

ANNEXURE J



Annexure J: Oversights Committees comments on tabled IDP & MTREF 2020/21



**City of
Ekurhuleni**

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City planning oversight committee report on the IDP and MTREF

- The Oversight Committee noted the departmental proposed 4% increase on City Planning tariffs, which is informed and prescribed by the Municipal Finance Management Act (MFMA) Circular 98.
- the department anticipate a 5% revenue decline on year on year basis for the next three financial years based on the current financial year performance and the department indicated that their projections were based on the current trends and economic outlook.
- For Operating Expenditure (OPEX) budget, the department anticipates between 4% to 7% increase for the medium term across the budgetary line items, including employee related costs, contracted services and other expenditure items.
- It was established that the allocated budget ratio to the current departmental structure was R912 887:1. Where R241 756 066 (i.e. total employee related budget) divided by 265 (Total number of employees on the structure at that particular period). Also well noted is total amount of R118 363 250 allocated for consultants and professional services for the medium term.

- The department is currently completing draft reports for the land use scheme; MSDF gap analysis; the incentive policy; and stakeholder engagements report for China-gate and Andrew Mapheto precinct plans as public participation and stakeholder engagements took place during the 3rd quarter.
- Ekurhuleni University was not reflected on the medium term expenditure framework. The department indicated that some work has been done as per the business case, including engaging the Higher Education Ministry, however, the process is led by the Strategy and Corporate department.
- It was noted that an item is en-route to Council for donation of just over 40Ha in Greenreef development.

There are no critical questions asked which require our response.

Community safety committee reports on IDP and MTREF

- The key issues that the Committee raised with both departments were issues of capital projects that are deemed as crucial to the functions of the departments; these included the procurement of ambulances, fire engines and departments' personnel. The Committee was seeking to ensure that both departments are adequately staffed to undertake their responsibilities in a productive manner.
- The department explained that in consultation with Finance Department, it budgeted for the total amount of R201 083 490 in 2020/21 FY versus the total amount budgeted for in 2019/20 FY which is R202 996 199 which is a reduction for the total amount of R1 912 709 (0.94%), however it was reflected that the revenue projected might not be a true reflection, the reason being that the GPG – Department of Health has already informed the City of Ekurhuleni about the Provincialization of Ambulance Services with effect from 1 July 2020.
- In regard to employee related cost the department indicated that it has requested Finance Department to make provision for all new fire stations that are under construction in order to provide the required personnel once the fire stations are completed and operationalized.

- Two fire stations, Albertina Sisulu and Elandsfontein/Isando are in the process of being constructed. There is a plan in place to fill the positions. The current 219 Reserve Force Members who meet the minimum requirements, are earmarked to fill the permanent positions of Firefighters/Emergency Technicians (EMT) for the two fire stations at a total of 48 firefighter/EMT per fire station. Fire stations will not be completed 2020/2021 FY due to Covid-19.
- It should be noted that GPG – Department of Health has already informed the City of Ekurhuleni about the Provincialization of ambulances with effect from 1 July 2020. As such the department will not procure any ambulances. The item is already on its way to inform the Council.

EMPD

- The department indicated there is an increase in the vehicle population however there is no related revenue generation. This imbalance occurs in the midst of complaints from motorists about penalty and arrear fees that are charged, yet they do not know why or how they are charged. This has led to the affected motorist refusing to pay the stated penalties and arrear fees.
- An investigation was conducted and implicated officials were charged. Some were dismissed and some of them are still facing criminal, which are currently before the courts.

- There has been improvement on the E-NATIS system, the department also highlighted its challenge, its focus on corruption seems to narrow as it is addressing a particular corrupt activity instead of corruption in general. Surely, there are other corrupt activities that take place and have not been mentioned in the provided response.
- The department indicated that a monitoring and evaluation unit was established to monitor, evaluate and investigate fraud and corruption, and recommend that remedial action and preventive measures should be taken if needed.
- Considering that, Council had endorsed the Committee's recommendation to Council relating to the armoury, it sought an explanation from the department as to why the adopted resolution had not been factored into the budget for the 2020/21 – 2022/23 financial years. The department indicated that it agrees with the recommendation and that funds would only be available in the coming financial year, in order to implement the recommendation.
- The department indicated that DEMS and EMPD envisage the construction of new training facility which would cater for student accommodation, indoor shooting range, a skidpan (to cater for advanced driving) etc. Land has been identified for this purpose; however, this will be a multi-year project.

