CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

URBAN SETTLEMENTS DEVELOPMENT GRANT (USDG) FRAMEWORK 2020/21

Urban Settlements Development Grant	
Transferring department	• Human Settlements (Vote 33)
Grant schedule	• Schedule 4, Part B
Strategic goal	• The creation of sustainable and integrated human settlements that enable improved quality of household life
Grant purpose	• To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development • To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements
Outcome statements	• The outcomes to be realised in order to promote integrated sustainable urban settlements and improved quality of living environments are as follows: o supporting inclusive densification and transit-oriented urban development, integrating existing and new urban developments o provision of adequate bulk and link infrastructure for mixed-income and mixed-use urban developments o provide opportunities for leveraging of public funding within partnerships that promote integrated mixed-income and mixed-use urban development projects and funding for broader urban development **Upgrading Informal Settlements Programme (UISP) component** • Promote integrated sustainable urban settlements and improved quality living environment as per the National Housing Code 2009 which includes tenure security, health and security as well as empowerment • Serve as a planning and preparation platform towards the introduction of a new informal settlements upgrading grant
Outputs	• The following outputs should be funded by the grant to support the improvement of the overall built environment: o increase in bulk and link infrastructure o construction/ provision of internal engineering services o increase in the number of serviced sites o increase in the provision of individual connections o increase in land provision for informal settlement upgrading, subsidised housing, or mixed-use developments in support of approved human settlements and other urban developments o increase in access to public and socio-economic amenities o increase in the number of interim basic services **UISP component** • Programmatic municipality-wide informal settlements upgrading strategy • Number of approved individual informal settlements upgrading plans aligned to the National Upgrading Support Programme (NUSP) methodology • Number of social compacts concluded with communities and/or community resource organisations outlining their role in the upgrading process • Number of informal settlements designated for upgrading in terms of the municipal Spatial Development Framework (SDF) and Spatial Planning and Land Use Management Act (SPLUMA) and by-laws enacted in this regard • Number of households provided with secure tenure • Number of households provided with individual municipal engineering services (water services, sanitation solutions and electricity – grid and non-grid) • Number of informal settlements provided with interim and permanent municipal engineering services (public lighting, roads, storm water, refuse removal and bulk connections for water, sanitation and electricity) • Hectares of land acquired for relocation of Categories B2 and C settlements (categories in terms of the NUSP methodology) • Hectares of land acquired for in situ upgrading for B1 settlements Number of in situ individually serviced sites developed **Response to the COVID-19 pandemic** • Additional services provided to informal settlements and vulnerable communities • Number of municipal-owned facilities identified for quarantine sites that are repaired (limited to repairs to existing facilities, not modifications and operational costs) • Number of public facilities (by category) sanitised • Number of hand-washing dispensers installed • Litres of sanitiser procured • Number of temperature scanners procured • Number of municipal workers provided with personal protective equipment
Priority of government that this grant primarily contributes to	• Priority 4: Spatial integration, human settlements and local government
Details contained in the business plan	• This grant uses the USDG plan (containing a project list with project names, project descriptions, classification of infrastructure, Geographic Information System (GIS) coordinates and wards in which projects are being developed). The USDG plan is an annexure to the Built Environment Performance Plan (BEPP) for cities that complete a BEPP. The USDG plan is consistent with the Integrated Development Plan (IDP), including the human settlements chapter of the IDP, and the Service Delivery and Budget Implementation Plan (SDBIP) of the receiving municipality **UISP component** • This component requires that cities use the human settlements chapter of their IDP to prioritise informal settlements for upgrading in 2020/21

