



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

URBAN SETTLEMENTS DEVELOPMENT GRANT (USDG) FRAMEWORK 2024/25

Urban Settlements Development Grant	
Transferring department	<ul style="list-style-type: none"> Human Settlements (Vote 33)
Grant schedule	<ul style="list-style-type: none"> Schedule 4, Part B
Strategic goal	<ul style="list-style-type: none"> The creation of sustainable, reliable, quality infrastructure asset base to enable the development of integrated urban settlements that enable improved quality of household life
Grant purpose	<ul style="list-style-type: none"> To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development
Outcome statements	<ul style="list-style-type: none"> The outcomes to be realised in order to promote integrated sustainable urban settlements and improved quality of living environments are as follows: <ul style="list-style-type: none"> supporting inclusive densification and transit-oriented urban development, integrating existing and new urban developments increased investment in existing and new bulk and distribution for urban developments improved quality of water and sanitation services increased bulk infrastructure capacity for municipal services 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 provision of resources for sustainable community development for social and economic infrastructure and meaningful participation
Outputs	<ul style="list-style-type: none"> The following outputs should be funded by the grant to support the improvement of the overall built environment: <ul style="list-style-type: none"> increased annual investment in renewal (rehabilitation and/or replacement) and expansion in municipal bulk and distribution infrastructure increase in municipal bulk and link infrastructure increase in access to public and socio-economic amenities construction/provision of internal engineering services, including backyarders and densification overlay zones increase in land provision for informal settlement upgrading subsidised housing, or mixed-use developments in support of approved human settlements and other urban developments
Priority of government that this grant primarily contributes to	<ul style="list-style-type: none"> Priority 2: Economic transformation and job creation Priority 5: Spatial integration, human settlements and local government
Details contained in the business plan	<ul style="list-style-type: none"> This grant uses the Urban Settlements Development Grant (USDG) plan (containing a project list with project names, project descriptions, infrastructure classification, Geographic Information System (GIS) coordinates and wards in which projects are being developed. 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 Name of the grant or fund for which USDG acts as supplementary, per project Approved project budget and total project expenditure to date
Conditions	<ul style="list-style-type: none"> Municipalities must submit a USDG plan 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 Municipalities must prioritise critical water, sanitation, roads, storm water and electricity projects The flow of the first tranche is conditional upon: <ul style="list-style-type: none"> approval of the municipal USDG business plan by the DHS submission of the 2023/24 third quarter financial performance signed off by the municipal accounting officer or duly delegated official and non-financial information in line with the requirements set out in the Municipal Finance Management Act (MFMA) circular 88 submission of a final USDG plan that is aligned to the municipal IDP, SDBIP and national priorities by 15 April 2024 The flow of the second tranche will be conditional upon the submission of the 2023/24 fourth quarter financial performance signed off by the municipal accounting officer and/or duly delegated authority and non-financial information as per the requirements set out in the MFMA circular 88 The flow of the third tranche will be conditional upon submission of second quarter financial performance signed off by the municipal accounting officer or duly delegated authority and non-financial information as per the requirements set out in the MFMA circular 88 A maximum of 5 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 issued by DHS Municipalities must indicate the amounts of their annual allocations for spending on the identified national priority projects as approved by the National Department Municipalities must prioritise the implementation of projects that are in the gazetted Priority Human Settlements and Housing Development Areas subject to these projects being included in the municipal IDP Municipalities may request in writing to the transferring officer to amend the approved business plans during the mid-term adjustment period. Approval is subject to the transferring officer's concurrence. The following factors must be taken into consideration in the amendment of the business plans:

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	<ul style="list-style-type: none"> the total grant allocation and delivery targets should be maintained unless the allocation has been stopped or reallocated in terms of sections 18 and 19 of the 2024 Division of Revenue Act (DoRA) no new projects are to be introduced into the business plan without approval by the transferring officer With approval by the transferring officer, municipalities may utilise funding for the procurement of specialised waste management vehicles servicing the poor. Municipalities must complete a technical assessment report (TAR) which must comply with the norms and standards for specialised waste management vehicles. The TAR must demonstrate that funds will solely be used for the expansion of waste management services to poor households previously under-served An amount of R772 million in 2024/25 is ring-fenced for projects conditionally approved through the Budget Facility for Infrastructure (BFI). The following amounts per municipality must be used in 2024/25, as conditionally approved by the BFI committee: <ul style="list-style-type: none"> R118 million for eThekweni Metropolitan Municipality for the implementation of phase 1 of the Avoca Node Programme R654 million for the City of Johannesburg for the implementation of the Lufhereng Mixed Use Development Programme Should there be cost variations of more than 10 per cent on a Budget Facility for Infrastructure funded projects, the relevant municipality is required to inform the National Treasury and the transferring officer within 30 days of confirming the cost variations <p>Water financing component</p> <ul style="list-style-type: none"> Municipalities must submit the following to the transferring officer and the National Treasury to qualify for making an application for the financing component: <ul style="list-style-type: none"> a council approved water turnaround strategy by 31 July 2024 a roadmap on the institutional reforms for improved management and governance by 30 September 2024 a water and sanitation services business and investment plan that is consistent with the water services development plan by 30 September 2024
Allocation criteria	<ul style="list-style-type: none"> 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 2024 Division of Revenue Bill. The formula incorporates household backlogs in basic services and access to socio-economic services and poverty-weighted data The BFI allocations ring-fenced in this grant are application-based
Reasons not incorporated in equitable share	<ul style="list-style-type: none"> 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	<p>2022/23 audited financial outcomes</p> <ul style="list-style-type: none"> Of the R7.5 billion allocated, R7.3 billion was transferred to municipalities; and R3.6 billion (49 per cent) was spent <p>2022/23 service delivery performance</p> <ul style="list-style-type: none"> Service delivery performance is as indicated in the performance evaluation reports for 2022/23
Projected life	<ul style="list-style-type: none"> This grant continues until 2026/27, subject to review
MTEF allocations	<ul style="list-style-type: none"> 2024/25: R8.7 billion; 2025/26: R9.2 billion and 2026/27: R9.8 billion
Payment schedule	<ul style="list-style-type: none"> Transfers will be made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	<p>Responsibilities of the national department</p> <ul style="list-style-type: none"> 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 including but not limited to oversight visits to municipalities as may be necessary, facilitate strategic and spatial planning support related to urban development Publish a guideline by 30 March 2024 on how municipalities should use capacity funds from this grant Ensure collaboration between provinces and municipalities to promote area-based planning, budgeting and funding alignment as well as implementation support, where applicable 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 Participate in the municipal budget benchmarking process as and when indicated by the National Treasury The transferring officer should design and distribute a template by 1 July 2024 to be signed by a municipal manager or a delegated officer to be submitted with monthly and quarterly reports by metropolitan municipalities The review of revised business plans must be finalised by the DHS within 14 days of submission by the municipality Use this grant to leverage alternative financing mechanisms/instruments <p>Responsibilities of other national sector departments</p> <ul style="list-style-type: none"> 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 municipalities in line with the requirements set out in the MFMA circular 88

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	<ul style="list-style-type: none"> National Treasury will issue a guidance note by 1 April 2024, on requirements for turnaround strategies, institutional reforms and business plans for the water financing component <p>Responsibilities of municipalities</p> <ul style="list-style-type: none"> Complete the business plan template and ensure accurate information and data is provided Metropolitan municipalities may replace non-performing projects with performing projects providing a similar infrastructure that fulfils the same policy objectives. The performing projects should be from the approved business plans and the replacement should not jeopardise the achievement of the overall MTSF targets committed to by the municipality Changes to the project list of the approved business plan and within the same and related function must be reported quarterly to the DHS in writing and provide all the relevant details of the new project within 30 days after the end of the quarter Comply with the terms and conditions of the receiving officer outlined in the 2024 DoRA 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 municipal priorities Municipalities should submit a signed letter by a municipal manager or a delegated authorised person as an attachment to the monthly and quarterly reports Municipalities must report on the percentage of their allocations spent on service provided by companies owned by designated groups on a quarterly basis Municipalities must adhere to section 16 of the 2024 DoRA Municipalities must report quarterly on projects funded, in line with the requirements of the MFMA circular 88. Reporting must include financial and non-financial performance on progress against UISP plans, using the template prescribed by the DHS Municipalities must submit the financial performance reports within 10 working days after the end of the month Use this grant to leverage alternative financing mechanisms/instruments
Process for approval of 2025/26 business plans	<ul style="list-style-type: none"> Municipalities must submit a comprehensive draft USDG plan (based on MFMA circular 88 indicators) with targets aligned to the MTSF, IDP and SDBIP and a draft and/or approved municipal budget to the transferring officer for comment, by 15 February 2025 The revised USDG plan should be submitted by 15 April 2025 The business plan will be finalised before the start of the municipal financial year