



**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY**

**Information Statement for the JSE registered City of Ekurhuleni  
Metropolitan Municipality ZAR8 000 000 000 Domestic Medium Term  
Note Programme**

11 May 2020

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## **RISK FACTORS AND RISK MANAGEMENT**

*The Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.*

*All of these risks could materially affect the Issuer, its reputation, business, results of its operations and overall financial condition.*

*The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.*

*Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.*

### **RISK FACTORS RELATING TO THE ISSUER AND RISK MANAGEMENT**

#### **1. Policy Statement**

In terms of the MFMA, an Accounting Officer is required to maintain an effective, efficient and transparent system of risk management within the institution under his or her stewardship. The rationale behind this requirement is that government institutions must deliver the services that they are constitutionally mandated to do, however, in doing so they must be mindful of the need for efficiency, effectiveness and economy in the way that these services are provided. In South Africa, government institutions operate in an environment where lack of capacity and limited resources place an extra burden of responsibility on institutions to manage risks in a prudent manner.

The City of Ekurhuleni's ("CoE") Accounting Officer (City Manager) is committed to implementing a risk management system, in line with Section 62(1)(C)(i) of the MFMA, that is aligned to the principles of good corporate governance (ISO:2018, Committee of Sponsoring Organisations (COSO) 2013 Framework, and Public Sector Risk Management Framework, and King IV Report) ensures relevant steps are taken to ensure the municipality maintains effective, efficiency and transparent stems of financial and risk management and internal control.

## 2. **Institutional Arrangements for Risk management**

The Risk Management Department is responsible for overseeing, guiding, facilitating and monitoring various Governance, Risk and Compliance (GRC) systems, and it is led by the Chief Risk Officer.

The Risk Management Committee is a structure, made-up of independent external experts, tasked with the strategic oversight of the GRC systems, and was established to:

- Assist the Accounting Officer to execute risk management responsibilities in line with the MFMA; and
- Assist the Audit Committee to exercise its oversight responsibilities over, amongst others, systems of GRC.

Risk management is recognised as an integral part of responsible management. Ekurhuleni therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in Ekurhuleni's Risk Management Strategy. It is expected that all departments or sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

## 3. **Key Strategic Risks**

Strategic risks of the municipality were identified and aggregated through a combination of a top-to-bottom and bottom-up approaches. The key risk indicators (KRIs) for all the categories of strategic risks were defined in order to bring further structure and focus to the way the mitigation of these risks is monitored.

For the 2018/19 year of review, an annual review of risk appetite and tolerances against which the key risk indicators were to be measured, tracked and reported was undertaken. The risk appetite and tolerance framework of the City is informed mainly by:

- Management's philosophy and values towards certain risks;
- Historical risk trends;
- External compliance and regulatory requirements; and
- Performance aspirations and targets;

The top 5 strategic risks that the issuer has identified, classified into various categories, are the following

The table below details the top five strategic risk to the CoE, and the driver, indicators and mitigation plans for the risk.

	<b>Strategic Risk Category</b>	<b>Risk Drivers</b>	<b>Key Risk Indicators</b>	<b>Risk Mitigation Plan</b>
1	Technology	<ul style="list-style-type: none"> <li>- Disruption in the availability of systems and</li> <li>- Loss of critical data and intellectual property</li> <li>- Infiltration of systems</li> <li>- Sub-optimal governance of ICT in the COE</li> <li>- Deriving value from the business efficiency and decision-making enabling role of ICT</li> </ul>	<ul style="list-style-type: none"> <li>- High rate of systems and network unavailability</li> <li>- Incidences of irrecoverable data loss</li> </ul>	<ul style="list-style-type: none"> <li>✓ ICT Stabilisation Programme</li> <li>✓ Digital City Project</li> </ul>
2	People	<ul style="list-style-type: none"> <li>- Stability and continuity in leadership at top and senior levels</li> <li>- Loss of critical skills</li> <li>- Inability to attract the required skills</li> <li>- Poor performance of the workforce</li> <li>- Compromised health and safety of employees</li> <li>- Compromised wellbeing and health of employees</li> </ul>	<ul style="list-style-type: none"> <li>- Higher than targeted vacancy rates</li> <li>- Number of health and safety incidents in a period</li> <li>- Departmental performance ratings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Review and implementation of revised HR Policies addressing areas such as skills retention, skills attraction, recruitment, and employment equity</li> <li>✓ Performance Management system</li> <li>✓ Employee Wellness programme</li> </ul>
3	Projects	<ul style="list-style-type: none"> <li>- Project Management Capability</li> <li>- Planning Integration</li> <li>- Monitoring of projects</li> </ul>	CAPEX Rate	<ul style="list-style-type: none"> <li>✓ CAPEX War room to resolve projects bottlenecks</li> <li>✓ Deployment of project managers</li> <li>✓ Oversight of projects performance by the Enterprise Project Management Office</li> </ul>
4	Revenue Completeness	<ul style="list-style-type: none"> <li>- Water losses</li> <li>- Illegal electrical meter connections</li> <li>- Electrical meter tampering</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in Non-revenue water</li> <li>- Increase in non-technical losses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Revenue enhancement programme</li> </ul>

	Strategic Risk Category	Risk Drivers	Key Risk Indicators	Risk Mitigation Plan
		<ul style="list-style-type: none"> <li>- Inaccurate property valuation</li> <li>- Inaccurate service points data</li> </ul>		
5	Liquidity	<ul style="list-style-type: none"> <li>- Lower than targeted levels of generated revenue</li> <li>- Increasing debtors book</li> <li>- Weaknesses in recognition and accounting for indigents</li> </ul>	<ul style="list-style-type: none"> <li>- High debt collection rate</li> <li>- Increasing provision for bad debt</li> <li>- Unfavourable cash and debt ratios</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enhancements to revenue collection mechanisms</li> <li>✓ Initiatives to reduce the Debtors Book</li> <li>✓ Cost containment measures</li> </ul>

## **RISKS RELATING TO THE ISSUER**

The financial risk management activities must ensure a consistent approach to financial risk management to support business objectives and activities. Before undertaking any activities, Treasury ensure that all financial risks are identified for financial risk management and reporting. Compliance with the legislative framework and policies governing borrowings are adhered to. The risk are reviewed on an annual basis or as and when necessary.

### **4. CREDIT RISK POLICY**

4.1. Credit risk is the risk that CoE may incur when dealing with counterparties who may not be able to meet all or a portion of their commitments within a certain time, including the risk of default.

- New counterparties and credit limits must be approved by ALCO (Asset and Liability Committee)/CFO.
- Compliance with credit limits shall be monitored at least daily and transactions exceeding these limits is immediately reported to the Treasurer.

4.2. The group limits its treasury counter-party exposure arising from the money market by only dealing with well-established financial institutions confirmed by the rating agency appointed by the Group Chief Financial Officer. The group only deals with financial institutions with a short-term credit rating of A+ and long-term credit rating of AA- and higher at an

international accredited credit rating agency. The group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions

4.3. The following documents are used in dealing with credit risk:

- ISDA Master Agreement, ISDA Schedules and Confirmations;
- ISMA (Global Repurchase Master Agreements)

## 5. **INTEREST RATE RISK POLICY**

5.1. The interest rate risk management policy identifies and quantify interest rate risk and structure the assets, liabilities and interest rate hedges of the City in order to reduce the impact of changes in interest rates on the profitability and net worth.