Recommendations for IDP and MTREF are marked to be noted.

Corporate & shared services oversight committee report on the CoE MTREF, IDP and BEPP

- The department projected a budget cut on both other expenditure by -8.64% (from R22 801 529 to R20 831 919), and other materials by -64 % (from R2 816 749 to R1 014 216), guided by the instructions from the City Manager and Budget Office.
- This, however, suggests that some service delivery objectives of the department might be compromised. The Committee will monitor the performance on these items very closely in the coming FY.
- The Committee noted that the original R5 000 000 budget for signage and re-naming of facilities was reduced to R1 700 000, which translate to 66% decrease.
- The Committee raised its concerns on the slow progress in resolving the directional signage, with some dating back from the name change of the City from Ekurhuleni Metropolitan Municipality to the City of Ekurhuleni. Thus, the Committee will conduct an oversight visit to these facilities before the end of 2020/21 FY to verify this commitment.
- On its preparedness, the department indicated that it already has a pool of writers to perform the function. However, it still has to embark on a test run, to ensure that the portal is cleared of any glitches, which is more dependent to Information Computer Technology (ICT) department. The department further committed to share the link of the news portal with the Committee, for it to test and use the portal. The Committee will follow-up on this commitment.

- On corporate and legal services the Committee noted an operating budget cut on three key line items, namely, transfers and subsidies by -21.70 from (R23 041 790 to R18 041 790), other expenditure by -36.77% (R2 466 557 to R1 559 671) and contracted services by -6.91% (R54 320 032 to R50 567 425).
- HRM projected an operating budget cut on three line items, namely; contracted services by 43.37% (R2 705 080 to R1 531 775), other expenditure by 15% (R13 824 491 to R11 754 435) and other materials by 32.77% (R16 677 828 to R11 211 235), due to the metro-wide revenue decline.
- The identified policies to be reviewed by HRM include; Adult Education and Training, Ekurhuleni Transport Allowance Scheme (ETAS), Recognition of Prior Learning, Discipline and Grievance, Remuneration Policy and Overtime Policy.
- Internal audit department and the Committee noted with concern the operating budget cut on two key line items, namely; contracted services by 40.52% (from R25 348 631 to R15 078 095) and other expenditure 4% (R914 340 to R877 302).
- To maintain these great achievements, the Committee recommends that there should not be any budget cut for the Internal Audit department.
- The Committee noted an operating budget cut on three line items, namely; contracted services by 2.64% (from R2 256 144 to R2 196 521), other materials by 52.54% (from R393 900 to R187 358) and other expenditure by 11.45% (from R354 572 to R313 976).

- On strategy and corporate planning the Committee noted a considerable budget cut on three line items, namely; contracted services by 6.65% (R1 238 545 to R1 156 149), other expenditure by 54.33% (from R1 232 636 to R562 851) and other materials by 29.14% (from R2 308 775 to R1 636 055).
- The Grant-in-Aid budget was reduced by R20 million, which was redirected to the Economic Development Department for the implementation of the Ekurhuleni Community Enterprise Development Fund (ECEDF) Fund for the similar purpose of assisting small business.
- The department indicated that it will have to put some of its capital needs on hold until the revenues of the City recover.

Economic development oversight committee on the CoE draft MTREF, IDP and BEPP

- The Committee noted that the decrease on operational revenue was due to the decrease in Extended Public Works Programme (EPWP) Grant allocation as well as the notable reduction in the revenue to be collected from rental of facilities and equipment.
- The department indicated that there are few departments such as Waste Management and Environment Resource Management that are starting with bigger projects with more than 100 work opportunities created.
- The department plans to spend a larger portion of the planned budget on line items 'Employee related Costs', 'Other Materials' and 'Other Expenditure'. For line item 'Employee Related Costs', the department proposed a total budget of R130 984 073 in the FY under review.

