

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

2020.03.18

ITEM A-F (28-2020)

**DRAFT MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF),
REVIEWED INTEGRATED DEVELOPMENT PLAN (IDP) AND BUILT ENVIRONMENT
PERFORMANCE PALN (BEPP): 2020/21 TO 2022/23**

PURPOSE

To submit the Draft Medium-term Revenue and Expenditure Framework (MTREF), the Reviewed Integrated Development Plan (IDP) and the Draft Built Environment Performance Plan (BEPP) for 2020/21 to 2022/23 to Council for consideration in terms of Section 16(2) of the Municipal Finance Management Act (56 of 2003).

STRATEGIC OBJECTIVE

To promote good governance and financial sustainability of the City.

WARDS AFFECTED

All wards.

IDP LINKAGE

Compilation of IDP and Budget.

EXECUTIVE SUMMARY

The draft MTREF, the reviewed IDP and the draft Built Environment Performance Plan will be tabled to Council on the 19th March 2020 in accordance with requirements of section 16 of the Municipal Finance Management Act. The intention of the tabled documents is for Council to **note** the draft budget, the draft IDP, the draft BEPP, the draft budget-policies and the draft tariffs for the public consultation process to commence.

The **consolidated draft budget** (including entities) reflects the following totals:

| CONSOLIDATED | Amended Budget - FEB'20 | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
|--|------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Total Revenue (excluding capital tra | 39,879,887,751 | 42,702,658,192 | 46,561,828,682 | 50,521,393,055 |
| Total Expenditure | 39,865,857,910 | 42,702,536,316 | 46,561,037,088 | 50,519,636,753 |
| Surplus/(Deficit) | 14,029,841 | 121,876 | 791,594 | 1,756,302 |
| <i>Transfers and subsidies - capital</i> | 2,719,543,860 | 2,448,730,732 | 1,767,945,408 | 1,737,194,861 |
| Surplus/(Deficit) after capital transfers & contributions | 2,733,573,701 | 2,448,852,608 | 1,768,737,002 | 1,738,951,163 |
| <i>Taxation</i> | 6,000,000 | - | - | - |
| Surplus/(Deficit) after taxation | 2,727,573,701 | 2,448,852,608 | 1,768,737,002 | 1,738,951,163 |
| Total Capital Budget | 6,807,681,008 | 5,814,679,361 | 5,237,277,603 | 5,116,406,227 |

The table above shows operating surpluses of R121.8 thousands, R791.5 thousands and R1.75 million in 2020/21, 2021/22 and 2022/23, respectively.

The following attachments are provided:

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SECTION ONE: INTEGRATED DEVELOPMENT PLANNING

Annexure A Draft Reviewed Integrated Development Plan (IDP);

SECTION TWO: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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

Annexure C Draft Tariff Schedules;

Annexure D Draft Budget Related Policies and By-laws;

SECTION THREE: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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

Annexure F Draft Capital Budget per Ward;

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

Annexure G Built Environment Performance Plan of CoE and

Annexure H Service Level Standards.

Purposes of the attachments to this report

- Departments refined and set targets for their respective departmental plans which are included in the IDP. The proposals contain results which departments will work towards achieving and to support the achievement of the programmes contained in the GDS 2055. **Annexure A** contains the Draft Reviewed IDP for the 2020/21 financial year;
- **Annexure B** contains the detailed draft budget of CoE for the MTREF period. The consolidated budget of the City with those of its entities is also included. It is compiled in line with the Budget Guideline set out by National Treasury in Budget Circular 98 issued on the 6th December 2019. The latest mSCOA version 6.4 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 draft tariff schedules of Council. It includes the major tariff schedules for municipal services, assessment rates as well as the tariff schedules of other services. A summary of the tariff increases is included in Annexure B as well;
- In terms of the Municipal Budget and Reporting Regulations, Council must consider only the policies with proposed changes as part of the budget process. However, **Annexure D** contains ALL the Budget Related Policies and By-laws 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** will be included in the final budget submission;
- A detailed Capital Budget which makes reference to the ward information is included as **Annexure F**. Though such an annexure is not required in terms of legislation, it assist in many ways when the budget is scrutinised during public participation;

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- **Annexure G** contains the draft BEPP information of the City. The MFMA Circular 91 requires the draft BEPP to be tabled with the budget by the 31st March 2020; and
- **Annexure H** provide the service level standards of the City. These are meant to provide the turnaround times for providing various services of the City.

DISCUSSION

Section 16 of the Municipal Finance Management Act (56 of 2003) [MFMA] dealing with the tabling of the annual budget states that:

- (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*
- (2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*

This item, together with all accompanying documents and annexures, contain the budget that is tabled in terms of the abovementioned legislative requirements. This is the budget that will be taken through the public consultation process during April 2020 in terms of section 23 of the MFMA.

As part of the public participation process, a benchmarking meeting has been scheduled in April 2020 with National Treasury to do a comparison of the draft budget with the budgets of metropolitan municipalities.

Furthermore, section 24 of the MFMA dealing with the approval of annual budgets, inter alia, reads as follows:

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

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Once this budget has been tabled in terms of section 16 of the MFMA, and subjected to public consultation as required by section 23 of the same Act, it will further be subjected to the approval process as required by section 24 as mentioned above.