5.1.1. Interest rate risk shall be managed taking due cognisance of interest exposure and corresponding liquidity risk.

5.1.2. The decision whether to use fixed and/or floating interest rates shall be determined by the duly authorised official having regard to the sensitivity and term of the underlying assets and liabilities and nature of the interest rate environment.

5.1.3. Interest rate hedging instruments must be taken out for the period that matches the underlying commitment or exposure provided that in the event of an early retirement of such underlying commitment or exposure, such interest rate hedging instruments shall be terminated accordingly.

## 6. **LIQUIDITY RISK**

6.1. The Group manages its liquidity by Making appropriate use of cash management and forecasting systems. Reviewing economic forecasts and information on a regular basis to ensure the optimal utilisation of cash.

6.1.1. Determining a minimum liquidity buffer by Treasury and approved by CoE that shall be used as a source of liquidity to meet the aggregate net cash outflows for CoE for the ensuing 30 days in the event of COE not being able to generate enough working capital surpluses.

6.1.2. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the group ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded.

7. **INTEREST RATE SWAP**

The City have not entered into interest rate swap agreement to date. The prospect of entering into an interest swap agreement may result in a lower net cost of borrowing with respect to the City debt or achieve a higher net rate of return on investments made in connection with, or incidental to the issuance, or carrying of CoE's debt obligations or other City investments

8. **MARKET RISK**

The group is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The group manages this risk by giving any price increases through to the consumers on an annual basis.

9. **INTEREST RATE RISK MANAGEMENT:**

The group's interest rate profile consists of fixed and loans and bonds and bank balances that expose the City to fair value interest rate risk and cash flow interest rate risk.

**RISK FACTORS APPLYING TO THE NOTES**

10. **THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

10.1. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

10.1.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information

contained or incorporated by reference in this Programme Memorandum or any applicable supplement;

- 10.1.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- 10.1.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- 10.1.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 10.1.5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

10.2. The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

## 11. **THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES**

The Notes issued with the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount or premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the Condition of the financial sector, the financial Condition of the Issuer, the Issuer's financial performance and future prospects.

## 12. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

- 12.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.
- 12.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

## 13. RISKS RELATING TO NOTES GENERALLY

### 13.1. Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

### 13.2. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### 13.3. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section headed "*South African Exchange Control*" of this Programme Memorandum. However, unless the prior approval

of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

14. **FINANCIAL MARKETS**

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

## DESCRIPTION OF THE ISSUER

*Words used in this section headed “Description of Issuer” shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

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### 1. BACKGROUND AND HISTORY

- 1.1. The City of Ekurhuleni (“Ekurhuleni” or the “Municipality”) was established in the Republic of South Africa in terms of section 12(1) of the Municipal Structures Act, read with the Notice No 6768 of 2000 published in Provincial Gazette Extraordinary No. 141, dated 1 October 2000, with the current name gazetted in 2017 (formerly “Ekurhuleni Metropolitan Municipality”). The former local administrations of the nine towns in the East Rand namely Alberton, Benoni, Boksburg, Brakpan, Edenvale/Lethabong, Germiston, Kempton Park/Tembisa, Nigel and Springs were amalgamated into a new metropolitan municipality, along with two other councils, the Khayalami Metropolitan Council and the Eastern Gauteng Services Council. Its primary contact is contact is Mr Kagiso Lerutla (Tel.: 011 999 1310).
- 1.2. Ekurhuleni has a total surface area of  $\pm 2\,000\text{km}^2$  that accommodates a population of  $\pm 3.2$  million. This constitutes  $\pm 6.1\%$  of the national population and makes up 26% of Gauteng’s population. The population density is 1 609 people per  $\text{km}^2$ , making Ekurhuleni one of the most densely populated areas in the country and province. By comparison, population density in Gauteng is 675 people per  $\text{km}^2$  and 42 people per  $\text{km}^2$  in the country
- 1.3. It accounts for over a fifth of the Gauteng economy, which in turn contributes over a third of the national gross domestic product. Ekurhuleni contributes  $\pm 7.5\%$  to the nation’s Gross Domestic Product (GDP). In most respects, per capita income, unemployment, poverty, average wages and other indicators of human development, it is similar to the rest of Gauteng. However, there is one important structural difference: many of the factories for production of goods and commodities are located in Ekurhuleni. In Ekurhuleni itself, manufacturing accounted for 22.7% of total production output in 2015 versus 13% at a national scale. Because of this, Ekurhuleni is referred to as “Africa’s Workshop”.

- 1.4. In the period between 2005 and 2015, GDP in Ekurhuleni grew at a rate of 2.7%, 0.12% higher than the national average. The economically active population is 48% compared to 37% nationally. Household income and per capita income is in line with the in Ekurhuleni. (Source: *Ekurhuleni Integrated Development Plan 2016 – 2021, 2019/2020 Review; 6 June 2019 & Poverty Trends in South Africa, Statistics South Africa; 2017*); national average. The percentage of people living inside the lower-bound poverty line nationally is 40%, compared to 36%
- 1.5. Ekurhuleni has a network of roads, airports, rail lines, telephones, electricity grids and telecommunications, a first world infrastructure supporting a well established industrial and commercial complex. Ekurhuleni is home to the OR Tambo International Airport, the busiest airport in Africa. Ekurhuleni endeavours to capitalise economically on the airport by providing opportunities for supporting land uses around the airport. These include provision for industrial, commercial and transport businesses in Isando, Spartan, Jet Park and other industrial areas. The Pomona area is also rapidly developing as a transportation, cargo and logistics hub associated with the airport. On the passenger side, land uses such as hotels and guesthouses are continuously developing in the Kempton Park, Edenvale, Boksburg and Benoni areas.
- 1.6. South Africa's largest railway hub is in Ekurhuleni (Germiston) and links the city to all the major population centres and ports in the Southern African region. A number of South Africa's modern freeways and expressways connect Ekurhuleni to other cities and provinces. The Maputo Development Corridor, South Africa's most advanced spatial development initiative, connects Ekurhuleni with the capital of Mozambique and the largest Southern African Indian Ocean port. Direct rail, road and air links connect Ekurhuleni to Durban, the biggest and busiest port within South Africa. During the period 1995 to 2005, the Gauteng government was strategic in upgrading some of the ageing road networks linked to the industrial hub, to promote the movement of goods and services.
- 1.7. The Blue IQ projects, situated within Ekurhuleni, includes the Wadeville-Alrode Industrial Corridor with linkages to the largest logistical hub, the City Deep Container Terminal, the planned Gautrain rapid rail link to Johannesburg and Tshwane and the OR Tambo International Airport Industrial Development Zone (IDZ). The latter aims to cluster light manufacturing, more especially in beneficiation, and to develop an aero space park. Ekurhuleni's annual budget is in the region of R38 billion, of which more than R7 billion is being budgeted annually for capital projects in line with the priorities set in the Integrated Development Plan (IDP). The bulk of this expenditure is dedicated to upgrading facilities

and removing infrastructure backlogs that were caused by apartheid. Ekurhuleni's municipal area is shown in the map below:



*Source: Ekurhuleni Metropolitan Municipality Geographic Information System, 2009*

### **1.8. Economic Profile**

Local government needs to assess the demographic, economic, and socio-economic status quo; as well as measure growth and development on a sub-national level and, more specifically, on local metropolitan municipality levels. This type of information and estimates are needed for activities such as:

- Policy and strategy decisions;
- Economic planning;
- Market development; and

- Infrastructure planning, development, and delivery.

