

# URBAN SETTLEMENTS DEVELOPMENT GRANT: SALGA



human settlements

Department:  
Human Settlements  
REPUBLIC OF SOUTH AFRICA

Houses • Security • Comfort



# STRATEGIC GOAL, GRANT PURPOSE & OUTCOME STATEMENT

- **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



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USDG Grant Framework 2020

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# STRATEGIC GOAL, GRANT PURPOSE & OUTCOME STATEMENT

- **Outcome statements**
- The outcomes to be realised in order to promote integrated sustainable urban settlements and improved quality of living environments are as follows:
  - supporting **inclusive densification and transit-oriented** urban development, integrating existing and new urban developments
  - provision of **adequate bulk and link infrastructure for mixed-income** and mixed-use urban developments
  - 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-1

- The following outputs should be funded by the grant to support the improvement of the overall built environment:
  - o increase in **municipal bulk and link infrastructure**
  - o **construction/provision of internal engineering services**, including backyarders and densification overlay zones
  - 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**, subsidized 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**
  - o increase in **number of community agreements**

# OUTPUTS-1

## Response to the COVID-19 pandemic

- 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

# USDG Expenditure as at 28 February 2022

METROS	Voted Funds	Rollover from 2020/21 financial year	Total Available Funds	Transferred Funds	USDG EXPENDITURE (01 JULY 2021 - 28 FEBRUARY 2022)						
					Spent by Municipality	Unspent against Total Available Funds	Unspent against Transferred Funds	% Spent against Total Available Funds	% Spent against transferred Funds	% Unspent against Total Available Funds	% Unspent against Transferred Funds
R'000											
Buffalo City	499 705	-	499 705	499 705	247 408	252 297	252 297	49,5	49,5	50,5	50,5
Nelson Mandela Bay	593 145	-	593 145	272 704	236 289	356 856	36 415	39,8	86,6	60,2	13,4
Mangaung	495 269	4 092	499 361	495 269	341 886	157 475	153 383	68,5	69,0	31,5	31,0
City of Ekurhuleni	1 291 347	3 097	1 294 444	581 106	422 420	872 024	158 686	32,6	72,7	67,4	27,3
City of Johannesburg	1 213 099	-	1 213 099	847 565	571 122	641 977	276 443	47,1	67,4	52,9	32,6
City of Tshwane	1 051 557	-	1 051 557	1 051 557	475 026	576 531	576 531	45,2	45,2	54,8	54,8
eThekweni	1 288 158	-	1 288 158	1 288 158	641 581	646 577	646 577	49,8	49,8	50,2	50,2
City of Cape Town	972 431	52 242	1 024 673	972 431	551 673	473 000	420 758	53,8	56,7	46,2	43,3
<b>Total</b>	<b>7 404 711</b>	<b>59 431</b>	<b>7 464 142</b>	<b>6 008 495</b>	<b>3 487 405</b>	<b>3 976 737</b>	<b>2 521 090</b>	<b>46,7</b>	<b>58,0</b>	<b>53,3</b>	<b>42,0</b>

- Three tranches amounting to R6 billion were transferred to Metros with the exception of City of Ekurhuleni, City of Johannesburg and Nelson Mandela Bay.
- expenditure as at 28 February 2022 amounts to R3,5 billion (47%) of available funds. With the exception of Mangaung and City of Cape Town, all other Metros spent under 50% of available funds, with possibilities of underspending by the financial year end.
- Due to the concerning persistent low expenditure of 3 Metros: Nelson Mandela Bay (NMB); City of Ekurhuleni (COE) and City of Johannesburg (COJ), letters on the intention to withhold the 3<sup>rd</sup> tranches dated 28 January 2022, were issued: NMB (R320,4 million), COE (R710,2 million) and COJ (R365,5 million) in terms of Section 17(1)(c) of the DoRA. In response:
  - NMB indicated that, the under expenditure was due to the local government elections, ward boundaries amendments and late adoption of the budget. he Metro also confirmed its confidence to fully spend its 2021/22 allocation.
  - COJ provided reasons that, funds will be spent in the financial year and withholding any funds would jeopardise current projects.
  - COE cited challenges on projects, however that the funds will be spent in this financial year.