PROCESS FOLLOWED

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 2020/21 financial year when the report regarding the key deadlines was submitted to Council for approval in July 2019, a month earlier than the legislated timeframe. The tabling of the Schedule of Key Deadlines is required in terms of section 21(b) of the MFMA.

In terms of the schedule of key deadlines, the budget was planned to be tabled to Council in February 2020. However, on the 12th February 2020 the City received a letter from National Treasury which, although commending the City for early tabling of the budget and related documents, pointed out several factors which will make the tabled budget significantly different from the budget that will be tabled for approval in May 2020. These factors are:

- The national budget was tabled by the Minister of Finance on 26th February 2020. The national budget showed allocations to municipalities in terms of the Division of Revenue Bill. The allocations informed the City's grant allocations for the 2021 MTREF; and
- The bulk water and electricity tariffs will not be finalised by February 2020. These tariffs have a significant impact on the revenue projections of the City as they comprise a significant portion of own revenue.

Based on these, it was premature for the City to table its budget in February 2020. Significant differences between the tabled and approved budgets compromise the public participation process. Council subsequently approved tabling of the budget in March 2020, which is in line with section 16(2) of the MFMA.

In January 2020, the adjustment budget was tabled to Council after the tabling of the 2019/20 mid-year budget and performance assessment report. The adjustment budget essentially informed the 2020/21 MTREF, subject to further discussions with departments and reprioritisation based on the new Division of Revenue Bill.

During the month of February 2020, the one-on-one meetings were held between the MMC: Finance, Economic Development and ICT and various departments to shape and reprioritise the budget, and develop strategic framework within which the budget should be compiled. The Departments of Corporate Strategy and Corporate Planning as well as the Project Management Office participated in these sessions to advise on alignment with the performance targets and readiness to implement, amongst others. These sessions culminated in this draft budget.

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DRAFT 2020/2021 INTEGRATED DEVELOPMENT PLAN AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Background

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

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

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

IDP outcomes, indicators and targets aligned to the 5 Strategic Objectives were developed, as required by MFMA Circular 88: Municipal Circular on Rationalization of Planning and Reporting Requirements for the draft 2020/21 MTREF. Output indicators as well as targets that will respond to the outcome indicators in the IDP were also developed in the 2020/2021 draft SDBIP; including output indicator as regulated by MFMA circular 88. An attempt was made in the draft 2020/2021 SDBIP to align all the indicators to the budget and/projects that are funded in the 2020-2021 MTREF; to ensure that the budget funds the priorities in the IDP. The funding of the ward priorities through the budget is also an indication of the alignment of the budget to community development priorities.

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Amendments to the Integrated Development Plan

This review resulted in some amendments to the approved IDP. The following amendments were made to the IDP:

- The chapter on intergovernmental alignment has been reviewed to include the State of the Nation Address (SONA) 2019, State of the Province Address (SOPA) 2019, National Budget Speech 2019 as well as the municipality's response to the MEC's comments on the 2016-2021 IDP;
- Based on the engagement with ward committees on the ward development priorities held in September 2019 the public participation chapter has been reviewed to accommodate the changes;
- The chapter on the IDP performance scorecard has been amended to reflect the current delivery realities and anticipated performance for the rest of the term.
- The chapter on the financial plan was amended to reflect the current MTREF policy statement and guidelines, local government grants and additional allocation, financial management reforms and the MTREF summary.

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 Member of Mayoral Committee (MMC) Finance and all the members of Mayoral Committee were invited to the meetings. Several meetings were held during the compilation of the draft budget.

The main function of the Budget Steering Committee is to give administration strategic guidance with the compilation of the IDP, Budget and BEPP. This ensures that the budget is aligned with the strategic views from National and Provincial government.

Meetings with the Oversight Committees

After the tabling of the Draft Budget/ IDP to Council on the 19th March 2020, the documents will be referred to Oversight Committees to obtain input from Legislature. The draft budget will also be made available to the caucuses of the political parties. Administration will be available to attend some meetings when information or clarity on some of the aspects of the draft Budget/ IDP are required.

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DRAFT BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2020/21 AND CAPITAL INVESTMENT FRAMEWORK (CIF) APPROVAL

This part of the item to Council deals with the Built Environment Performance Plan (BEPP) and Capital Investment Framework (CIF). The Division of Revenue Act (DoRA) stipulates that the City of Ekurhuleni must submit Council approved draft BEPP with IDP and budget to National Treasury by 31 March 2020.

Submission of Council approved BEPP is legislative eligibility for the City of Ekurhuleni to receive infrastructure grants that are related to the built environment. The grants are Urban Settlement Development Grant (USDG), Integrated City Development Grant (ICDG), Human Settlements Development Grant (HSDG), Public Transport Infrastructure Grant (PTIG) and the Neighbourhood Development Partnership Grant (NDPG). From the beginning of the 2019/20 financial year, the Integrated National Electrification Programme (INEP) grant will be phased out and be incorporated into the USDG.

The BEPP 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 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 CoE Finance Department in order to strategically prioritize the multi-year capital budget.

The purpose of BEPP is to assist the CoE to achieve built environment outcomes of productive, sustainable, inclusive and well-governed city. 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. It has evolved over the years from identification of Integration Zones, catalytic projects, intergovernmental project pipeline to actually demonstrating progress in implementing the planning strategy. Hence, 2019/20 BEPP provides overview of progress in implementation of programmes within Integration Zones.