As a result of the lag in the statistical data reporting and collection process, estimates for economic variables up to the year 2011 are available. National-level information from Statistics South Africa and the South African Reserve Bank for 2011 can also be used.

### 1.9. Overview of Key Demographic and Socio-economic Characteristics

As at 2016, Ekurhuleni has a resident population of approximately 3.4 million people; the area contributes approximately 8% to national production and has a share of approximately 7.7% of national employment. The Human Development Index (HDI) for Ekurhuleni indicates that the area fares better than the national average, whilst lagging slightly behind the Gauteng average. The HDI for Ekurhuleni is 0.704, which is indicative of a medium developed municipality. Ekurhuleni's key demographic and socio-economic characteristics are summarized and put in context to the Gauteng provincial and South African national picture in the table below.

	<b>Ekurhuleni</b>	<b>Gauteng</b>	<b>South Africa</b>
Total land area (km <sup>2</sup> )	1 982	16 579	1 221 246
Population	3 380 000	13 200 000	54 900 000
Population density (nr of people per km <sup>2</sup> )	1 705	796	45
Economically active population (as % of total population)	48%	39%	37%
Number of households ( <i>Household Survey, 2015</i> )	1 299 490	4 377 000	12 883 990
Average household income (Rand, current prices)	231 860	321 179	311 518
Annual per capita income (Rand, current prices)	94 794	114 551	77 483
Gini Coefficient	0.63	0.64	0.63
Formal sector employment (2019 Q3 actuals)	1 038 000	3 830 360	11 214 000
Informal sector employment (2019 Q3 actuals)	194 000	827 000	2 995 000
Unemployment rate (2019 Q3 actuals)	31.0%	31.0%	29.1%
Percentage of persons in poverty	35.9%	29.3%	49.2%
Human Development Index (HDI)	0.70	0.72	0.65

Share of GDP (% of 2015 GDP)	7.5%	35.0%	100.0%
Economic growth 2005-2015 (GDP growth p.a.)	2.7%	2.9%	2.6%

Source: *Ekurhuleni Integrated Development Plan 2016 – 2021, 2019/2020 Review; 6 June 2019 & Poverty Trends in South Africa, Statistics South Africa; 2017*

## 2. VISION, MISSION & VALUES

The City of Ekurhuleni economy is considered a primary driver of economic growth in Gauteng. Now, an ambitious development strategy, the Growth and Development Strategy 2055 (“GDS 2055”) to regenerate the economy of the region will also shape a new identity based on futuristic principles of urban design.

The City of Ekurhuleni is favourably located in the core economic activity and employment catchment area of the Gauteng Province. Spurred by decisive and radical spatial transformation, the city is geared to take the lead in Africa's new industrial revolution.

City planners have come up with a bold plan to change the trajectory of development of Ekurhuleni, which historically had a fragmented and reactive approach toward development of land as a conduit for investment.

To this end, the Metropolitan Spatial Development Framework (MSDF) dovetails with the overarching vision of the city, which is encapsulated in the Growth and Development Strategy 2055 (GDS 2055):

The GDS 2055 identifies five strategic imperatives:

- Re-industrialise: for job creation and economic growth purposes;
- Re-urbanise: to achieve sustainable urban integration;
- Re-govern: Effective cooperative governance.
- Re-mobilise: To achieve social empowerment;
- Re-generate: sustainable environmental benefit;

*(Source: City of Ekurhuleni's Growth and Development Strategy 2055, 2012)*

## 3. ORGANISATIONAL STRUCTURE

Ekurhuleni has implemented a Mayoral Executive and Ward Participatory System of local governance which ensures that governance is taken right down to community level and that all

citizens within the metropolis are represented in decision-making. This increases residents' sense of belonging, accountability and empowerment and actively involves them in all issues dealt with by the metropolitan municipality.

The Municipality comprises 175 councillors, of both elected (88 ward representatives) and proportional (87 councillors) representation. Each of the 88 ward councillors chairs a ward committee as part of the Ward Participatory System that brings participation down to community level. The political structure is outlined below:

<b>2019 Mayoral Committee</b>	
<b>Position</b>	<b>Name</b>
Executive Mayor	CIr Mzwandile Masina
Speaker	CIr Patricia Khumalo
Chief Whip	CIr Jongizizwe Hlabathi
MMC: Finance and Economic Development	CIr Nkosindiphile Doctor Xhakaza
MMC: Infrastructure Services	CIr Masele Madihlaba
MMC: Transport Planning	CIr Phelisa Nkunjana
MMC: Water, Sanitation and Energy	CIr Tiisetso Nketele
MMC: City Planning	CIr Ndosi Shongwe
MMC: Corporate and Shared Services	CIr Dorah Mlambo
MMC: Human Settlements	CIr Lesiba Mpya
MMC: Environment and Waste Management	CIr Khosi Mabaso
MMC: Community Safety	CIr Frans Mmoko
MMC: Community Services	CIr Nomadozi Nkosi

The City Manager of the City of Ekurhuleni is Dr. Imogen Mashazi, who is the Accounting Officer and head of the municipal administration in terms of the Municipal Systems Act, 32 of 2000. The City Manager is responsible for the efficient and effective management of the affairs of the municipality as outlined in the Municipal Systems Act and the Municipal Finance Management Act. The City Manager, in discharging her duties and in line with the principles of good governance and legislative requirements, has established administrative committees comprising of the Technical Clusters and Strategic Management Committee.

Dr. Imogen Mashazi's principal place of business is City of Ekurhuleni Metropolitan Municipality Head Office, corner Cross and Rose Streets, Germiston, 1401; and contact details are: Tel: 011 999 0760; email address Imogen.Mashazi@ekurhuleni.gov.za.

<b>2019 Administrative Structure</b>	
<b>Position</b>	<b>Name</b>
City Manager	Dr Imogen Mashazi
Chief Financial Officer	Kagiso Lerutla
Chief Risk Officer	Phindi Shabalala
Chief Audit Executive	Lindiwe Hleza

#### 4. **ACTIVITIES AND SERVICES**

4.1. The following services are rendered by Ekurhuleni:

Infrastructure Services	Roads, Water and Wastewater, Housing, Environmental Development, Electricity and Energy and Fleet Management
Community Services	Health, Sport, Recreation, Arts and Culture (SRAC), Community Safety, Customer Care Centres (CCC's), 2010, Economic Development, City Development
Corporate Services	Corporate and Legal Services, Human Resources Management and Development, Finance, Information Communication and Technology, Marketing, Research and Development and Internal Audit.

