

Media statement

City of Tshwane makes a compelling submission to the National Treasury on how it intends to spend its grant fund allocation

18 February 2024

On Friday, 16 February 2024, the City of Tshwane wrote a letter to the National Treasury in which it made an elaborate, detailed and comprehensive submission about how it intends to spend its grant fund allocation before the end of the current financial year.

The letter to the National Treasury was in response to the one it had written to various municipalities on 12 February 2024 in which it threatened to stop grant funds and afforded municipalities the opportunity to motivate reasons as to why it should not stop the transfer of the third tranche of funds due to underperformance.

The City informed the National Treasury that it has developed recovery plans to ensure accelerated expenditure of grant funds and explained what had contributed to unsatisfactory performance as at 31 December 2023.

Key among the contributing factors for the underperformance were the following:

- Migration from the old financial management system to the new financial management system, which impacted expenditure processing and accounting.
- The reduction of the Urban Settlements Development Grant (USDG) and the Informal Settlements Upgrading Partnership Grant (ISUPG) during Quarter 2 as directed by the National Treasury, which necessitated early review and repackaging of a number of programmes to accommodate the cuts.
- The prolonged unprotected labour strike which impacted heavily on the implementation and monitoring of projects.
- Delays in the initial stages of procurement (approval of specifications and tender advertising approvals).
- Delays in the appointment of contractors to provide electrical cables and spares, as well as lead times in the supply and delivery of materials for electricity projects.

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The City assured the National Treasury that all the above-mentioned inhibiting factors have been resolved and that performance on all grants will be enhanced within the set time frames.

The City has shown tremendous progress in most projects by issuing appointment letters and concluding contracts with the appointed service providers. The City has also reprioritised grand-funded projects as part of the 2023/24 adjustment budget process.

Crucially, the City has already depleted the transferred tranches when current expenditure and commitments for February 2024 are considered. From the beginning of March 2024, the City will face serious funding shortfalls when it comes to paying contracted service providers. Therefore, to mitigate this challenge, the final tranches must be transferred by the end of March 2024, as per the approved payment schedule.

Total spending, including commitments, was R1,2 billion, versus R1,5 billion in transfers. By the end of January 2023, 84% of transferred funds had been spent. The unspent balance for the five identified grants was R232 million. As demonstrated in the recovery plans, spending is expected to reach 100% by the end of the financial year.

The City is optimistic that the National Treasury will make a favourable determination based on the compelling case the City has presented.

Issued by Communication, Marketing and Events.

Enquiries:



Selby Bokaba

Acting Group Head: Communication, Marketing and Events

Communication, Marketing and Events | West Wing | 1st Floor South | Tshwane House | 320 Madiba Street | Pretoria | 0002 | PO Box 440 | Pretoria | 0001 | www.tshwane.gov.za | **Emergency: 107**
Tel: 012 358 4527 | Email: selbyb@tshwane.gov.za