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	• This component requires the submission of a UISP business plan in the prescribed format, with informal settlement upgrading plans for each settlement to be upgraded which include: ○ project description ○ settlement name and GIS coordinates ○ category of settlement ○ project institutional arrangements (including list of stakeholders and departments responsible) ○ sustainable livelihood implementation plans ○ outputs and targets for services to be delivered ○ cash flow projections (payment schedule) ○ details of the support plan ○ risk management plan ○ prioritisation certificate issued by the MEC in consultation with relevant Mayors • For those settlements where upgrading plans have not yet been completed, an interim plan with clear deliverables in terms of the UISP phases contained in the Housing Code must be submitted
Conditions	• Municipalities must submit a USDG plan (as an annexure to the BEPP, or separately) that is aligned to the SDBIP, IDP and the One Plan in pilot areas for the District Development Model to the national Department of Human Settlements (DHS) and National Treasury • The annual USDG plan must contain a project list with project names, project descriptions, classification of infrastructure, GIS coordinates and wards in which projects are being developed. The submission should include motivations of how the projects will benefit poor households and information on spatial targeting, co-funding and other associated investments • The flow of the first instalment is subject to: ○ submission of the 2019/20 third quarter report, signed-off by the municipal Accounting Officer including the performance matrix with non-financial information ○ submission of a USDG plan (as an annexure to the annual BEPP for 2020/21, for municipalities that prepare BEPPs) that is aligned to the municipal IDP, SDBIP and national priorities by 29 May 2020 • The flow of the second instalment will be conditional upon the: ○ submission of the 2019/20 fourth quarter report signed-off by the accounting officer of the municipality including the performance matrix with non-financial information ○ submission of 2020/21 first quarter performance information, in line with the requirements of Municipal Finance Management Act (MFMA) circular 88 • The flow of the third instalment will be conditional upon submission of second quarter performance information, in line with the requirements of MFMA circular 88 • A maximum of 3 per cent of the USDG may be used to procure capacity to support the implementation of USDG human settlements programme outputs as contained in the Medium Term Strategic Framework (MTSF) and in line with the capacity building guideline published by DHS • Municipalities must indicate the amounts of their annual allocations for spending on the identified catalytic projects in their BEPPs as approved by the municipal council • Municipalities must also report their non-financial performance in terms of the requirements set out in MFMA circular 88 or any further circular issued in this regard **UISP component** • The following ring-fenced funds per municipality may only be used for projects contained in the UISP business plan of each municipality that is submitted as an annexure to the USDG business plan, in the format prescribed by the Department and aligned to the NUSP methodology and subject to the conditions and requirements specified for this component: ○ Buffalo City: R152 million ○ Nelson Mandela Bay: R181 million ○ Mangaung: R151 million ○ City of Ekurhuleni: R394 million ○ City of Johannesburg: R370 million ○ City of Tshwane: R320 million ○ eThekwini: R393 million ○ City of Cape Town: R296 million • Where there are no upgrading plans and spending is approved in terms of an interim plan, funding will only be transferred to a metro provided that confirmation is provided to the national department that individual upgrading plans are being developed for these projects and will be completed by 2021/22 • The ring-fenced amounts for this component are minimum amounts and municipalities may choose to spend a larger portion of their USDG allocation in compliance with the requirements of this component • A social compact must be concluded as part of each individual informal settlement upgrading plan. A maximum of three per cent of the project cost may be used for community/social facilitation • The transfer of the first tranche of funds is conditional upon approval by the DHS of a municipal business plan which is consistent with the provisions of the Housing Act, 2020 Division of Revenue Act and in compliance with the National Housing Code • Cities must report quarterly on projects funded through this component using the template prescribed by DHS. Reporting must include financial and non-financial performance on progress against UISP plans **Response to COVID-19 pandemic** • Municipalities must submit a revised USDG plan for approval by DHS, outlining the planned use of USDG funds for the following activities as part of the response to the COVID-19 pandemic: ○ municipalities must prioritise the provision of water and sanitation to communities that do not currently have access to water services