The CIF through the Capital Prioritisation Model (CPM) support spatial targeting planning rational by targeting investment into prioritised Integration Zones and Geographic Priority Areas. It guides 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 CoE's overarching strategies.

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The CoE has to a large extent adhered to 2020/21 BEPP guidelines as issued by National Treasury. It is compiled from a range of current Ekurhuleni planning and strategy documents and is thus not a new plan, but is rather a 're-packaging' of existing plans and information into a digestible, measurable format as required by National Treasury.

KEY ASPECTS CONTAINED IN THE DRAFT BUDGET

MFMA Circular 98 issued on the 6th December 2019, read with Circular 99 issued on 9th March 2020, provide guidance to municipalities and their entities on the preparation of their 2020/21 Medium Term Revenue and Expenditure Framework (MTREF). Some of the guidance provided in the Circulars is highlighted below.

Economic Outlook

In the 2019 Medium Term Budget Policy Statement (MTBPS or Mini Budget) tabled by the national Minister of finance on the 30th October 2019, he stated that he is tabling the 2019 MTBPS in a difficult global and domestic environment. The global growth forecast for 2019 is the lowest since the 2008 financial crises. The Minister states that economic activity in the two global engines of the world economy, China and India, is also slowing this year. This stagnation will trickle down to the domestic economy, bearing in mind that these two economic powers are integral members of BRICS block.

In South Africa, economic growth has continued to stagnate. In addition to the low growth, the country's biggest economic risk is Eskom. The continued disruptions in electricity supply to households and businesses stifle economic activities. It is for this reason that national government has allocated significant resources to assist the utility. The country's public finances has deteriorated over the past decade, with large budget deficits. This has put the country in deep debt, with interest payments crowding out social and economic spending programmes.

The national budget speech by the Minister of Finance tabled on the 26th February 2020 reiterated the **negative economic outlook** by pointing out the following:

- The 2021 National budget has a deficit of R370.5 billion or 6.8% of Gross Domestic Product, leading to rising costs to service the debt;
- Downward adjustments of already constraint resources and redirecting to areas of high social impact and larger economic multipliers. Areas of reductions include the Wage Bill (employee costs), Health and Education;
- Reduction of conditional grants to provinces and municipalities. This include the suspension of integrated public transport networks in Buffalo City, Msunduzi and Mbombela Municipalities; and
- Implementation of reforms to reduce fruitless and wasteful expenditure and implementation of consequence management.

The Budget Circular 98 highlighted the following **factors that affect the municipalities' MTREF**:

- Challenges in national economy as evidenced by large budget deficit at national level. However, municipalities **MUST** not budget for a deficit;

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- Slow (below 1.2%) national economic growth in 2020/21. This impacts negatively on job creation, households disposable income and ability to pay for municipal services;
- Large reductions in planned transfers (grants) to municipalities. The new DORA will show reduced allocations, meaning municipalities **must reprioritize projects**;
- Municipalities must not budget to spend money they do not have;
- Cost containment measures must continue to be implemented;
- Municipalities must address technical and non-technical losses to reduce costs; and
- Excess consumption by indigents should be curbed.

MFMA Circular 98 (6 December 2019) showed the CPI projections as follows:

| Fiscal year | 2018/19 (Actual) | 2019/20 (Estimate) | 2020/21 (Forecast) | 2021/22 (Forecast) | 2022/23 (Forecast) |
|---------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| CPI Inflation | 4.7% | 4.3% | 4.9% | 4.8% | 4.8% |

Source: MFMA Budget Circular 98

Circular 99 (issued 9 March 2020) revised CPI projections that were provided in Circular 98 as follows:

Macroeconomic performance and projections (Percentage growth)

| Fiscal year | 2019/20 (Estimate) | 2020/21 (Forecast) | 2021/22 (Forecast) | 2022/23 (Forecast) |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real GDP growth | 0.3 | 0.9 | 1.3 | 1.6 |
| CPI Inflation | 4.1% | 4.5% | 4.6% | 4.6% |

Source: MFMA Budget Circular 99

The final tariff book to be approved in May 2020 will show tariff increases at 4.5%. The forecasts above imply that the municipalities' tariffs increases should be limited to CPI. **Increases above the guidelines above should be justified** in the municipal budgets.

National Treasury advises municipalities against tabling unbalanced and unfunded budgets. In the 2019/20 financial year, 126 municipalities tabled unfunded budgets. These municipalities were required to table special adjustment budgets to align their expenditure plans with projected revenues and ensure that they have plans in place to pay their creditors, including Eskom and the water Boards. Municipalities that did not table funded adjustment budgets by 15 November 2019 had their December 2019 tranche of the local government equitable share withheld as the MFMA (section 18) requires municipalities to table funded budgets. **The City of Ekurhuleni was not part of these municipalities and does not intend to be, now and in the future.**

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SUMMARY OF TARIFF INCREASES

In order to realise required funding and based on differential rating ratios in respect of individual categories of properties, it is proposed that **assessment rates be increased by 7.5%, which remains unchanged to the percentage increase of 2019/20**. The proposed tariff increase is higher than the 4.5% in order to fund the operational expenses of infrastructure departments **that are not generating revenue** e.g. Roads, Human Settlements, Real Estate; **Social Departments** e.g. Human Resources & Health and **Governance Structures** such as the Legislature, Internal Audit & Risk Management.

