

ADDRESS AT THE CITY OF EKURHULENI COUNCIL MEETING BY THE EXECUTIVE MAYOR, CLLR MZWANDILE MASINA

GERMISTON COUNCIL CHAMBERS

30 JANUARY 2020

Speaker of Council, Alderman Patricia Kumalo;

Chief Whip of Council, Cllr Jongizizwe Dlabathi;

Madame Chair of Chairs;

Chairpersons of the Oversight Committees;

Members of the Mayoral Committee;

Leaders of political parties;

Honourable Councillors;

City Manager, Dr Imogen Mashazi;

Senior managers of the City;

Distinguished guests;

Ladies and gentlemen

It is an honour to stand before you this morning on this auspicious occasion of our first Council meeting of the year. I would like to welcome all of you back, trusting that the festive season afforded you the necessary rest and time spent with your families and loved ones. As we gather here this morning, refreshed from the break, we do so with the knowledge of the great work that lies head of us – work that demands our absolute and unwavering commitment.

This gathering takes place a day after we hosted the City of Ekurhuleni Academic Excellence Awards, an occasion in which we celebrated the brightest minds in our City – young men and women who have excelled in their matric exams, against all odds, and are now gearing towards higher education where they will undoubtedly cement themselves as capable and committed scholars and thinkers. We used this opportunity to honour a great revolutionary, Dr Godfrey Mokgonane Pitje, for his selfless contribution to our struggle for liberation. The awards and bursary are now named after this giant.

The encouraging news of our performance and interventions in the provision of education do not eclipse the great challenges that our City is confronted with. A week ago, the body of 15-year-old Laticia Jansen was discovered by community members in a bush in Germiston. The grade nine pupil had been stabbed and raped before she was burned alive.

The City and the Gauteng Department of Education have visited the family and we are working together to do everything in our power to bring the killer to justice, and to comfort the grieving family. We extend our deepest condolences to the Jansen family, friends and learners at Graceland Education Centre in Elsburg.

We also extend sincere condolences to the family of Dr Shongile Pretty Nkwashu, a 24-year old medical intern in Limpopo who was savagely murdered by her intimate partner. Six years of studying hard for her medical degree and barely two weeks of employment, the life of this young woman who would have been the first doctor from her village was cut tragically short.

May the tragic deaths of these young women, and many more, be a reminder to all of us that we are a government with an urgent obligation to end gender-based violence, to protect women, children and all vulnerable persons, and to make freedom a reality.

Honourable Councillors;

Tragedy has also struck closer to home. On the 24th of January 2020, we received the painful news of the passing of Councillor Gregory Malebo, whom we all fondly referred to as Comrade Greg. Cllr Malebo contributed immensely to the liberation struggle that resulted in the democracy that we enjoy today. Amongst other structures, he served in the United Democratic Front and was a founding member of the local civic movement in Tembisa.

Cllr Malebo served this Council with distinction, working tirelessly to serve our communities with the commitment and dignity demanded of a public servant. At the time of his passing, he was serving as the Board Chairperson of Matthew Goniwe School of Governance and Leadership, an institution established to research, develop and deliver cutting edge capacity building programmes for schools in the province. This commitment to our country's developmental agenda is what defined him.

The City of Ekurhuleni has also been struck with a tragedy of immeasurable proportions. Between November and December of last year, at least ten children died tragically at Tembisa Hospital due to an outbreak of Carbapenem-Resistant Enterobacterales (CRE). Antibiotic treatment options for CRE are limited, and it is this resistance to treatment that led to the excessive number of fatalities at the hospital.

While the outbreak has been contained, the City is working very closely with the provincial health department to ensure that we develop an effective quality improvement plan. In addition to this, we are committed to addressing some of the salient challenges that confront Tembisa Hospital and all other hospitals in our City, in order that we continue to provide quality healthcare that centres the dignity of our people at its heart.

We wish to express sincere condolences to families of the deceased children, and to all those we have mentioned and those whom we have not, but who are also deeply etched in the galleries of our hearts. With this, I would like to request that we have a moment of silence to reflect on, and remember with fondness, our dear departed.

MOMENT OF SILENCE (60 SECONDS)

Madam Speaker;

The City of Ekurhuleni has always been deeply committed to maintaining the dignity of its residents. Our previous State of the City Address centred the necessity of dignity in service provision, making the argument that our pursuit for economic development and growth is intrinsically linked to our pursuit for the realisation of dignity for our people – and a better life for all.

It is in this vein that the social package that we provide to the most disenfranchised of our people is a key priority to us. On an annual basis, we continue to intensify awareness campaigns with a view of increasing the number of indigent households in all the Wards, including Mass Indigent Campaigns. The awareness campaigns also prioritise the low-paying Wards and Wards with low indigent up-take. The implementation of the electronic Indigent Registration System and use of hand-held devices is improving efficiency in terms of application turnaround times, and validation of physical verification process by field workers.