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	o funds may be used for the costs of providing services at higher frequency and/or standards for informal settlements and vulnerable communities o funds may be used for the provision of temporary relocation areas at a unit cost of R64 441, and in line with the requirements of the Housing Code o grant funds may be used for the repair of municipal-owned infrastructure identified for quarantine sites (limited to repairs to existing facilities, not modifications and operational costs) o funds may be used for the sanitisation of public facilities (except public transport facilities) o Buffalo City may use up to 15 per cent of its allocation for the sanitisation of public transport facilities, including providing for hand washing facilities, hand sanitiser, provisions for physical distancing and provision of personal protective equipment for public transport workers o funds can be used from the UISP component and/or the rest of the USDG, plans must indicate which component the funds come from • Monthly reports on COVID-19 expenditure must include information on actual spending and services delivered
Allocation criteria	• The grant is allocated to all metropolitan municipalities • The base allocation is derived from the Municipal Infrastructure Grant formula explained in part 5 of annexure W1 of the 2020 Division of Revenue Bill. The formula incorporates household backlogs in basic services and access to socio-economic services and poverty-weighted data • The allocation of the Upgrading of Informal Settlements Partnership component ring-fenced within the USDG is 20 per cent of the allocation for each municipality. These funds are also determined through the USDG allocation formula
Reasons not incorporated in equitable share	This is a supplementary capital infrastructure grant with conditions, objectives and distribution criteria (including infrastructure backlogs) different to those of the equitable share
Past performance	**2018/19 audited financial outcomes** • The grant was allocated R11.3 billion, and R11.3 billion (100 per cent) was transferred to municipalities
	2018/19 service delivery performance • Delivery performance is indicated in the performance evaluation reports for 2018/19
Projected life	• The USDG will continue until 2022/23, subject to review • The UISP component is intended to become a separate conditional grant in 2021/22, subject to review
MTEF allocations	• 2020/21: R11.3 billion; 2021/22: R7.4 billion and 2022/23: R7.4 billion
Payment schedule	• Transfers will be made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Develop indicators for the outcomes and outputs • Convene a structured forum to meet with municipalities on a quarterly basis • Monitor and evaluate the municipal financial and non-financial performance of the grant, including quarterly summary reports on performance across municipalities • Provide support to municipalities with regard to human settlement programmes • Publish a guideline by 29 May 2020 on how capacity funds from this grant should be used by cities • Ensure collaboration between provinces and municipalities to promote area-based planning, budgeting and funding alignment as well as implementation support, where applicable • Undertake oversight visits to municipalities as may be necessary • Facilitate strategic and spatial planning support related to human settlements development • Provide systems, including the Housing Subsidy System that support the administration of the human settlements delivery process • Coordinate and facilitate interaction between national departments, state-owned enterprises, other relevant entities of the state, provincial departments of human settlements and participating municipalities, on a quarterly basis • When under expenditure and under performance is identified, the department may recommend the stopping and reallocation (in terms of sections 19 and 20 of the 2020 Division of Revenue Act) of funds that are anticipated to be unspent • Participate in the municipal budget benchmarking process as and when indicated by the National Treasury • Review BEPP guidelines • Share COVID-19 response plans from cities with National Treasury for comments before approving them • DHS must report separately on COVID-19 expenditure, in its reports submitted in terms of the requirements of section 9 of the Division of Revenue Act and must share these reports with the National Disaster Management Centre **Responsibilities of other national sector departments** • The Department of Mineral Resources and Energy, Department of Water and Sanitation, Department of Environment, Forestry and Fisheries and the Department of Transport must all provide technical advice and support relevant to their sectors and monitor the performance of cities as reported in terms of MFMA circular 88 **UISP component** • Develop a clear business plan template for municipalities to use for submission • Receive, assess and approve the business plans of municipalities • Assess and make recommendations on the credibility of municipal business plans and the readiness of projects captured therein • Maintain the policy and programme, and assist with interpretation of the policy, business plans and individual upgrading plans • Develop a reporting template for municipalities on UISP outputs and publish it by 29 May 2020