Rand Water indicated a tariff increase 15.0% which is the same as the 2019/20 increase. The increase is more than the 4.5% CPI in Circular 99 due to the inclusion of the water Research Levy, chemical and energy costs. This increase must still be approved at Cabinet level as it forms part of administered prices.

ERWAT proposes a tariff increase of 11% on Sanitation. This is based on the increase in input costs such as fuel and chemicals and to address backlogs on sewer network maintenance.

As in the previous year, **refuse removal tariff** increase is proposed to remain the same at **7.5%** for all users. This is largely based on the increase of the main cost drivers of the service such as fuel and lubricants and vehicle operating costs. The 7.5% increase does not take into consideration costs such as provision for doubtful debts and depreciation charges. Substantial tariff increases would be required to fully fund the service.

The **electricity tariff increases** are based on NERSA approval of Eskom application. At the moment the **increase is 6.90 for bulk purchases from Eskom and 6.60 for sales to customers**. These figures are subject to NERSA's final approval.

Sundry tariffs increases were limited, in most instances, to be within the CPI rate of 4.5%. Increases above the CPI are justified as they take into account the direct and indirect costs of providing the services.

Burial and Cemetery tariff increase is proposed at **4.5% for CoE residents and 6.5% for non-residents**. This is due to the fact that the current tariffs are not cost reflective and a benchmarking exercise indicated that the City's tariffs are less than those charged by other municipalities.

Similarly, Council reviewed the **Municipal Bus Services tariff** increases. This increases by an average of 3.85% and 4.35%. This is less than the CPI of 4.5%.

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The table below reflects the tariff assumptions for the 2020/21 MTREF for the major trading services rendered:

| Revenue category | 2019/20 Proposed tariff increase | 2020/21 Proposed tariff increase | 2021/22 Proposed tariff increase | 2022/23 Proposed tariff increase |
|-------------------------|---|---|---|---|
| | % | % | % | |
| Property rates | 7.5 | 7.5 | 0.0 (Valuation implementation) | 4.6 |
| Sanitation | 11.0 | 11.0 | 11.0 | 11.0 |
| Refuse removal | 7.5 | 7.5 | 7.5 | 7.5 |
| Water | 15.0 | 15.0 | 15.0 | 15.0 |
| Electricity | 13.07 to 13.87 | 6.90 (bulk purchases) 6.60 (Sales) | 6.90 (bulk purchases) 6.60 (Sales) | 6.90 (bulk purchases) 6.60 (Sales) |

The financial sustainability of the 2020/21 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 CoE will have to implement more robust credit control measures, develop new strategies to bill properties that remain unbilled, optimise existing revenue base and implement revenue enhancement strategy.

In order to sustain the services rendered to our community the **repair and maintenance** budget has been increased to almost R3.1 billion.

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.

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.

The City of Ekurhuleni will **provide free basic water and sewer services (6kl)** to registered indigent households and all properties with a value not exceeding R750 000. The City will also provide an additional 3kl free basic water services to registered indigent household as prescribed in the Council's approved Indigent Policy. Based on affordability, the cost of free basic services is **R3.8 billion**. The challenge is that some indigent households exceed their consumption of free basic water. Past trends shows that the cost of excess consumption is around R500.0 million and it puts a strain on the City's constraint resources.

Annual Budget Assessment and Bench-marking with other metros conducted by National Treasury

Between April and May 2020, the National Treasury will conduct a benchmark assessment of the tariff increases proposed by all the metros. The outcome of the assessment will be, where appropriate, incorporated in the budget to be approved in May 2020.

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2020/21 MTREF SUMMARY (OPERATING BUDGET)

The following table is a summary of the **consolidated** 2020/21 MTREF Operating Budget.

| CONSOLIDATED | 2019/20 - Revised Budget | 2019/20 - YTD as at 29th February 2020 | 2020/21 Draft Budget | 2021/22 Draft Budget | 2022/23 Draft Budget |
|--|-------------------------------------|---|---------------------------------|---------------------------------|---------------------------------|
| | R | R | R | R | R |
| Revenue By Source | | | | | |
| Property rates | 6,140,478,219 | 3,713,793,478 | 6,377,188,760 | 6,919,249,801 | 7,611,174,784 |
| Service charges | 23,728,239,444 | 15,694,355,354 | 26,063,092,449 | 28,439,606,374 | 31,067,671,147 |
| Rental of facilities and equipment | 136,271,005 | 91,336,524 | 147,278,357 | 155,280,778 | 163,718,048 |
| Interest earned - external investments | 995,925,105 | 541,366,678 | 1,082,244,476 | 1,140,637,301 | 1,202,277,175 |
| Fines, penalties and forfeits | 610,707,136 | 92,066,606 | 632,942,917 | 667,121,844 | 703,146,418 |
| Licences and permits | 305,915,543 | 200,526,485 | 322,434,985 | 339,846,476 | 358,198,184 |
| Transfers and subsidies | 4,805,933,271 | 3,271,914,359 | 4,859,288,102 | 5,203,384,012 | 5,289,412,054 |
| Other revenue | 3,156,418,028 | 2,041,395,593 | 3,218,188,146 | 3,696,702,097 | 4,125,795,245 |
| Total Revenue (excluding capital transfers and contributions) | 39,879,887,751 | 25,646,755,077 | 42,702,658,192 | 46,561,828,682 | 50,521,393,055 |