#### 4.2. Municipal Entities

The City's municipal entities are separate legal entities headed by boards of directors, utilised by the municipality to deliver services to its community and are accountable to the municipality. The City of Ekurhuleni has three municipal entities which perform its functions according to service delivery agreements. These entities are:

- 4.2.1. Brakpan Bus Company (BBC);
- 4.2.2. East Rand Water Care Company (ERWAT); and
- 4.2.3. Ekurhuleni Housing Company (EHC).

Ekurhuleni has three Municipal Entities, namely:

<b>Entity</b>	<b>Activities</b>	<b>CEO/Managing Director</b>
Brakpan Bus Company	Provision of a Bus Service to the community of Brakpan.	Managing Director – Hitekani Mashele
East Rand Water Care Company (ERWAT)	Wastewater Purification for the entire Ekurhuleni Metro and portions of the City of Johannesburg.	Tumelo Gopane
Ekurhuleni Housing Company	Social Housing (Rental) in Germiston.	Bongani Molefe

The Departments of Transport Planning and Provisioning, Water and Sanitation and Human Settlements respectively have an oversight responsibility over these entities on behalf of the shareholder.

## 5. CORPORATE GOVERNANCE

5.1. The City of Ekurhuleni is committed to ensure that the Municipality is governed in an open, transparent, ethical and accountable manner. The City has established systems and processes, strategies and structures by which local government is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities. The City follows a comprehensive system of rules, practices and processes

that are adapted to promote the highest level of good governance, ethical standards and lived values.

- 5.2. The City subscribes to the principles of Corporate Governance as enshrined in the South African Constitution and the King IV Report, which requires all organs of the State, including State Entities (SOEs), to deliver services to the people based on a specific set of values and principles governing public administration including a high standard of ethics, fairness, accountability, transparency objectivity and without bias. The City has ensured that policies and corporate governance frameworks are developed in line with local government and relevant legislation and principles of corporate governance as provided in King IV Code of Corporate Governance. The Issuer has applied the King IV principles, as set out in the table below and as disclosed in the Issuer’s annual integrated report, available at the following website link: <https://www.ekurhuleni.gov.za/annual-report> .

Table setting out the King IV compliance:

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
Principle 1- <i>Leadership</i>  <i>The council should lead ethically and effectively</i>	Compliant	<p>The Council as per the Municipal System Act is equivalent to the Board as per the Companies Act.</p> <p>One of the many roles of the Council is to deliver basic services to communities. The South African government has clear policies that local municipalities and councilors should be sensitive to community views and responsive to local problems.</p> <ul style="list-style-type: none"> <li>• Ethics &amp; Integrity Committee<sup>1</sup></li> <li>• Oversight Committee</li> </ul> <p>The City subscribe to the Code of conduct for councilors and Senior Management team as included in Schedule 1 of the Municipal Systems Act and Schedule 5 of the Municipal Structures Act.</p>

<sup>1</sup> In relation to all committees mentioned in this King IV compliance Schedule, kindly see paragraphs below under the heading titled “Corporate Governance Committees” which sets out in more detail the functions of the various committees of the City.