To date, many indigent households have been registered of which nearly **50 000** were registered through the Indigent Management System. The overriding principle here is to provide a reliable social package to all people of destitute means in order that we make sure that every life in our City has value.

The City continues to shoulder the cost of R4 billion for the social package – a commitment we made in our pro-poor programme when we assumed office. The social package of indigent relief is made as follows:

- 100 percent rebate on assessment rates;
- Free refuse removal;
- First 100kWh of electricity per month is free. This is more than the provision made by the national government policy and the City bears the costs for the difference;
- First 9kl of water and sewer per month is free;
- Special rates on emergency services such as ambulance and firefighting; and
- Free indigent burial.

The City continues to provide the first 6kl of water and sanitation for free to all households with a property value of R750 000 or less. To date, the indigent database has over **112 000** members, and the qualifying income threshold remains R5 090 or less per household

Madam Speaker;

Central to being able to manage an institution that can deliver this social package, an institution that works, is performance management. An instrument through which the City's performance is reviewed is through its quarterly reports to Council. Through these, we can analyse the assessment of the municipality's performance management system.

The City developed a Knowledge Management Strategy and Policy that was approved by Council. We institutionalised a set of policies intended to regulate and underpin our governance operations. These include the Standard Operations Procedure for Performance Monitoring and a Delegation of Powers Policy, Integrity Management Framework, Business Continuity Management Policy, Occupational Health and Safety Policy and Systems of Delegation which were all approved by Council.

We must recognise and acknowledge the steady improvement of the City in terms of its performance and the achievement of a significant percentage of our IDP targets. In addition to this, we introduced a stage gate tracking for planning and Capex War Room to assess Capex performance as well as getting panel of service provider.

Capex spending was at 94.31 percent performance beyond the planned 90 percent and this is a result of the improved planning alluded to, with clear demand and procurement plans in place as well as a continuous monitoring through regular robust Capex War Rooms.

The overall spending on grant funding was 94%, amounting to R2, 067 billion, on a total capped grand funding of R2,197 billion. Through accelerated efforts of the City, all Capex grants were spent 100 percent, apart from PTNG and NDPG. Challenges resulting in the non-spending were amongst others, community disputes the City had limited control over.

The actual Capital Expenditure for 2019/2020 mid-year is R1, 761 billion, which represents a spending of 23.74 percent of the total capital budget of R7, 417 billion. It is important to note that the outstanding commitments at the end of December 2019 amounted to R181 million. The actual expenditure plus commitments for the mid-year amounted to R1, 941 billion, which represents 26.18 percent of the capital budget. The amount spent to date, of R1, 761 billion, is the highest in rand value spent in the previous four financial years.

In addition to this, our liquidity position is greatly satisfactory. The City generated a positive cash flow of R3 billion from its operating activities. The cash on hand was R3,4 billion and R1,9 billion invested for the repayment of long term borrowing and the cash on hand averaged 30 days at year end.

Furthermore we have invested R1 billion of our own revenue in capital replacements and repaid long term loans of R400 million.

As of the second quarter that ended on the 31st December 2019, our total current assets amounted to R13.5 billion, whilst our total current liabilities amounted to R8.4 billion. The current ratio is therefore 1,6:1 which indicates that the City can meet its working capital requirements.

One of the greatest advantages with a good liquidity position is that it allows the municipality to take advantage of opportunities as they arise because we can quickly deploy resources when needed, for projects and investments that will boost our local economy and thereby improve the lives of our people for the better.

We have also done exceptionally well with regards to our cost containment initiatives. We are happy to communicate that our cost containment measures have translated into savings which the City has channelled towards improving service delivery. Indirect costs such as events, travelling, catering, workshops, printing etc have decreased by 51.5 percent when compared to the approved budget. This translates to a saving of R138. 6 million.

The City has an approved a Cost Containment Policy which has influenced contractual procurement processes. Appointment of contractors have, in the previous financial year, been in alignment with market rates through conducting market rate analyses to ensure that rates are reasonable. We have done this to ensure that all municipal funds are spent where citizens receive value.

Our collection rate in the second quarter ended 31st December 2019 was also satisfactory, albeit slightly less than our intended target. The rate stood at 93,46 percent against a target of 94 percent. This is reflective of some minor challenges to service charges, specifically as it relates to water and refuse revenue.

The actual income from water sales, at R178 million less than the budget of R2.435 billion for the 2019/20 mid-year, represents a deviation of 7 percent. But the main contributing factor to the negative deviation is the reduction in water sales to industrial customers. Critical revenue management systems have also been put in place to ensure compliance on the part of businesses and households.