# USDG Stopping and Reallocations/ Way Forward

- The National Department forwarded letters to the National Treasury (NT):
  - ❑ Informing NT of the Department's intention to withhold 3<sup>rd</sup> tranches of NMB (R320 million), COE (R710 million) and COJ (R366 million). The 3<sup>rd</sup> tranche payments to all Metros with the exception of COE, COJ and NMB were transferred on 24 February 2022 .
  - ❑ Requesting further engagements with the three (3) Metros (Ekurhuleni, NMBM and COJ) to discuss their Recovery Plans, in order to make recommendations to the Minister and Director-General for approval by National Treasury.
  - ❑ Recovery plans were discussed with the Metros .
  - ❑ A portion of the 3<sup>rd</sup> tranche payment of i.e. R300 million be stopped from Ekurhuleni Metro, and be re-allocated in terms of section 18(1) of DoRA; however
- National Treasury has however, in terms of Section 18 of DoRA:
  - ❑ Through letters dated 15 February 2022, informed the 3 Metros (COE, COJ and NMB) of the intention to withhold their 3<sup>rd</sup> tranches as follows: COE (R300 million); COJ (R83,2 million); and NMB (R44,5 million). The municipalities had 7 days within which to respond.
  - ❑ The total amount proposed for stopping is R427,7 million.
  - ❑ Suggested that R300 million to be stopped from Ekurhuleni be reallocated to a performing metro.

# USDG Funds utilisation per metro

Departments/ Services	Buffalo City	Nelson Mandela Bay	Mangaung	City of Ekurhuleni	City of Johannesburg	City of Tshwane	eThekweni	City of Cape Town	Consolidation		
	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Total available Funds	Total Expenditure	
	R'000										
Land acquisition and Property acquisition									- 111 542	139 830	111 542
Housing and Human Settlements	59 902	13 174	50 249	121 937	280 652	99 447	23 638	144 491	1 815 275	793 490	
Roads and Stormwater	85 669	17 182	120 511	103 646	65 517	80 560	181 514	35 130,0	1 184 112	689 729	
Transport	16 753						15 922	1 189	119 377	33 864	
Water and Sanitation/sewer services	58 792	168 205	131 127	183 789	159 873	195 972	167 387	157 356	2 993 985	1 222 501	
Electricity and energy	-	28 160	18 828	-	57 089	67 500	172 056	1 700	705 588	345 333	
Socio Economic Amenities	10 888	9 568	8 343		7 991		53 722	25 505	261 688	116 017	
Waste Management/ Refuse									1 900	-	
Solid Waste							27 342		74 278	27 342	
EPMO(3% OPSCAP)	15 404	-	12 828	13 048		31 547		17 049	114 336	89 876	
VAT - City of Cape Town								57 711	53 773	57 711,0	
Roll-overs									-	-	
<b>Total</b>	<b>247 408</b>	<b>236 289</b>	<b>341 886</b>	<b>422 420</b>	<b>571 122</b>	<b>475 026</b>	<b>641 581</b>	<b>551 673</b>	<b>7 464 142</b>	<b>3 487 405</b>	



# USDG Funds utilisation: consolidated

## FUNDS UTILISATION AS AT 28 FEBRUARY 2022

Description	% of Total Allocated Budget	Spent by Municipality	% Spent	Variance	% Unspent
		R'000		R'000	
Land acquisition and Property acquisition	1,9	111 542	79,8	28 288	20,2
Housing and Human Settlements	24,4	793 490	43,9	1 012 680	56,1
Roads and Stormwater	16,0	689 729	58,3	494 323	41,7
Transport	1,6	33 864	28,4	85 513	71,6
Water and Sanitation	40,0	1 222 501	41,3	1 739 558	58,7
Electricity	9,5	345 333	49,1	357 944	50,9
Socio Economic Amenities	3,5	116 017	44,7	143 645	55,3
Waste Management/ Refuse	0,0	-	-	1 900	100
Solid Waste	1,0	27 342	36,8	46 936	63,2
EPMO(3% OPSCAP)	1,5	89 876	78,6	24 460	21,4
VAT - City of Cape Town	0,6	57 711	-	- 10 752	-23
<b>Total</b>	<b>100</b>	<b>3 487 405</b>	<b>47,1</b>	<b>3 924 495</b>	<b>52,9</b>