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- The department indicated that line Item 'Other materials' entails the following items; Inventory & Materials, Awareness campaigns, Workshops, Departmental events , Community Development Initiatives, Material Printing & Stationery, Stores Consumable Items, Operational and Preventative Maintenance.
- The Committee noted with concern that the department intends to spend R30 000 000 on the Reiger Park Enterprise Hub & the Ramaphosa Vocational Skills centre in the FY under review even the project was allocated R35 000 000 in the 2019/20 FY and no money had been spent by the end of the 2nd quarter.
- The department indicated that as with all the City of Ekurhuleni SMMEs incubation facilities that have been developed as part of the township revitalization objectives, the strategy is for all identified SMME's to pay rent.
- On the Automotive City Tembisa project the department indicated that the Department of Corporate Legal Services through the records office is in the process of locating the title deed of the property and once the deed has been found the department plans to conclude Stage 1 and 2 of the project.

- The department indicated that they had collaborated with the Executive Mayor's Tertiary Assistance Fund to finalise the implementation of Electronic Records Management System and currently awaiting the ICT Department to finalise the development of the system.
- The Department indicated that these technical skills includes soil testing, mechanization and precision agriculture, irrigation and drainage engineering, precision agriculture and automation, agro-processing.
- The department specified that the programme is aligned to the City-wide and National Treasury of BEPP which have identified key economic nodes in the City driven by City Planning Department.

Environmental and waste management Committee report

- The department referred the Committee to the Auditor Generals' 2016/17 report highlighting that refuse removal services had achieved 92% coverage of the annual target. It should be noted that the committee is of the view that this matter of refuse removal cannot be isolated to a single year and a single target.
- In addition, the Oversight Committee noted with worry that the department has a backlog of 4% in the provision of waste management services. The Committee sought an explanation of what caused the backlog and the departments plan to eradicate the backlog in the 2020/21 FY.
- The Oversight Committee noted the departments plan to increase the City's cemetery tariffs by 4.9%. This is particularly important given the expected negative financial impact that the lockdown in particular and COVID-19 in general is expected to have.

- The increases are deemed modest and affordable and the indigent measures in place are expected to ensure that all residents of the City will be able to bury the family members.

Finance oversight committee on IDP and MTRF

- The metro will lose revenue as a result of reduced consumption of water and electricity from companies, schools and businesses that have closed down or stopped operation during the national lockdown.
- On revenue collected from breakfast and hotels the Committee raised concerns on whether or not the department has calculated the total anticipated loss as well as considered changing property categories.
- The department also indicated that the change in property categories will require amendment to current valuation roll through formal supplementary process. The existing rebates as per Property Rates policy are based on specific categories of properties deemed appropriate relief.
- The municipality also collects revenue from the rental of facilities and the Committee was concerned with the total anticipated revenue loss from rental of facilities during the national lockdown.
- According to the department, the expected revenue loss amounts to R8 978 161 in respect of rental of facilities for the remainder of the financial year.

- The department indicated that due to the impact of COVID-19 the metro will not be in a position to spend the full Capex budget, therefore a special adjustment budget to reduce the capital budget would be tabled at council on the 28th of May 2020.
- According to the department work will continue where possible until the end of June 2020, thereafter a consolidated roll-over motivation would be submitted to National Treasury and transferring departments by 31 August 2020.
- According to the department, the INEP as a grant was discontinued, all projects which were previously funded by INEP were incorporated under USDG as agreed by both the Department of Energy and the Department of Human Settlements in consultations with the affected Metros.
- According to the department, there will be projects which departments will apply for extension beyond the agreed time as per the original contracts and those report will be tabled in Council as per the provisions of Section 116 of the MFMA. The department also indicated that the extension of contracts that are coming to an end in June will not exceed 25% for services and 30% for construction 30 as per Circular 102 of the MFMA.