The total electricity losses for the 2018/2019 financial year were given as 11,95 percent and amounted to R1,18 billion. The total losses consist of 2 components, namely technical (5,9 percent at R584 million) and non-technical (6,05 percent at R599 million). The National Energy Regulator's benchmark is 12 percent, and as such, the City is just below this value.

The City has an effective and proven strategy that covers all back-office aspects such as by-laws, policies, procedures and risk management, right up to daily operations that are responsive to the maintenance required in the field. Skilled resources drive every aspect of this process, whilst also innovating to increase our effectiveness, in curbing losses and safeguarding revenue.

In terms of the Service Delivery and Budget Implementation Plan, there have been some great results and some significant challenges. The City committed to a total of 83 targets in the mid-year period of the 2019/2020 financial year.

Against these commitments, 61 (73 percent) targets were achieved and 22 (27 percent) were not achieved. The committed targets were contributed by the 27 departments and entities for the metro wide SDBIP. Of the 27 departments and entities that committed to the targets, 13 departments achieved 100 per cent and 7 achieved 50 percent and less.

All the three entities, namely the Brakpan Bus Company, Ekurhuleni Housing Company and the Ekurhuleni Water Cape Company achieved 50 percent and less, with ERWAT achieving 33 percent of their targets while BBC and EHC achieved none of their targets.

The state of our entities is of great concern to us and we are in the process of finding lasting solutions to the challenges they are confronted with. Some of these are yet to go before Council but are all aimed at ensuring that we strengthen the capacities of these entities so that they can perform optimally and generate meaningful profits for the City.

Honourable Councillors;

We gather here this morning at a time when our country is facing very significant challenges in terms of its economy as well as the institutions that are supposed to safeguard our democracy and sustain our development. It is no secret that several of our key State-Owned Enterprises are confronted with extraordinary challenges and as a result, are bleeding billions from taxpayers.

But while this reality has given rise to talks about the privatisation of these key assets of the state, we must employ a more nuanced assessment, one which asks the important question of whether the collapse of these institutions cannot be halted by good governance – a process that has proven largely effective in turning around our own City. Today, we too must assess how far we have come in ensuring good governance, and how much further we still need to go.

The AG report was delivered on the back of an achievement of 91 percent revenue collection rate from the annual target of 94 percent. This is encouraging, considering the economic climate of our country. We want to once again encourage citizens to continue paying for services and those not able to, to apply for the indigent support program. Our capacity to deliver key services rests on our citizen's commitment to a reciprocal relationship that benefits all.

The Auditor-General has just detailed for us what the fiscal health of our City is. The City of Ekurhuleni has achieved an unqualified audit. This is the General-Auditor's judgment that our municipality's financial statements are fairly and appropriately presented, without any identified exceptions, and in compliance with generally accepted accounting principles.

The outcome of the previous audit for 2017/2018 reflected the amount of work that we have done in ensuring the good health of our City's finances. We received a clean audit on financial statements with findings on laws and regulations and pre-determined objectives.

In our recent audit for 2018/2019, it is evident that we improved in the preparation of financial statements and ensured that these were in line with the prescripts of the applicable accounting framework. We also improved greatly in our compliance with laws and regulations, which was reflected in the 70 percent reduction in the number of non-compliance paragraphs recorded in the audit report. These went from ten to three.

Our greatest challenge pertained to performance information outcome, which regressed significantly due to collating internal control deficiencies which we committed to attending to in order to ensure an improvement in our audit outcomes. As such, we developed and implemented a turn-around strategy which has yielded significant results.

As a starting point, we must note and applaud the audit result that the City of Ekurhuleni has not, for two consecutive years, incurred unauthorised expenditure, fruitless expenditure and wasteful expenditure. This is a very significant success story of the controls that we have put in place in the City – controls that are geared towards ensuring that we utilise resources correctly and for purposes for which they are intended.

Irregular expenditure relating to the year under review decreased significantly from just over R215 million to R5 million. This, in addition to the 70 percent reduction in the number of non-compliance paragraphs in the latest audit, is a clear indication that there is great improvement in the internal control environment around compliance with laws and regulations

We achieved this great result through various critical mechanisms. For one thing, most instances of irregular, fruitless and wasteful expenditure that were reported in previous years were subjected to an investigation to ensure that consequence management is instituted by the City against transgressors. We recognise that corruption and abuse of power flourish in darkness – that the absence of consequence management is an enabler.

Our commitment to good and clean governance is also reflected in the fact that in the current year, no awards were made to companies which have the City's employees registered as directors, or where the City's employees have any interest. In addition to this, we have been monitoring conditional grants to ensure that our spending is in line with grant conditions.