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
		Councilors and Senior management must annually sign the annual declaration and adherence to the code of conduct
<p>Principle 2- Municipality Ethics</p> <p><i>The council should govern the ethics of the municipality in a way that support the establishment of an ethical culture</i></p>	Compliant	<p>The City has in place the Council which governs the ethics of the organisation in a way that supports the establishment of an ethical culture as required by principle 2 of King IV.</p> <p>Furthermore, Schedule 2 of the Municipal Systems Act contains a Code of Conduct for municipal staff members.</p> <ul style="list-style-type: none"> <li>• Risk Department conducts annual awareness on ethics</li> <li>• Annual declarations</li> </ul>
<p>Principle 3- Responsible Corporate Citizenship</p> <p><i>The council should ensure that the municipality is seen to be a responsible</i></p>	Compliant	<p>As known, the Municipality sphere operates slightly different from a normal company, Corporate Citizenship is an alternative expression of the objectives of the municipality as set out in section 152(1) of the Constitution.</p> <ul style="list-style-type: none"> <li>• Public participation</li> <li>• Pro poor objectives</li> <li>• Inclusive City</li> <li>• Blue drop states</li> <li>• Favorable audit outcome</li> </ul>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>corporate citizen</i>		
<p>Principle 4- Strategy and Performance</p> <p><i>The council should appreciate that the municipality's core purpose, its risk and opportunities, strategy ,business model, performance and sustainable development are all inseparable elements of the value creation process</i></p>	Complaint	<p>The City's Strategy and Corporate Department's core mandate is to ensure that the Council business plans, and Integrated Development Plan (IDP) are implemented as approved by Council. The Strategy and Corporate Department has a responsibility to :-</p> <ul style="list-style-type: none"> <li>• Coordinate and facilitate the IDP development process</li> <li>• Provide technical support in the development of the IDP</li> <li>• Act as the link between Ward Councillors, Ward Committees and Senior Management</li> <li>• Consolidate, analyse and report all information emanating from the IDP process and submits these to the departments for inclusion in their plans and budget</li> <li>• Coordinate the translation of the IDP into SDBIPs for each financial year of the IDP period</li> <li>• Organize all engagements with all departments and consolidate the inputs related to performance measures</li> <li>• Report performance progress on the implementation of the IDP where the process of monitoring and evaluation is done through in-year quarterly reporting and annually through annual reporting.</li> </ul> <p>Council assisted by the Performance audit Committee</p> <ul style="list-style-type: none"> <li>• Approves and monitors the of the process that guides the planning, drafting and adopting the IDP, including compliance to the organisational performance and information management policy</li> <li>• Approves the IDP and the Service Delivery and Budget Implementation Plan (SDBIP) indicators and targets</li> </ul>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
		<ul style="list-style-type: none"> <li>• Approves the review of the IDP and the SDBIP indicators and targets.</li> <li>• Approves the quarterly and annual organisational performance reports which include scorecard reports on deliverables</li> </ul>
<p>Principle 5- Reporting</p> <p><i>The council should ensure that reports issued by the municipality enable stakeholders to make informed assessments of the organisations performance ,and its short, medium and long term prospects</i></p>	Compliant	<p>The council ensures that the Municipality:</p> <ul style="list-style-type: none"> <li>-Issues Group reports annually</li> <li>-ensures that reports issued comply with legal requirements</li> <li>-ensures that reports are easily assessable to all stakeholders</li> <li>-presented fairly by referring the auditor general findings to MPAC (Municipal Public Accounts Committee) for scrutiny in the quest of quality assurance for all stakeholders</li> </ul> <ul style="list-style-type: none"> <li>• Quarterly report to Council as per MFMA</li> <li>• Annual budget</li> <li>• Annual Financial Statement</li> <li>• Annual report</li> </ul>
<p>Principle 6- Primary Role and Responsibilities of the Council</p>	Compliant	<p>The council serves as the focal point of corporate governance for the City, in accordance to the Municipal systems act which stipulates that “an organ of state within the Local sphere of government exercising legislative and executive authority within an area”.</p>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>The council should serve as a focal point and custodian of corporate governance in the municipality</i>		<p>In terms of section 151 of the Constitution of the Republic of South Africa, 1996, both legislative and executive authority vests in the council.</p> <ul style="list-style-type: none"> <li>• Ethics Committee</li> <li>• Oversight Committees</li> <li>• Municipal Public Account Committee</li> </ul> <p>Administration</p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Risk</li> <li>• Internal Audit</li> </ul>
<p>Principle 7- Composition of the council</p> <p><i>The council should compromise the appropriate balance of knowledge skills, experience, diversity and independence for it to discharge its governance role and</i></p>	Compliant	<p>In a municipality, a mixed electoral system is followed for the election of councilors. Half of the councillors are elected through a proportional representation ballot, the other half are elected by residents in each ward. The composition of councils can therefore, not be proactively planned by means of a nomination process on the basis of knowledge, skills, experience, diversity and independence as required by the Municipal Financial Management Act (MFMA)</p> <ul style="list-style-type: none"> <li>• Council election</li> <li>• Mayor</li> <li>• Speaker</li> <li>• Chief Whip</li> <li>• Mayoral Committee members</li> <li>• Various oversight Committees to monitor all political parties</li> </ul> <p>See page 83 ,principle 7 under King IV and municipalities in the annual report for further detail on the matter</p>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>responsibilities objectively and effectively</i>		
<p>Principle 8- Committees of the Council</p> <p><i>The Council should ensure that its arrangements for the delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties</i></p>	Compliant	<p>In terms of section 79 of the Municipal Structures Act, the council is entitled to set up committees such as the MPAC to assist with general oversight of the municipality's performance, which is in line with the principle which addresses delegation by the council within its own structures.</p> <ul style="list-style-type: none"> <li>• Legislature</li> <li>• Administration lead by the City Manager</li> <li>• Head of Departments (Senior Management Team)</li> <li>• Cluster Committee Meeting</li> <li>• Mayoral Committee</li> <li>• Oversight Committee</li> </ul> <p>The Council has approved the system of delegation of authority to the administration (executive), so as to separate its oversight responsibilities from the management of the day to day operating activities managed by the City Manager (assisted by team of senior managers). This is inline with MFMA circular 73</p> <p>See page 84, principle 8 under King IV and municipalities in the annual report for further detail on the matter</p>
Principle 9- Evaluations of the performance of the Council	Compliant	<p>The council and political parties consult and agree on the list of matters in respect of which performance should be assessed and on the manner of assessment and thereby evaluate performance with the aim to achieve continued improvement and effectiveness per principle of evaluation. This function is performed by the <b>Various Oversight Committee</b>, monitoring the Council. Furthermore the</p>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>The Council should ensure that the evaluation of its own performance and that of its individual members, support continued improvement in its performance and effectiveness</i>		Municipal Public Accounts Committee annual assess the city compliance to the Section 32 of the MFMA. Council Oversight Committees disclosed on page 347 – 348 on the annual report.
Principle 10- Appointment and delegation to management  <i>The Council should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of</i>	Compliant	<p>The City follows Section 82 of the Municipal Structures Act which stipulates among other things how the council should appoint the municipal manager.</p> <p>It also makes mention of the fact that the regulation for performance and minimum competency levels of municipal managers should be taken into account in this regard.</p> <ul style="list-style-type: none"> <li>• System of Delegation of Authority in accordance with the MFMA Circular number 73</li> </ul>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>authority and responsibilities</i>		
<p>Principle 11- Risk Governance</p> <p><i>The Council should govern risk in a way that supports the municipality in settling and achieving its strategic objectives</i></p>	Compliant	<p>The city has a risk committee which governs risk in a way that supports the organisation as required by the principle.</p> <p>The Risk Committee reports to Audit the Committee</p> <p>The Audit Committee reports to Council</p>
<p>Principle 12- Technology and Information Governance</p> <p><i>The Council should govern technology and information in a way that supports the municipality</i></p>	Compliant	<p>The City has an information and communication technology (ICT) Steering Committee which sets strategic objectives and monitors performance in relation to key information technology projects.</p> <p>ICT Strategy is developed in accordance with the Department of Public Service and Administration (DPSA) Governance framework</p>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>setting and achieving its strategic objectives</i>		
<p>Principle 13- Compliance Governance</p> <p><i>The Council should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the municipality being ethical and a good corporate citizen</i></p>	Compliant	<p><b>Chairperson of Committees (“Chair of Chairs”)</b></p> <p>The “Chair and Chairs” role is to assist the Speaker by overseeing and coordinating the work of all Council standing and oversight committees, other than those chaired by the Speaker.</p> <p>The Standing Committees of Council are established in terms of Sections 73 and 79 of the Municipal Structures Act, or in terms of an enabling power under the Municipal Finance Management Act.</p> <ul style="list-style-type: none"> <li>• Various Oversight Committees (11 committees have been established, Refer to page 347 of the Annual Report)</li> <li>• Municipal Public Account Committee</li> <li>• Risk Committee &amp; Risk Management assist Council to fulfill these obligations</li> </ul>
Principle 14- Remuneration Governance	Compliant	Remuneration of Councilors is regulated by the Political Officers Bearers Act, and Senior Management is regulated by Department of Cooperatives Governance.

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<p><i>The Council should ensure that the municipality remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</i></p>		<p>Furthermore this function is managed by the City Remuneration Committee (Remco) which reports to Council.</p>
<p>Principle 15- Assurance</p> <p><i>The Council should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for</i></p>	<p>Compliant</p>	<p>All the reports to be tabled to Council for noting and approval are presented to different first at the Senior Management Team (SMT), Audit or Risk Committee for interrogation and review for assurance.</p> <ul style="list-style-type: none"> <li>• The final assurance committee is the Mayoral Committee and Legislature Programming Committee.</li> <li>• Council have delegated to oversee Combined Assurance Audit, a Combined Assurance provides coordinated effort between the assurance providers that are operating in the City. Both internal and external assurance providers in different levels of defense report to the Audit Committee. There is designed approach that reports on adequacy of the three lines of defense.</li> </ul>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>internal decision making and of the organisations external reports</i>		<ul style="list-style-type: none"> <li>• The City's Internal Audit Department reports to the Audit Committee functionally and to the City Manager administratively, Internal Audit Charter, Risk Based Internal Audit Plan and Internal Audit Methodology were approved by the Audit Committee. Internal Audit reports on progress and the City's control environment quarterly.</li> <li>• Auditor General South Africa reports to the Audit Committee at relevant intervals of the financial year</li> </ul>
<p>Principle 16- Stakeholders</p> <p><i>In the execution of its governance role and responsibilities, the Council should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the</i></p>	Compliant	<ul style="list-style-type: none"> <li>• The primary stakeholders of a municipality is its community. In terms of section 2 of the Municipal Systems Act which the City adheres to, a municipality consists of a community, a council and an administration, therefor, communities must be involved, and community engagement should be beyond one way communication from the municipality to its community, other stakeholders including but not limited to: political parties, national and provincial government, industry and sector bodies.</li> </ul>

<b>KING PRINCIPLE</b>	<b>COMPLIANCE</b>	<b>DETAILS</b>
<i>municipality over time.</i>		

### **Corporate Governance Committees**

#### **ADMINISTRATIVE GOVERNANCE**

In order to promote effective administration of the affairs of the municipality, supporting administrative committees were established and they are as follows:

#### **Strategic Management Committee - (SMT/EXCO)**

The Strategic Management committee, interchangeably called the Senior Management Team (SMT) is constituted as the Executive Management Committee of Ekurhuleni. The duties and responsibilities of the members are in addition to those as Heads of Departments. The deliberations of the SMT committee do not reduce the individual and collective responsibilities of the City Manager and HODs with regard to their fiduciary or administrative duties and responsibilities. Members are expected to continue to exercise due diligence and good judgment in accordance with their statutory and contractual obligations.

