

ANNEXURE B



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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FROM: Mr S Mashaba, Tel: 012 315 5183, Email:sello.mashaba@treasury.gov.za

Ref: EKU/2

Dr I. Mashazi
The City Manager
Ekurhuleni Metropolitan Municipality
Private Bag X1069
GERMISTON
1400

Dear Dr Mashazi

STOPPING OF FUNDS DUE TO UNDER PERFORMANCE/ NON-COMPLIANCE ON THE INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT, URBAN SETTLEMENTS DEVELOPMENT GRANT AND THE PUBLIC TRANSPORT NETWORKS GRANT.

Following the 2021/22 mid-year expenditure reports in terms of section 10 of the 2021 Division of Revenue Act, (Act No. 9 of 2021) (DoRA) and section 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). National Treasury intends invoking section 18 of DoRA which provides that the National Treasury may in its discretion or on request of a transferring officer or a receiving officer stop the transfer of a Schedule 4B or 5B allocation, or a portion thereof to a municipality if the National Treasury anticipates that a municipality shall substantially underspend on the allocation, or any programme, partially or fully funded by the allocation, in the 2021/22 financial year.

National Treasury hereby proposes that a portion of the 2021/22 allocation to your municipality in respect of the Informal Settlements Upgrading Partnership Grant (ISUPG), Urban Settlements Development Grant (USDG) and the Public Transport Networks Grant (PTNG) as gazetted in the 2021 DoRA be stopped due to under performance of the grant allocations. This letter serves as formal notification by National Treasury of its intention to stop the above-mentioned allocation in terms of Section 18 of the 2021 DoRA and Section 38 of the MFMA.

Acting on the above, National Treasury hereby informs you of the intention to stop an amount of **R84.1 million (ISUPG), R300 million (USDG) and R99.4 million (PTNG)** from the 2021/22 ISUPG, USDG and the PTNG allocations of **R688 million, R1.3 billion and R628.6 million** respectively in terms of section 18 of the 2021 DoRA. This decision will not in any way affect future allocations to your municipality.

Your municipality is requested in a response to motivate to the National Treasury on the following:

- Why expenditure reported as at 31 December 2021 is below 45 per cent;

- Progress report against approved projects (provide list/names of approved projects)
- Representation on the cash coverage for grants transferred (Liquidity ratio);
- Representation on the initial cash flow projections against actual performance;
- Progress report on any approved rolled over for 2020/21 financial year;
- Commitment that the allocated funds are committed and that they will be fully spent by the end of the financial year, 30 June 2022, i.e. Commitment that the municipality will not request rollover against the proposed stopped funds;
- Representation on all projects awarded after the second quarter of the municipal financial year as at 31 December 2021;
- Representation on any commitments made against Supply Chain Management Regulation 32 projects in terms of the Supply Chain Management policy and chapter 11 of the MFMA and progress made against these projects;
- **Declaration by the municipality on the amount that should be stopped by National Treasury;** and
- An acceleration plan against the 2021/22 approved implementation plan.

Please be advised that in terms of Section 38 (2)(a) of the MFMA you are required to submit, within seven days upon receipt of this letter, a written representation to National Treasury regarding the proposed stopping of the allocation in question.

Kind regards,

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J. H. Hlatshwayi

MALJENG NGQALENI

DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS

DATE: 15 February 2022

CC: Office of the Auditor-General