Madam Speaker;

As the City of Ekurhuleni, we pride ourselves in being law-abiding public servants. Recognising that the failure to pay valid invoices within thirty days amounts to financial misconduct, we continue to strive to pay all our invoices on time. All valid invoices were paid within thirty days, and in instances where payments could not be made due to the invalidity of the invoices at the date of receipt, adequate documentation was prioritised.

Our commitment to paying invoices on time is not only about respecting the prescripts of the law, but also about ensuring that we support small businesses in particular. It is a reality that small to medium enterprises that do business with government rely heavily on the resources that we pay them for their goods and services.

As such, delayed payments and lack of payments have adverse implications for the very survival of these companies. Our timeous payment of invoices is an attempt at ensuring that these businesses do not go under – that we continue to build a local economy that grows in the hands of our people and of SMMEs that are the heartbeat of our local economy.

While we are generally satisfied with our audit outcome, we recognise that there are some areas of concern, mainly as pertains to the regression in the audit of pre-determined objectives outcome, as this was not reported in the prior year's audit report.

In addition to this, while a reduction from over R215 million of irregular expenditure to R5 million is exceptionally impressive, we maintain the view that there should be zero tolerance on compliance with laws and regulations resulting in irregular expenditure. We are committed to reducing this amount from R5 million to zero.

After engaging in serious analysis on where the fault-line is, we have recognised that the problem of irregular expenditure arises largely from the misunderstanding of deviation. As such, it is important that we institute a mechanism wherein all deviations are assessed by Internal Audit. In this way, we will be ensuring that there is minimal risk to material misstatement.

There is great commitment on the part of the City to improve Internal Audit's ability to discharge its responsibilities. In this regard, an Internal Quality Assurance Review was previously performed, and various gaps were identified. This resulted in the review of approved internal audit charter,

operational plans, internal audit activities and staffing, as well as the review of the very structure of Internal Audit. The City is confident that with the upcoming External Quality Assurance Review, these efforts will be rewarded.

Honourable Councillors;

All great institutions and companies began the process of finding a path to greatness by confronting the brutal facts about the reality of their business. When you start with an honest and diligent effort to determine the truth of your situation, the right decisions often become self-evident. What an institution needs most for its decisions — especially its strategic ones — are data about what goes on outside it. Only outside an institution are there results, opportunities and threats. It is for this reason that benchmarking is fundamental.

The National Treasury recently completed the 2019/2020 Municipal Budget and Benchmark Engagement of all eight metropolitan municipalities in South Africa. The purpose of this annual benchmark exercise is to compare similar categories of municipalities with each other in terms of pre-identified measures and norms to identify common trends and areas of risk.

According to the report, the City of Ekurhuleni has performed very well in various categories, including on cost-cutting, where at 7.3 percent, we rank fourth out of all eight metros. Our collection rate, while less than 2 percent below the collection rate norm, is comparable to that of the City of Johannesburg – the biggest metro in our country.

With regards to liquidity management, our City has the highest cash coverage in the Gauteng Province, at slightly over 2,1. The City of Johannesburg cost coverage ration stands at 1,5 while that of the City of Tshwane stands at 1,8. In addition to this, while the City of Tshwane has the lowest current ratio of below 1, making it technically insolvent, the City of Ekurhuleni, at 1,3 has the highest ratio in Gauteng, at 1,3.

In terms of social package, the City of Ekurhuleni exceeds all but one metros in the country in the support of poor households. Our support for formal settlements is almost double the amount of the City of Johannesburg and the City of Cape Town combined. At **100** kwh per household per month, we are second only to the City of Johannesburg and above the City of Cape Town with electricity provision for indigent households. We are third nationally with the quantity of kilolitres of water per household, and second highest in Gauteng.

The National Treasury benchmark report demonstrates that despite the challenges that we are confronted with, we are performing better than most metros in the country, and in some instances better than all metros. This is despite the unique character of the City of Ekurhuleni – a metro with **119** informal settlements and brutal vestiges of our apartheid past. It is a testament of our hard work and dedication – work which must continue.

Honourable members;

This is only a brief overview of where we are as a City and where we still need to go. There is a lot of work being done to ensure that some of the challenges that we face with governance and the state of our economy are resolved. This is the primary focus and commitment of our administration, and with only 16 months to go before our term of office draws to a close, it is crucial that we hit the ground running.

I wish to reiterate my sentiments at our last Council meeting, that there is no time for us to do anything but strengthen the institution that is our municipality and deepen our commitment to service delivery. It is only in so doing that we can all hold our heads up high and proudly proclaim ourselves as public servants who served with pride and distinction. To do less than we committed would be to betray not just our promises, but the people of Ekurhuleni. We dare not commit so atrocious an act.

May we all continue to work together to keep Ekurhuleni a City that works, and to ensure that we continue to grow a local economy that grows in the hands of our people – an inclusive, transformed and sustainable economy that reflects our collective aspirations and those of our children.

Thank you.