#### **Technical Clusters (City Manager Agenda Work Group) and Strategic Management Committee**

Technical Clusters have been established to consider and provide technical support on matters related to infrastructure services, social services and governance and economic development. The table below outlines the chairpersons and members of the technical clusters. The City is in the process of rationalising its macro and top organisational structures and this will have an impact of the technical clusters.

The following committees have also been established as committees of the SMT: -

Bid Specification, Evaluation and Adjudication committees are legislated in terms of Section 168 of the MFMA of Supply Chain Regulations. No councilor serves on, or in any manner, participates in the bid committees, any other committee evaluating, or approving tenders, quotations, contracts or other bids.

- ICT Steering Committee deals with IT governance and risk-related issues.

- The Development Facilitation Committee's role is to develop extraordinary measures to facilitate and speed up the implementation of construction and development programmes and projects in relation to land, and to lay down general principles governing land development. In addition, the committee also decides on development applications within the municipality's boundaries.
- Governance, Risk and Compliance Committee deals with issues related to governance, ethics, risk, compliance and assurance.
- IDP, Budget, Assets and Liabilities committees deal with administration issues related to budget and IDP and provide reports to the Executive Budget Committee.

## **EXECUTIVE COMMITTEES**

The legislature is responsible for law making, oversight and public participation. The legislature comprises of Council, the Speaker of Council, The Chief Whip of Council, and two sets of Council Committees, namely Section 79 Portfolio Committees and Standing Committees. Roles and responsibilities of each committee are outlined below:

### **Chairpersons of Section 79 and Standing Committees**

The objectives of the oversights and standing committees is to strengthen the role of Council in overseeing the executive function. The Oversight Committees of Council, established in terms of Section 79 of the Municipal Structures Act, are engines through which Council scrutinises reports and proposed policies and bylaws from departments; and then reports back to Council with recommendations.

The Oversight Committees have an oversight role and will monitor the output and performance of the executive. They also have the power to request departments and Members of Mayoral Committee (MMCs) to account on the outputs and performance of their functions. This arrangement supports the separation of legislative and executive powers within the Council. Chairpersons have been appointed to lead and coordinate the work of Section 79 Committees. Ekurhuleni had 10 Section 79 Committees; which were increased to 12 after the August 2016 Local Government Elections.

The Standing Committees of Council are established in terms of Sections 73 and 79 of the Municipal Structures Act, or in terms of an enabling power under the Municipal Finance Management Act. In performing their oversight duties over the MMCs and the Heads of

Departments, the Standing and Oversight Committees of Council may require evidence to be submitted with regard to matters within committees' Terms of Reference.

### **Programming Committee**

The objective of the Programming Committee is to assist the Speaker of Council in setting the agenda and programme for Council by considering all inputs and ensuring that it is ready for Council discussion and debate. The Programming Committee is chaired by the Speaker and consists of the Chief Whip, Chairperson of Committees, other Whips and the Leader of Government Business as its other members.

## **OTHER COMMITTEES THAT ASSIST THE EXECUTIVE MAYOR AND THE MAYORAL COMMITTEE**

### **Performance Audit Committee**

The Performance Audit Committee serves as an independent governance structure whose function is to play an oversight role regarding the systems of internal control, compliance with legislation, risk management and governance. In executing its duties, the audit committee assists the accounting officer in the effective execution of his/her responsibilities, with the ultimate aim of achieving the organisation's objectives. The audit committee must ensure that there is appropriate focus on financial reporting, service delivery reporting and compliance to promote the attainment of desired audit outcomes.

### **Risk Committee**

The Risk Committee exists to ensure that the municipality establishes and maintains effective, efficient and transparent systems of financial and risk management, internal control and compliance management; as well as to consider how risk is identified, evaluated and monitored. Strategic oversight of the systems of Governance, Risk and Compliance (GRC) of the City is tasked to the Risk Management Committee. The Risk Management Committee is a structure, comprising of independent external experts, established to:

- Advise assist the Accounting Officer to execute risk management responsibilities as required by the MFMA; and
- Assist the Audit Committee to exercise its oversight responsibilities over, amongst others, systems of GRC.

### Budget Steering Committee

Members of the Budget Steering Committee include MMCs for Finance and Economic Development, Infrastructure Services, Human Settlements, Water Sanitation and Energy, Community Services and Corporate and Shared Services. The Budget Steering Committee is responsible for scrutinising the annual budget and the adjusted budget and making recommendations to the Mayoral Committee.

### OTHER COMMITTEES

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Rules Committee	To manage and monitor the governance and decision making processes of Council and its committees
Programming Committee	1. To oversee and regulate the programming of Council's agenda and proceedings  2.To recommend a programme of debate for Council
Ethics and Integrity Committee	Dealing with matters of ethics, integrity and discipline in respect of councillors
Committee of Chairpersons	Dealing with and advising Chairpersons matters to be considered by the various committees of the legislature
Municipal Public Accounts Committee (MPAC)	To promoting good governance, Governance goals of greater transparency, accountability ensuring efficient and effective use of municipal resources.
Gender, Children, Youth and Persons with Disabilities (GCYPD)	Dealing with matters in respect of gender, children, youth and persons will disabilities
Public Participation and Petitions	Dealing with matters in respect of public participation and petitions

Ward Committees x 112	Facilitation and overseeing the implementation of service delivery and development in the ward committees
City Planning	Political oversight over matters relating to city planning, land parcels, etc
Community Safety	Political oversight over matters relating to community safety
Corporate and Shared Services	Political oversight over matters relating to corporate and shared services (HR, Legal Matters, etc.)
Economic Development	Political oversight over matters relating to economic development
Environment and Waste Management	Political oversight over matters relating to the environment and waste management
Finance	Political oversight over matters relating to finances
Health and Social Services	Political oversight over matters relating to health and social services
Human Settlements	Political oversight over matters relating to human settlements
Infrastructure Services	Political oversight over matters relating to infrastructure services, eg. Real state, roads, storm water, etc
Oversight Committee over Executive Mayor and Legislature (OCMOL)	Political oversight over matters relating to Executive Mayor, City Manager and Legislature
Sport, Heritage, Recreation, Arts and Culture	Political oversight over matters relating to sport, heritage, recreation, arts and culture
Transport Planning	Political oversight over matters relating to transport planning and fleet

Water, Sanitation & Energy	Political oversight over matters relating to water, sanitation and energy
Ekurhuleni Municipal Appeals Authority (EMAA)	The hearing of appeals lodged in respect of decisions taken by the Ekurhuleni Municipal Planning Tribunal (EMPT) regarding city planning matters, such as rezonings, etc. as per the SPLUMA Act, 16 of 2013

5.3. The City's Governance Model aims to:

- encourage the efficient use of resources towards better service delivery;
- improve accountability for the stewardship of those resources;
- align as close as possible the interests of individuals, Council, departments, and society as a whole;
- dismantle the notion of municipal inefficiencies established by previous legacies; and
- enable decision makers to select best possible options to achieve objectives.