Health and social development oversight committee

- The City of Ekurhuleni has 77 clinics and there is a shortage of staff in all facilities. The requests to fill all the positions were done by the department currently awaiting Human Resources and Development Department to advertise the positions. This Committee would like to request the Council to instruct Human Resource Department to prioritise the filling of vacancies at a clinic level.
- The department explained to the Committee that there is a need to increase the budget by R21 Million excluding overtime remuneration for the staff. It is the view of the Committee that this additional funding should be granted to the department.
- The department explained that The Health and Social Development Department would no longer facilitate and initiate any feasibility studies for the construction clinics, as Gauteng Department of Health will in future do this.
- Therefore, the Department is urged to make sure such a mechanism is developed between the City of Ekurhuleni and Gauteng Provincial Department.
- The Committee was concerned to find out that the department does not have any grass cutting contractors appointed currently. Due to the Parks and Environmental Resources Management's lack of capacity to assist or take over the Health Department's contracts to cut grass on privately owned stand, the department has started its own bid process to have grass cutting contracts appointed within the next 3 months.

- Once the subdivision is completed the Health and Social Development department, will commence with the technical work for the construction in the remaining portion of ERF 114 of Olifantsfontein for the Inpatient drug and substance rehabilitation center.
- The Health and Social Development department within the City of Ekurhuleni is no longer involved in the construction of clinics. The decision to do this was taken at a time when feasibility studies had already commenced for the construction of new facilities promised to communities. The Health and Social Development Department initiated and partially completed the feasibility studies for the following Primary Health Care facilities; Chief Albert Luthuli; Geluksdal Clinic; Lindelani Clinic; Esselen Park Clinic; Duduza Clinic. The Committee had an interest in determining if the practice of the City of Ekurhuleni conducting feasibility studies going to be standard operating procedure in future or is this a short-term agreement only for those studies that had already started. The departmen

Human settlements oversight committee report

- The Committee welcomed the department's decision but in the same breath, indicated that budget reduction cannot be the primary solution to poor spending.
- The Committee noted that the department has appointed a consulting firm to complete the work in Moleleki Ext 1 & 2. The Committee requested the department to prepare and furnish a report on the work done at Moleleki Ext 1 & 2 during its next Committee meeting.
- According to the department, the community issues emanated from beneficiary allocation and occupation on both projects. However, the department has resolved the predicaments and has allocated 108 stands, with 57 stands projected for handover by the end of March and finalising the remaining 71 stands.
- In giving a response, the department presented an incomprehensible table that gives a breakdown of 4000 title deeds the department plans to issue during the coming financial year. It is against this response that, the Committee requested the department to prepare and present a comprehensive report in the next Committee meeting.

- The department also reported that it plans to allocate 3 703 and 3 915 serviced stands and houses during the current year and the new financial year. From the above, the Committee suggested undertaking a visit to see how the department together with the EMPD have managed to prevent the erection of shacks on the vacant land.
- The Committee sought clarity from the entity, considering that the department requested a budget of R2 500 000 during 2018/19 adjustment budget to complete work in Sethokga. This included building a guardhouse, biometric access, refuse area and grass.

Infrastructure services oversight committee

- The department is currently working with ICT department to design and launch an integrated property management system, which will provide access to live property data and also help with tracking and collection of old historical debt.
- The department indicated that the financial resource (funded) allocation for the medium term was 50% of the whole departmental structure, which equates to 936 funded positions of 1 722 of the Roads and Stormwater departmental structure. This is of concern for the Committee as Roads and Stormwater department is service delivery and infrastructure driven, creating much needed jobs for the City.

- A capital project expenditure projects and implementation were shared with the Oversight Committee, however, the Oversight Committee was not satisfied as they were based on the last 2 months of the current financial year.