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|--|-------------------------------------|---|---------------------------------|---------------------------------|---------------------------------|
| | R | R | R | R | R |
| Expenditure By Type | | | | | |
| Employee related costs | 9,605,604,048 | 6,161,494,399 | 10,397,285,197 | 11,283,869,351 | 12,220,699,955 |
| Remuneration of councillors | 139,695,066 | 90,724,872 | 150,870,667 | 162,940,314 | 175,975,535 |
| Debt impairment | 2,369,165,652 | 1,323,982,763 | 2,565,397,721 | 3,271,324,385 | 3,727,236,047 |
| Depreciation & asset impairment | 2,203,918,615 | 1,483,118,428 | 2,313,951,022 | 2,432,024,594 | 2,555,860,710 |
| Finance charges | 1,096,076,483 | 598,061,718 | 1,405,054,769 | 1,497,493,352 | 1,586,880,130 |
| Bulk purchases | 15,703,689,808 | 10,171,522,353 | 16,850,650,615 | 18,361,910,430 | 20,029,731,912 |
| Other materials | 1,993,904,378 | 1,179,617,861 | 2,159,652,323 | 2,298,620,075 | 2,458,153,911 |
| Contracted services | 4,814,631,451 | 2,581,543,778 | 4,875,118,065 | 5,128,807,819 | 5,476,473,541 |
| Transfers and subsidies | 652,628,672 | 310,810,413 | 700,242,794 | 735,169,325 | 801,468,050 |
| Other expenditure | 1,271,236,416 | 689,086,843 | 1,268,179,227 | 1,371,872,296 | 1,469,233,538 |
| Loss on disposal of PPE | 15,307,321 | 2,202,767 | 16,133,916 | 17,005,147 | 17,923,425 |
| Total Expenditure | 39,865,857,910 | 24,592,166,192 | 42,702,536,316 | 46,561,037,088 | 50,519,636,753 |
| Surplus/(Deficit) | 14,029,841 | 1,054,588,885 | 121,876 | 791,594 | 1,756,302 |
| Transfers and subsidies - capital | 2,719,543,860 | 897,565,731 | 2,448,730,732 | 1,767,945,408 | 1,737,194,861 |
| Surplus/(Deficit) after capital transfers & contributions | 2,733,573,701 | 1,952,154,615 | 2,448,852,608 | 1,768,737,002 | 1,738,951,163 |
| Taxation | 6,000,000 | 2,927,536 | - | - | - |
| Surplus/(Deficit) after taxation | 2,727,573,701 | 1,949,227,079 | 2,448,852,608 | 1,768,737,002 | 1,738,951,163 |

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CONSOLIDATED CAPITAL BUDGET

The consolidated Capital Budget for 2020/21 (including the three entities) as contained in the table below amounts to **R5.81 billion** and is **14.6% (R1.51 billion)** less when compared to the 2019/20 Adjusted Budget of **R6.8 billion**.

2020/21 - 2022/23 PROPOSED MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT

| Department | 2019/20 Adjusted Budget | 2019/20 Actual Expenditure as at 29 Feb 2020 | % spent | Original Budget Year 2020/21 | Request Budget Year 2020/21 | 2020/21 Changes | Original Budget Year 2021/22 | Request Budget Year 2021/22 | 2021/22 Changes | New Budget Year 2022/23 |
|--|-------------------------|--|---------|------------------------------|-----------------------------|-----------------|------------------------------|-----------------------------|-----------------|-------------------------|
| Chief Operating Officer | 91,500,000 | 30,463,034 | 33.29% | 10,040,000 | 170,440,000 | 160,400,000 | 2,540,000 | 139,640,000 | 137,100,000 | 112,000,000 |
| City Manager | 50,000 | 48,914 | 97.83% | 112,050,000 | - | (112,050,000) | 112,075,000 | - | (112,075,000) | - |
| City Planning | 600,000 | 414,530 | 69.09% | 600,000 | 600,000 | - | 600,000 | 600,000 | - | - |
| Communication and Brand Management | 50,000 | 15,600 | 31.20% | 50,000 | 5,050,000 | 5,000,000 | 50,000 | 10,050,000 | 10,000,000 | 15,000,000 |
| Corporate Legal Services | 133,205 | 73,205 | 54.96% | 280,000 | 110,000 | (170,000) | 280,000 | - | (280,000) | - |
| Council General | 568,550,919 | 107,360,454 | 18.88% | 444,847,572 | 213,647,572 | (231,200,000) | 655,982,682 | 219,628,302 | (436,354,380) | 170,156,473 |
| Disaster & Emergency Management Services | 89,610,000 | 36,037,391 | 40.22% | 167,000,000 | 141,200,000 | (25,800,000) | 124,300,000 | 112,500,000 | (11,800,000) | 78,850,000 |
| Economic Development | 109,500,000 | 6,456,386 | 5.90% | 183,000,000 | 191,500,000 | 8,500,000 | 164,000,000 | 176,500,000 | 12,500,000 | 64,400,000 |
| Ekurhuleni Metro Police Department | 113,300,000 | 38,721,481 | 34.18% | 161,800,000 | 126,500,000 | (35,300,000) | 187,000,000 | 126,500,000 | (60,500,000) | 131,500,000 |
| Energy | 733,202,337 | 301,691,201 | 41.15% | 745,150,000 | 571,200,000 | (173,950,000) | 836,000,000 | 533,700,000 | (302,300,000) | 589,700,000 |
| Environmental Resources & Waste Management | 361,580,792 | 91,665,883 | 25.35% | 464,500,000 | 376,500,000 | (88,000,000) | 496,400,000 | 290,200,000 | (206,200,000) | 290,500,000 |