5.4. Executive Oversight

The City of Ekurhuleni oversight over each entity is discharged through the respective portfolio to which the entity belongs in the municipal structure, i.e. the MMC and the Head of Department of the relevant portfolio. In addition, all municipal entities are monitored by the Risk Management Department as the Shareholder Unit responsible for regulating, managing and monitoring these organisations for maximum shareholder returns, financial performance, and legislative and policy compliance. The Corporate Governance framework for Entities was approved by Council in 2015 and provides for following oversight functions:

Municipality Role	Municipal Entities Role
<ul style="list-style-type: none"> <li>• Regulation of service provision</li> <li>• Monitoring and assessing implementation of the Service Delivery Agreement</li> <li>• Development of the priorities in terms of the approved COE GDS and IDP</li> <li>• Tariff Policy Development</li> <li>• Exercising its Authority to ensure uninterrupted service delivery in the best interest of the citizens</li> </ul>	<ul style="list-style-type: none"> <li>• Development and Implementing detailed service delivery plans</li> <li>• Operational, planning management and provision of municipal services</li> <li>• Undertaking related social and economic development activities</li> <li>• Customer management</li> <li>• Financial governance</li> <li>• Compliance with the legislative requirements</li> <li>• Collection of service fees where applicable</li> </ul>

5.5. The governance is ensured by the following key structures:

- Audit Committee
- Risk Management Committee
- Governance Risk and Compliance Forum
- Governance and Compliance Divisions
- Ethics Office
- various other board committees

5.6. Legal Framework and Policies

The City of Ekurhuleni and the entities ensures compliance with the laws of the country and all internal policies and procedures including: -

- 5.6.1. Constitution of the Republic of South Africa, No. 108 of 1996
- 5.6.2. Local Government: Municipal Systems Act, No. 7 of 2011
- 5.6.3. Local Government: Municipal Finance Management Act, No. 56 of 2003
- 5.6.4. Local Government Municipal Structures Act, No. 33 of 2000
- 5.6.5. Companies Act 71 of 2008
- 5.6.6. King IV Code of Governance

## 6. **MANAGEMENT STRATEGY**

### **Growth and Development 2055**

The Growth and Development Strategy (GDS) 2055 objectives adopted by the City are about the establishing a high performing metropolitan government that is proactive in character and posture, to enhance the commitment towards the building of socially inclusive, locally integrated and competitive global player (included) reflected in the mode of Gauteng City Region.

The analysis of global megatrends and global, national and local scenarios for the periods 2012-2020, 2020-2030 and 2030-2055 indicate that Ekurhuleni is entering a highly challenging time period for cities generally. All the more so in light of how Ekurhuleni, as an industrial and logistics driven location, is going to be shaped by powerful transitions in the global energy and manufacturing scenarios. Threats posed by the energy transition, climate change and breakdown of other global ecosystems and political and financial inequality and volatility are counter balanced by the opportunities of the green economy, the rapid emergence of the African continent and Ekurhuleni's centrality in a BRICS-driven world. Ekurhuleni needs to negotiate these turbulent waters with an effective trajectory which entailed an immediate commitment to a Delivering City (2012 -2020) which would lay the foundation for a Capable City (2020 -2030) and, ultimately, enable a Sustainable City (2030 -2055). The three stages in the trajectory are proposed as follows:

#### **2012 – 2020: Delivering City**

A coherent, tightly managed, enabled and resourced EMM institution will rise to the challenge of delivering services that are nationally competitive, consistent, financially sustainable, efficient and modern.

#### **2020 – 2030: Capable City**

Ekurhuleni will adapt to the needs of the energy transition and facilitate a thriving and inclusive industrial economy and meaningful reduction of unemployment and poverty through excellent inter-governmental cooperation, providing competitive package of services and investment options, an integrated, efficient and regionally well connected spatial structure and logistics infrastructure and a well oiled network of collaborative partnerships with civil society and communities in the City.

#### **2030 – 2055: Sustainable City**

Ekurhuleni will be at the leading edge of urban sustainability innovation and will support a clean, green and sustainable African manufacturing complex and a city development network that

together have reduced poverty and unemployment to below 10%. It will be a place where the poor, old, young and disabled are able to access the opportunities of a global society and move freely about the City in order to make their contribution to the City and enjoy its amenities. This trajectory lies at the heart of a High Level Strategic Framework for the City to manage its transition through the five strategic themes of “Re-urbanise”, “Re-industrialise”, “Re-generate”, “Re-mobilise” and “Re-govern”. Each of these interlocking themes forms the point of departure for a basket of lead programmes.

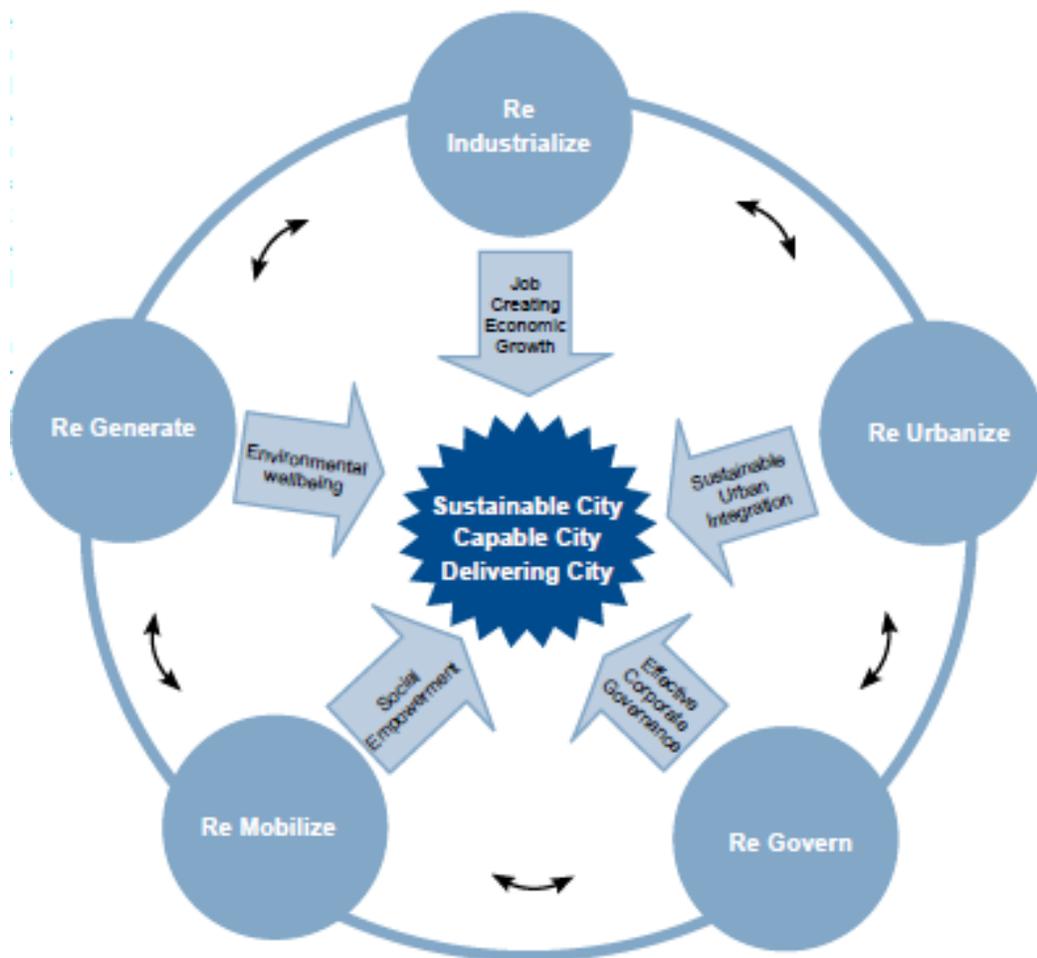
The intent of the **Re-urbanise** theme is to enable a process of reurbanisation of well connected and networked spaces to ensure a compact and sustainable city. This will include rejuvenating blighted and neglected areas, managing and channeling growth, facilitating upward mobility in the formal and informal housing markets, catering for the needs of households requiring affordable accommodation in well located areas, and providing efficient and affordable accessibility to places of work, shopping nodes and facilities within the City and the Gauteng City Region.