# OVERALL CHALLENGES ENCOUNTERED BY METROS-USDG

- Procurement processes
  - Centralized procurement units in the Metros
  - Lack of adequate capacity within scm units
  - Late submission of annual procurement plans
  - Legal objections to outcomes of adjudicated bids
  - Inability to timely processes massive number of responses from bidders
- Inability to source and maintain the essential technical capacity –engineering, town planning, quantity surveyors, etc.
  - Technically capacitated professionals not enticed in the employ of Municipalities
  - High labour turnover rate of technical professionals
- Business groups
  - Local business groups demand stakes in the local projects
  - Not all local business groups have the skills to implement planned projects
  - Lack of political will to address the concerns of local business groups
- Lack of aligned planning with Provincial counter parts
  - There is lack of aligned planning between Provinces and Metros in the implementation of Human Settlements programmes and projects
  - Stalled and blocked projects results due to lack of aligned planning and cooperation
- Misinterpretation of grant frameworks leading to incorrect utilization of grant funds
  - Grant funds utilized elsewhere instead of in the implementation of Human Settlements programmes
  - Audit outcomes reflect misuse of grant funds leading to inadequate implementation of much needed Human Settlements projects
- Contractor performance
  - Poorly equipped contractors allocated essential work in the provision of much needed service delivery
  - Process of appointing contractors not adequately handled
- Inability or unwillingness to manage contractor performance and conduct
  - Lack of contractor management
  - Prolonged legal battles by contractors’ delays progress of project implementation

# MTEF allocations

- 22/23 R7,4 billion
- 23/24 R7,7 billion
- 24/25 R8 billion



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# Urban Settlements Development Grant (USDG) Expenditure 2020/2021

Metro	Voted Funds	Rollover from 2019/20 financial year	Adjustment (Additional Amount)	Stopping and Reallocation	Total Available Funds	YTD expenditure 30 June 2021	Unspent against total available funds	Spent against total available funds as at 31 May	Spent against total available funds as at 30 June	Unspent against total available funds
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	%	%
<b>Buffalo City</b>	687 121	223 056	-	200 000	1 110 177	1 081 995	28 182	57,9	97,5	2,5
<b>Nelson Mandela Bay</b>	815 606	-	390 274	-	1 205 880	1 064 140	141 740	45,7	88,2	11,8
<b>Mangaung</b>	681 019	151 298	-	- 300 000	532 317	512 400	19 917	67,0	96,3	3,7
<b>City of Ekurhuleni</b>	1 775 670	61 084	-	300 000	2 136 754	2 133 657	3 097	68,9	99,9	0,1
<b>City of Johannesburg</b>	1 668 076	475 565	-	- 300 000	1 843 641	1 843 641	-	71,0	100	-
<b>City of Tshwane</b>	1 445 948	-	-	100 000	1 545 948	1 538 830	7 118	68,7	99,5	0,5
<b>eThekweni</b>	1 771 286	-	-	-	1 771 286	1 771 286	-	75,9	100	-
<b>City of Cape Town</b>	1 337 145	145 023	-	-	1 482 168	1 371 091	111 077	70,8	92,5	7,5
<b>Total</b>	<b>10 181 871</b>	<b>1 056 026</b>	<b>390 274</b>		<b>-11 628 171</b>	<b>11 317 040</b>	<b>311 131</b>	<b>67,0</b>	<b>97,3</b>	<b>2,7</b>