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| 2020/21 - 2022/23 PROPOSED MULTI YEAR CAPITAL BUDGET - PER DEPARTMENT | | | | | | | | | | |
|--|--------------------------------|---|----------------|-------------------------------------|------------------------------------|------------------------|-------------------------------------|------------------------------------|------------------------|--------------------------------|
| Department | 2019/20 Adjusted Budget | 2019/20 Actual Expenditure as at 29 Feb 2020 | % spent | Original Budget Year 2020/21 | Request Budget Year 2020/21 | 2020/21 Changes | Original Budget Year 2021/22 | Request Budget Year 2021/22 | 2021/22 Changes | New Budget Year 2022/23 |
| Executive Office | 322,494 | 135,998 | 42.17% | 1,000,000 | 1,000,000 | - | 1,000,000 | 1,000,000 | - | - |
| Finance | 270,000 | 266,018 | 98.53% | 340,000 | 340,000 | - | 300,000 | 300,000 | - | - |
| Health and Social Development | 3,641,000 | 1,131,499 | 31.08% | 35,200,000 | 6,850,000 | (28,350,000) | 93,900,000 | 11,550,000 | (82,350,000) | 5,850,000 |
| Human Resources Management | 150,000 | 123,345 | 82.23% | 150,000 | 150,000 | - | 150,000 | 150,000 | - | 150,000 |
| Human Settlements | 1,378,054,444 | 449,952,520 | 32.65% | 1,179,757,689 | 817,438,968 | (362,318,721) | 1,288,549,014 | 792,232,000 | (496,317,014) | 876,696,595 |
| Information and Communication Technology | 952,244,768 | 175,389,313 | 18.42% | 890,819,768 | 669,819,768 | (221,000,000) | 610,550,000 | 450,550,000 | (160,000,000) | 370,350,000 |
| Internal Audit | 30,000 | 25,780 | 85.93% | 34,000 | 34,000 | - | 36,000 | 36,000 | - | - |
| Real Estate | 139,043,785 | 22,393,746 | 16.11% | 149,910,000 | 197,747,030 | 47,837,030 | 123,520,000 | 266,020,000 | 142,500,000 | 222,030,000 |
| Risk Management | 9,500 | 9,500 | 100.00% | 10,000 | 10,000 | - | 10,000 | 10,000 | - | - |
| Roads and Stormwater | 565,423,600 | 269,599,692 | 47.68% | 706,550,000 | 624,275,000 | (82,275,000) | 670,600,000 | 486,492,680 | (184,107,320) | 499,500,000 |
| Sport Recreation Arts and Culture | 93,693,989 | 18,454,706 | 19.70% | 124,320,000 | 120,170,000 | (4,150,000) | 165,500,000 | 107,000,000 | (58,500,000) | 99,600,000 |
| Strategy & Corporate Planning | 120,000 | 95,391 | 79.49% | 127,339 | 10,000 | (117,339) | 127,339 | 10,000 | (117,339) | 10,000 |
| Transport Planning & Provision | 599,861,423 | 219,070,709 | 36.52% | 793,355,000 | 498,212,600 | (295,142,400) | 615,361,360 | 473,584,612 | (141,776,748) | 489,084,612 |
| Water and Sanitation | 839,995,947 | 384,282,623 | 45.75% | 966,000,000 | 868,941,764 | (97,058,236) | 1,161,000,000 | 817,000,000 | (344,000,000) | 841,000,000 |
| Brakpan Bus Company (BBC) | 15,871,913 | 133,488 | 0.84% | 5,532,609 | 5,482,609 | (50,000) | 4,486,957 | 4,486,957 | - | 4,486,957 |
| Ekurhuleni Housing Company (EH) | 5,235,371 | 2,792,818 | 53.35% | 47,450,050 | 1,450,050 | (46,000,000) | 1,537,052 | 1,537,052 | - | 1,621,590 |
| ERWAT | 145,635,521 | 49,549,413 | 34.02% | 135,000,000 | 206,000,000 | 71,000,000 | 85,000,000 | 216,000,000 | 131,000,000 | 253,920,000 |
| Total | 6,807,681,008 | 2,206,354,638 | 32.41% | 7,324,874,027 | 5,814,679,361 | (1,510,194,666) | 7,400,855,404 | 5,237,277,603 | (2,163,577,801) | 5,116,406,227 |
| | | | | | | | | | | |
| Parent Municipality | 6,640,938,203 | 2,153,878,919 | 32.43% | 7,136,891,368 | 5,601,746,702 | (1,535,144,666) | 7,309,831,395 | 5,015,253,594 | (2,294,577,801) | 4,856,377,680 |
| Entities | 166,742,805 | 52,475,719 | 31.47% | 187,982,659 | 212,932,659 | 24,950,000 | 91,024,009 | 222,024,009 | 131,000,000 | 260,028,547 |
| Total | 6,807,681,008 | 2,206,354,638 | 32.41% | 7,324,874,027 | 5,814,679,361 | (1,510,194,666) | 7,400,855,404 | 5,237,277,603 | (2,163,577,801) | 5,116,406,227 |

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The sources of funding are depicted in the table below.