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	• Monitor and evaluate municipal financial and non-financial grant performance and control systems including quarterly summary reports on performance related to the UISP component • Provide implementation assistance support to municipalities as may be required • Undertake structured and other visits to municipalities as is necessary • Facilitate regular interaction between DHS and municipalities • Submit a report on the status of informal settlements and their categorisation (in terms of the National Upgrading Support Programme's methodology) to National Treasury by 31 July 2020 • Identify lessons from the preparation and implementation of this component and use these to inform the design of the proposed new grant for informal settlement upgrading
	Responsibilities of municipalities • Submit 2019/20 evaluation reports in terms of the USDG performance matrix, as contained in the SDBIP, to the transferring officer • Metropolitan municipalities may replace non-performing projects with performing projects providing a similar infrastructure that fulfils the same policy objectives. This replacement should not jeopardise the achievement of the overall MTSF targets committed to by the municipality • Changes to the approved project list may only be made once a quarter and the metro must notify the DHS in writing and provide all the relevant details of the new project within 30 days after the end of the quarter • Submit monthly financial reports, as contemplated in section 71(5) of the MFMA, within 10 working days after the end of each month indicating reasons for deviations and remedial actions. Such reports must be submitted to the national department, provincial departments and National Treasury • Ensure that the USDG performance matrix is consistent and aligned with national priorities and provincial human settlements plans • Comply with the terms and conditions of the receiving officer outlined in the Division of Revenue Act • Municipalities should request the roll-over of unspent funds through National Treasury and inform the transferring officer of all processes regarding the request • Ensure effective and efficient utilisation of the grant and alignment to the purpose and outputs of the grant • Ensure compliance with required intergovernmental forums, reporting, and accountability frameworks for human settlements • Ensure that the USDG is used to meet municipality MTSF targets **UISP component** • Initiate, plan and formulate applications for projects relating to the upgrading of informal settlements, which in the case of municipalities that are not accredited, must be in collaboration with the relevant provincial department • Request assistance from the provincial department on any of the matters concerned if the municipality lacks the capacity, resources or expertise • Submit a detailed application for NUSP technical support to the national Department of Human Settlements • Submit the final business plans by 29 May 2020 • Implement approved projects in accordance with UISP plans approved by the national department • Fast-track the planning approval processes for informal settlements upgrading projects • Assume ownership of the engineering services installed • Manage, operate and maintain settlement areas developed under this programme • Coordinate and facilitate the provision of bulk and connector engineering services (including through funding from the main USDG) • Submit a report on the status of informal settlements in their municipal area and their categorisation (in terms of the National Upgrading Support Programme's methodology) to DHS by 29 May 2020 • Identify lessons from the implementation of this component and share these with DHS • Prepare and submit quarterly reports (financial and non-financial) on projects funded through this component using the template prescribed
Process for approval of 2021/22 business plans	• Municipalities must submit a comprehensive USDG plan (based on circular 88 indicators) with targets aligned to the MTSF, IDP and SDBIP and a draft and/or approved municipal budget • Municipalities must submit their first draft of the USDG plan to the transferring officer by 26 March 2021 and the final USDG plan should be submitted by 29 May 2021 **UISP component/new grant** • Municipalities must prepare a municipality-wide Informal Settlement Upgrading Strategy (aligned to their BEPP, if applicable) that sets out the city's approach to informal settlement upgrading and management and how settlements are categorised and will be prioritised for upgrading. A draft of this plan must be submitted to DHS by 30 October 2020. DHS will provide comments by 30 November 2020. A final plan must be adopted by council by 29 January 2021 • Draft business plans, accompanied by Informal Settlement Upgrading Plans as an annexure for each settlement to be upgraded in 2021/22 must be submitted to the National Department by 29 January 2021 The DHS will provide comments by 16 March 2021 • Final business plans must be submitted by not later than 15 April 2021