The **Re-industrialise** theme aims at driving a process of on-going re-industrialisation of Ekurhuleni by developing new markets, green economy products, processes, urban systems and technologies through innovation, integrating and extending value chains and modernising, integrating and aligning air, road and rail logistics.

**Re-generate** theme’s intent is to mainstream biodiversity and ecosystem goods and services so that their full value is recognised, and that their sustainable use is rewarded.

The **Re-mobilise** theme aims to build a healthy, active and engaged citizenry which is capable of working in partnership to develop the inter-generational capacity needed to take full advantage of the opportunities that the future presents.

**Re-govern** theme’s intent is to build the leadership and adaptive capacity, resilience, responsiveness and financial muscle of Ekurhuleni as an institution, together with its social partners, so as to be able to manage the challenges of the future whilst dealing with a legacy of inequality and fragmentation.



The GDS 2055 strategic framework for Ekurhuleni suggested that the previous city vision of being “Smart, Creative and Developmental” should be replaced with a vision that meets the following criteria:

- Unique, inspiring and compelling;
- Community aspirational;
- Attract external business and investment; and
- Foresighted (reflecting of the 2020 /2030/2055 trajectory).

The vision and high level strategic framework need to be translated into a 2030 Strategic Implementation Programme, thus providing a direct link to the City’s Integrated Development Plans over the next 20 years and ensure effective integration into national and regional plans, budgets and programmes. A key aspect of this will be to build the base of local partnerships needed for Ekurhuleni to reinvent itself in a new wave of urban and industrial innovation.

## SUMMARY OF STRATEGY, PROGRAMMES AND SUB-PROGRAMMES

2055 IMPERATIVE : SUSTAINABLE URBAN INTEGRATION		
STRATEGY	PROGRAMME	SUB-PROGRAMMES
Re-Urbanise	Strengthened Gauteng City Regional cooperation	Develop regional accessible public transport network
		Develop regional broadband infrastructure networks
		Redevelop regionally integrated Ekurhuleni aerotropolis
		Develop integrated regional air, rail and road logistics network
	Connected working and living spaces	Establish integrated urban core
		Break through and re-connecting townships
		Creating new civic identity and connections
		Revitalize historic sites and redundant land assets
	Sustainable settlements and infrastructure	Develop long-term formal settlements plan
		Develop long-term informal settlements plan
		Invest in on-grid long term infrastructure development
		Invest in off-grid long term infrastructure development

2055 IMPERATIVE: JOB CREATING ECONOMIC GROWTH		
STRATEGY	PROGRAMME	SUB-PROGRAMMES
Re-Industrialise	Industrial systems and infrastructure	Establish a centre of excellence for sustainable industrial production
		Establish an incentive framework for sustainable production
	New value chains development	Establish business development infrastructure for SMMEs
		Integrated SMME development and urban development
		Facilitate the development of new value chains in the green industry
		Integrate industrial and urban development policy

	Market and product development	Facilitate sustainable product development
		Facilitate development and access to new markets
		Green house gas emissions policy development and implementation
	Strengthen industry competitiveness	Establish industrial development pricing mechanisms
		Institutionalise industry clusters
		Integrate industrial policy and government supply chain management policy

2055 IMPERATIVE: ENVIRONMENTAL WELL-BEING		
STRATEGY	PROGRAMME	SUB-PROGRAMMES
Re-Generate	Sustainable resource use	Deployment of renewable energy regimes
		Promote re-use of waste
		Incentivise water harvesting and re-use
		Increase usage of sustainable storm water
	Biodiversity and ecosystem management	Conserving existing ecosystem & biodiversity
		Acid mine water rehabilitation
		Rehabilitate damage ecosystems & biodiversity
		Waste lands rehabilitation
	Improved environmental governance	Incentivise carbon efficient business and community measures
		Develop, implement and enforce by-laws on carbon reduction
		Increase air pollution control measures
	Urban agriculture	Integrated environmental and urban development policy
		Integrated greening and food production
		Conversion of wasted urban spaces for urban agriculture

2055 IMPERATIVE: SOCIAL EMPOWERMENT		
STRATEGY	PROGRAMME	SUB-PROGRAMMES
Re-Mobilise	Social care supply chains management	Integrate social care policy and family development
		Implement life cycle management
		Integrate administrative and social structures
		Social care chains development
	Capabilities development	Increase investment in economic and social skills
		Promote multiple livelihood approaches
		Integrated family and early childhood development
	Responsive and active citizenry	Integrate service delivery and citizen responsibility
		Digitise municipal interactions with communities
		Strengthen existing community structures

2055 IMPERATIVE: EFFECTIVE COOPERATIVE GOVERNANCE		
STRATEGY	PROGRAMME	SUB-PROGRAMMES
Re-Govern	Build a capable local state	Develop integrated urban development programme
		Mordenise and capacitate the institution
		Effective and responsive area based management
	Strengthen developmental governance	Establish partnerships for service delivery
		Establish long-term partnership for growth
		Strengthen inter-governmental partnerships accords
		Establish Gauteng City Region based development partnership
	Establish long term fiscal strength	Galvanise state and private sector investment
		Strengthen tax base and income streams
		Balanced subsidy burdens & financial viability
	Strategically acquire and manage assets and operations	Strategic acquisition and management of human resource assets
		Strategic acquisition and management of key assets
		Strategy aligned human resource management
		Strategy aligned operations management

## **SOUTH AFRICAN EXCHANGE CONTROL**

*The information below is intended as a general guide to the current position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed "South African Exchange Control" do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.*

### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

### **Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

### **Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a "non-resident" account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt

with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" account, as the case may be.

**Exchange Control – Issuer**

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.

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