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|---|-------------------------|--|---------------|------------------------------|-----------------------------|------------------------|------------------------------|-----------------------------|------------------------|-------------------------|
| Source Of Finance | 2019/20 Adjusted Budget | 2019/20 Actual Expenditure as at 29 Feb 2020 | % spent | Original Budget Year 2020/21 | Request Budget Year 2020/21 | 2020/21 Changes | Original Budget Year 2021/22 | Request Budget Year 2021/22 | 2021/22 Changes | New Budget Year 2022/23 |
| Energy Efficiency & Demand Side Management (EEDMS) | - | - | 0.00% | 13,950,000 | - | (13,950,000) | 9,300,000 | - | (9,300,000) | - |
| External Loans | 3,188,297,725 | 1,092,624,665 | 34.27% | 3,494,037,340 | 2,544,609,370 | (949,427,970) | 3,474,932,682 | 2,664,324,894 | (810,607,788) | 2,600,058,207 |
| Integrated City Development Grant (ICDG) | 54,295,000 | 6,570,871 | 12.10% | 51,069,000 | 53,577,000 | 2,508,000 | 54,878,000 | 53,023,000 | (1,855,000) | 56,064,000 |
| Integrated National Electrification Programme (INEP) | 8,302,337 | - | 0.00% | - | - | - | - | - | - | - |
| Neighborhood Development Partnership Grant (NDPG) | 94,092,340 | 20,449,140 | 21.73% | 80,000,000 | 75,000,000 | (5,000,000) | 74,999,000 | 70,086,000 | (4,913,000) | 45,000,000 |
| SRAC Provincial Grant | 8,663,989 | 1,178,462 | 13.60% | 10,500,000 | 10,500,000 | - | 11,000,000 | 11,000,000 | - | 2,000,000 |
| Public Transport Network Grant (PTNG) | 473,825,274 | 217,676,530 | 45.94% | 578,716,000 | 358,000,000 | (220,716,000) | 440,000,000 | 359,000,000 | (81,000,000) | 370,000,000 |
| Revenue | 906,210,424 | 225,380,301 | 24.87% | 1,002,162,998 | 821,339,259 | (180,823,739) | 1,106,073,708 | 805,007,301 | (301,066,407) | 779,153,159 |
| Urban Settlement Development Grant (USDG) | 2,072,493,919 | 642,474,669 | 31.00% | 1,677,943,689 | 1,951,653,732 | 273,710,043 | 1,618,057,014 | 1,274,836,408 | (343,220,606) | 1,264,130,861 |
| Informal Settlement Upgrading Partnership Grant (ISUPG) ***** | | | 0.00% | 416,495,000 | - | (416,495,000) | 611,615,000 | - | (611,615,000) | - |
| Total | 6,807,681,008 | 2,206,354,638 | 32.41% | 7,324,874,027 | 5,814,679,361 | (1,510,194,666) | 7,400,855,404 | 5,237,277,603 | (2,163,577,801) | 5,116,406,227 |

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**.

RATIO ANALYSES

The Finance Department compiled a ratio analyses report that shows the financial position and performance of the City in comparison with the norms provided by National Treasury. Below is an extract of the report on the key ratios that deal with asset management. The ratios indicate that for the 2020/21 financial year, the City will be underperforming on asset maintenance and the reason for the low ratio is provided.

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| RATIO | FORMULA | DATA SOURCE | NORM/RANGE | INPUT DESCRIPTION | DATA INPUTS AND RESULTS | MUNICIPAL COMMENTS (#) | |
|--|--|--|--|-------------------|--|------------------------|--|
| A. Asset Management/Utilisation | | | | | | | |
| 1 | Capital Expenditure to Total Expenditure | Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) x 100 | Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports, IDP and AR | 10% - 20% | | 12% | Ratio is within the norm |
| | | | | | Total Operating Expenditure | 43,690,810 | |
| | | | | | Taxation Expense | - | |
| | | | | | Total Capital Expenditure | 5,816,679 | |
| 2 | Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value) | Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100 | Statement of Financial Position, Notes to the AFS and AR | 0% | | 0% | Ratio is within the norm |
| | | | | | PPE, Investment Property and Intangible Impairment | 93,738 | |
| | | | | | PPE at carrying value | 67,000,100 | |
| | | | | | Investment at carrying value | 504,387 | |
| | | | | | Intangible Assets at carrying value | 846,255 | |
| 3 | Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value) | Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) x 100 | Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-Year Reports | 8% | | 4.7% | The percentage spent is 3.3% less than the norm due to constraints on the availability of budget. The increase in spending would have required the City to increase the tariffs substantially. However, Repairs & Maintenance remains a priority in the annual budget. |
| | | | | | Total Repairs and Maintenance Expenditure | 3,176,164 | |
| | | | | | PPE at carrying value | 67,000,100 | |
| | | | | | Investment Property at Carrying value | 504,387 | |

