-		5,900,000	-	-
INTEGRATED SLUDGE BENEFCIATION PLANT	PMO	4,076,504	40,000,000	10%			
Jan Smuts	PMO		-		390,000	1,000,000	2,000,000
JP Marais	PMO		-		12,450,000	1,000,000	3,000,000
New Office Building	PMO	1,710,197	15,000,000	11%	15,800,000	16,400,000	14,800,000
New Outfall Sewer: DD6	PMO	-	1,500,000	0%			
Olifants	PMO	-	3,000,000	0%	12,500,000	5,000,000	5,000,000
Ratanda	PMO		-		2,400,000	-	7,607,875
Rondebult	PMO		-		3,560,000	-	5,000,000
Rynfield	PMO		-		4,200,000	-	2,000,000
Tsakane	PMO	1,571,917	11,656,692	13%	100,000	-	2,100,000
Vlaakplaats	PMO	7,338,690	28,000,000	26%	42,624,650	15,727,411	3,579,341
Waterval	PMO	3,984,331	2,000,000	199%	87,603,421	22,022,086	22,577,914
Welgedacht	PMO	30,854,343	32,000,000	96%	4,600,000	2,500,000	2,100,000
SUPPLY CHAIN	SCM	-	1,002,500	0%	350,000	371,000	393,260
TECHNICAL	TECHNICAL	1,319,231	15,000,000	9%	4,850,000	4,850,000	4,891,500
TOTAL CAPITAL REQUIREMENT		58,645,753	336,206,441	21%	309,259,071	120,178,086	121,804,890
Funding			336,206,441		309,259,071	120,178,086	121,804,890
Internal funding			38,832,463		70,573,636	-	-
Internal funding (DEPN)			91,696,696		188,685,435	70,178,086	71,804,890
Grant funding			50,000,000		50,000,000	50,000,000	50,000,000
External loans			155,677,282		-	-	-
To be determined		58,645,753	336,206,441		309,259,071	120,178,086	121,804,890

**EKURHULENI METROPOLITAN MUNICIPALITY
SPECIAL COUNCIL MEETING**

2017.05.25

ITEM A-F (20-2017)

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

Strategic key positions were identified, and relevant personnel have been employed, and other positions are still to be addressed.

FINANCIAL IMPLICATIONS

ERWAT will have to look into taking out an additional long-term loan to finance capital expenditure in the coming year.

LEGAL IMPLICATIONS

The tabling of the Budget in May 2017 will ensure compliance with Section 24 of the MFMA.

OTHER DEPARTMENTS/ BODIES CONSULTED

Board of Directors and Department of Finance

RECOMMENDATION

That the Medium-term Revenue and Expenditure Framework of ERWAT for the 2017/2018 to 2019/2020 financial period **BE APPROVED**.