Sports, recreation arts and culture oversight

- The department stated that it was awaiting guidance and instructions from the Finance Department with regard to the adjustment of the draft 2020/21 Budget. The department felt that it was not yet possible to give the Committee a presentation until the finance department has addressed the matter.
- The Committee therefore requests that all rationalization processes be halted until they are presented to the oversight Committee. The Committee wishes to ensure that key facilities are not left severely understaffed by such a rationalization process.
- The Committee attempted to determine what is the reason for the reduction in the projected total income in this financial year when compared to the 2015/16 financial year. The reason for this inquiry is that the Committee wanted to determine if there are any service delivery implications caused by this reduction.
- The reduction in the use of facilities causes even more concern to ensure that facilities are properly maintained. Added to this the department concedes that it is definitely anticipated that income will reduce in the 2020/21 financial year due to COVID-19.

- The committee notes the planned development of a Kempton Park cultural precinct.
- The department responded that the development of Kempton Cultural Precinct must be seen as complimentary project because it will create a platform for the development of Germiston Cultural precinct to piggyback on the spatial planning of Kempton Park areas as part of Aerotropolis project.

Transport planning oversight committee

- The department stated that it is finalizing the appointment of Environmental Specialist to undertake the basic assessment as per the requirements from Environmental Resource & Waste Management Department for approval of the public open space closure application.
- The department indicated that there were also legal challenges with private land owners which delayed the construction progress on site. The challenges related to resistance by some private land owners to have their land used to construct pedestrians and cyclists' paths.
- The Committee was troubled by the latter two responses and questioned the 'public participation' process which should have resulted in mutual agreement between the City and members of the communities on the department's intentions and plans as far as this project is concerned. The Committee thus requested the department to produce documentations and records of public participation processes as far this project is concerned.

- The department stated that it has put measures in place to ensure better project management, i.e. 'introduction of the war room chaired by the HOD where all contractors are invited' to make presentations on their work. This response was rejected by the Committee as it was vague and lacked depth.

Water, sanitation and energy oversight committee

- In responding to a question on reason for the increase, the department informed the Oversight Committee that during the budget adjustment period for the 2019/20 FY, the operational budget was cut by more than R200 million. The department also notified the Oversight Committee that this budget cut has resulted in some of the services compromised in the 2019/20 FY.
- The Oversight Committee noted that in 2018/19 FY, the Department of Water and Sanitation lost an annual amount of R1 002 005 635 on non-revenue water of which R499 891 575 was due to non-technical losses.
- The Oversight Committee requested the department to provide the measures the department has to minimize the non-technical losses. In its response, the department said that they have developed Water Conservation / Water Demand Management (WC/WDM) Strategy, which identified 21 projects earmarked to reduce non-revenue and water losses. The department further enlightened the Oversight Committee that these projects fall under the categories of Real/Technical losses, Apparent/Commercial losses and supporting interventions.
- The department presented that the following programmes were identified, Borehole program which is still on a feasibility study, Rainwater Harvesting program which is currently on a pilot phase, Wastewater Reclamation – feasibility study

- For meter management, the department informed the Oversight Committee that traditionally the department received a budget that was enough to cover the cost. The department highlighted that each attempt at correcting the budget unfortunately coincided with times when budgets had to be cut.
- The department, however, indicated that this budget cut will negatively affect a number of key projects such as the Lighting Projects, Network Enhancement Projects and Revenue Enhancement Projects.
- The entity highlighted that the requested funds are not sufficient to upgrade or extend the treatment capacity of the plants, however these funds will only ensure that the plants are safe and remain operational. The Oversight Committee was concerned with the state of the treatment plants and recommend that the entity be provided with additional funding to start upgrading or extending the plants.
- The City of Ekurhuleni is currently implementing the Aqua Leap program is aimed to address the water infrastructure failures and address the water capacity constraints that are caused by the unmatched growth demand. With regards to the implementation of the Aqua Leap programme, the department notified the Oversight Committee that to date, they have metered around 544,313 properties. The Oversight Committee was also informed that there are only 18 000 unbilled connections remaining in Tsakane which are anticipated to be completed by the end of the 2020/21 financial year.
- As a result, of the budget cut, ERWAT might not be able to perform adequate maintenance on its plants.