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PROPOSED POLICY CHANGES

The City's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The entire set of Budget Related Policies can be viewed on the CoE website:
<http://www.ekurhuleni.gov.za>

It is required by legislation that amendments to all budget related policies and by-laws must form part of the tabled budget. The following budget related policies are included as **Annexure D** to this report:

By-laws

Annexure D01 Credit Control and Debt Collection (new)

Annexure D02 Property Rates (new)

Policies

Annexure D1 Medium - term Budget Statement Policy (reviewed)

Annexure D2 Pricing Policy Statement (reviewed)

Annexure D3 Property Rates Policy (reviewed)

Annexure D4 Provision of Free Basic Electricity Policy (reviewed)

Annexure D5 Waste Management Tariff Policy (reviewed)

Annexure D6 Consumer Deposit Policy (remains unchanged)

Annexure D7 Indigent Support Policy (remains unchanged)

Annexure D8 Credit Control & Debt Collection Policy (reviewed)

Annexure D9 Provision for Doubtful Debt and Debt Write-Off Policy (remains unchanged)

Annexure D10 Budget Implementation and Monitoring Policy (reviewed)

Annexure D11 Municipal Entity Financial Support Policy (reviewed)

Annexure D12 Accounting Policy (reviewed)

Annexure D13 Electricity Metering for Residential and business Customers (reviewed)

Annexure D14 Policy for the vending of pre-paid electricity (reviewed)

Annexure D15 Policy for Correction of Meter Reading and Billing Data (reviewed)

Annexure D16 Electricity Tariff Policy (reviewed)

Annexure D17 Virements Policy (remains unchanged))

Annexure D18 Consumer Agreement (remains unchanged)

Annexure D19 Supply Chain Management Policy (remains unchanged)

Annexure D20 Treasury Policy Consolidation of various policies) (reviewed)

Annexure D21 Grants-in-Aid Policy (remains unchanged)

Annexure D22 Asset Management Policy (reviewed)

Annexure D23 Cost Containment Policy (reviewed)

Annexure D24 Policy for the wheeling of Electricity (new)

Annexure D25 Policy guideline for Small-scale Embedded generation (new)

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SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

In terms of the MFMA the SDBIP is only required 14 days after approval of the MTREF. However, in Circular 94 the National Treasury advised municipalities to table the budget with the SDBIP and is included as **Annexure E**.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

The tabling of the IDP and Budget in March 2020 will ensure compliance with Section 16 of the MFMA.

COMMUNICATION IMPLICATIONS

The delivery and approval of the budget to the community is widely communicated by Marketing and Brand Management Department. The tabled document will also be distributed as per the required legislation, which inter alia includes CoE's website.

OTHER DEPARTMENTS/ BODIES CONSULTED

The Strategy and Corporate Planning Department was involved in the development of the proposals for the reviewed IDP section of the report.

The recommendations have been presented to the Senior Management Team and are supported.

RECOMMENDATION

1. **That** the report regarding the Draft Medium-term Revenue and Expenditure Framework, Draft Reviewed Integrated Development Plan and the Draft Built Environment Performance Plan for the City of Ekurhuleni for the 2020/21 to 2022/23 financial period **BE NOTED**.
2. **That** the report regarding the Draft Medium-term Revenue and Expenditure Framework, Draft Reviewed Integrated Development Plan and the Draft Built Environment Performance Plan for the City of Ekurhuleni for the 2020/21 to 2022/23 financial period, inclusive of draft tariffs and draft budget-related policies, as contained in the Budget Document in terms of Section 16 of the Municipal Finance Management Act **BE NOTED** in terms of section 16 of the MFMA.

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3. **That** the Draft Built Environment Performance Plan (BEPP) and Capital Investment Framework (CIF) for 2020/21 **BE NOTED**.
4. **That** the Draft Medium-term Revenue and Expenditure Framework, the Draft Reviewed Integrated Development Plan and the Draft Built Environment Performance Plan for the 2020/21 to 2022/23 financial period, inclusive of draft tariffs and draft budget-related policies, as contained in the Budget Document **BE SUBJECTED** to a detailed review and community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process **BE DONE** in accordance with Chapter 4 of the Municipal Systems Act.
5. **That** the Draft Medium-term Revenue and Expenditure Frameworks of the Municipal Entities for the 2020/21 to 2022/23 financial period as well as the Draft Measureable Performance Indicators **BE INCLUDED** in the Community Consultation Process as required by Section 87 of the Municipal Finance Management Act.
6. **That** the Municipal Entities **PRESENT** their proposed salaries and benefits for the 2020/21 financial year to the City's Remuneration Committee before the end of May 2020 for purposes of setting of upper limits as required by section 89 of the Municipal Finance Management Act.
7. **That** the report regarding the Draft Medium-term Revenue and Expenditure Framework, Draft Reviewed Integrated Development Plan and the Draft Built Environment Performance Plan for the City of Ekurhuleni for the 2020/21 to 2022/23 financial period **BE REFERRED** to all Section 79 Oversight Committees and including OCMOL and GCYDP Standing Committees.