# Urban Settlements Development Grant (USDG) Expenditure 2019/2020

METROS	Voted Funds	2018/19 Roll Over	Stopped/ Reallocated Funds	Total Available Funds	USDG EXPENDITURE (01 JULY 2019 -30 June 2020)			
					YTD Expenditure 30 June 2020	Unspent Funds against Total Available Funds	% Spent against Total Available Funds	% Unspent against Total Available Funds
					R'000			
<b>Buffalo City</b>	817 423	-	340 000	1 157 423	934 367	223 056	80,7	19,3
<b>Nelson Mandela Bay</b>	975 685	-	-	975 685	660 940	314 745	67,7	32,3
<b>Mangaung</b>	813 563	-	- 301 707	511 856	354 803	157 053	69,3	30,7
<b>City of Ekurhuleni</b>	2 092 514	-	- 120 000	1 972 514	1 884 795	87 719	95,6	4,4
<b>City of Johannesburg</b>	1 968 023	6 316	341 707	2 316 046	1 840 488	475 558	79,5	20,5
<b>City of Tshwane</b>	1 711 013	-	- 200 000	1 511 013	1 312 289	198 724	86,8	13,2
<b>eThekwini</b>	2 094 441	-	-	2 094 441	2 094 441		100	0
<b>City of Cape Town</b>	1 572 724	117 495	- 60 000	1 630 219	1 470 685	159 534	90,2	9,8
<b>Total</b>	<b>12 045 386</b>	<b>123 811</b>	<b>-</b>	<b>12 169 197</b>	<b>10 552 808</b>	<b>1 616 389</b>	<b>86,7</b>	<b>13,3</b>

# Urban Settlements Development Grant (USDG) Expenditure 2018/2019

METROS	Voted Funds	2017/18 Roll Over	Stopped/ Reallocated funds	Total Available Funds	USDG FINAL EXPENDITURE (01 JULY 2018 - 30 JUNE 2019)			
					Spent as at 30 June 2019	Unspent Funds against Total	% spent against Total Available Funds	% unspent against Total Available Funds
Buffalo City	762 992	0	200 000	962 992	963 046	- 54	100,0	0,0
Nelson Mandela Bay	905 664	0	200 000	1 105 664	1 093 582	12 082	98,9	1,1
Mangaung	756 216	0	- 49 814	706 402	578 735	127 667	81,9	18,1
City of Ekurhuleni	1 971 737	38 090	- 136 262	1 873 565	1 853 336	20 229	98,9	1,1
City of Johannesburg	1 852 262	0	0	1 852 262	1 845 946	6 316	99,7	0,3
City of Tshwane	1 605 607	41 700	- 106 055	1 541 252	1 490 362	50 890	96,7	3,3
eThekweni	1 966 869	0	- 107 869	1 859 000	1 859 000		100	-
City of Cape Town	1 484 790	0	0	1 484 790	1 306 642	178 148	88,0	12,0
<b>Total</b>	<b>11 306 137</b>	<b>79 790</b>	<b>0</b>	<b>11 385 927</b>	<b>10 990 649</b>	<b>395 278</b>	<b>96,5</b>	<b>3,5</b>

# Urban Settlements Development Grant (USDG) Expenditure 2017/2018

METROS	Voted Funds	Roll Over from 2016/17	Stopped/ Reallocated Funds	Total Available Funds	USDG EXPENDITURE (01 JULY 2017 - 30 JUNE 2018)		
					Spenty by Municipality 30 June 2018 (Final)	% Spent - 30 June 2018 (Final)	Unspent funds as at 30 June 2018 (Final)
					R'000	R'000	
Buffalo City	768 128	-	160 000	928 128	927 837	100	291
Nelson Mandela Bay	911 761	-	178 800	1 090 561	1 090 561	100	-
Mangaung	761 307	82 229	100 000	943 536	704 957	74,7	238 579
City of Ekurhuleni	1 985 010	12 098	100 000	2 097 108	1 782 384	85,0	314 724
City of Johannesburg	1 864 731	-	363 000	1 501 731	1 501 731	100	-
City of Tshwane	1 616 415	-	-	1 616 415	1 519 268	94,0	97 147
eThekwini	1 980 109	-	-	1 980 109	1 980 109	100	-
City of Cape Town	1 494 786	58 501	175 800	1 377 487	1 211 338	87,9	166 149
<b>Total</b>	<b>11 382 247</b>	<b>152 828</b>	<b>-</b>	<b>11 535 075</b>	<b>10 718 185</b>	<b>92,9</b>	<b>816 890</b>

THANK YOU



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