



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

---

**Guidelines for the implementation of the Integrated City  
Development Grant in 2013/14**

---

**May 2013**

## Table of Contents

1. Introduction and Background .....	2
1.1 The urban context and expenditure pressures.....	2
1.2 Urban and Fiscal Policy Responses .....	2
2. Catalysing spatial integration in South African cities.....	6
2.1 Approaches to spatial transformation .....	6
2.2 The Urban Networks Strategy.....	7
2.3 An outcomes-based, planning-led approach .....	9
2.4 Built Environment Performance Plans (BEPPs).....	10
3. The Integrated City Development Grant (ICDG) .....	11
3.1 Grant objective .....	12
3.2 Grant windows and approach.....	12
3.3 Targeted outputs and outcomes.....	13
3.4 Estimating the total funding envelope .....	14
3.5 Design of the grant mechanism .....	14
4. Institutional arrangements .....	18
4.1 Roles and responsibilities of National Departments .....	18
4.2 Submissions and assessment procedures.....	18
4.3 Alignment of other transfer programmes to participating municipalities .....	18
4.4 Built Environment Performance Plans (BEPPs).....	20
5. Transitional and outstanding issues.....	21
Annexure A: ICDG Framework in terms of the Division of Revenue Bill, 2013.....	22
Annexure B - Pro forma council resolution.....	24
Annexure C: BEPP format for 2014/15 .....	25
Annexure D – National indicators for built environment performance .....	28

# **1. Introduction and Background**

## **1.1 The urban context and expenditure pressures**

Census 2011 demonstrates that South African cities are continuing to experience strong population growth. While the rate of urban population growth has slowed, this is offset by an ongoing decline in the size of urban households and a shift in fertility levels that is reflected in marked growth in the 0 to 4 age cohort. High levels of youth unemployment will also limit the absorption of the (relatively smaller) 5-19 year old cohort into the labour market. These trends are likely to create significant fiscal pressure, particularly for large urban municipalities.

Globally, urbanisation has proved an unstoppable and challenging process. It generates significant opportunities for growth, poverty alleviation and environmental sustainability. This is because cities make a disproportionate contribution to productivity growth and job creation, provide economies of scale for the financing and development of major facilities, are dynamic sites of social, political and cultural interaction and fusion, and are vital in efforts to strengthen environmental sustainability. However, urban growth is also associated with growing levels of inequality, and environmental damage. These trends are very pronounced in South Africa, which is experiencing the “downside” pressures of urbanisation without managing to capture the substantial benefits of this demographic dividend.

South Africa’s urban areas face profound development challenges. These challenges are magnified by the process of urban growth, but are often rooted in the history of deep structural inequalities in South African society. They are evident in high unemployment, significant backlogs in access to adequate housing, poorly performing public transport systems, environmental degradation and low levels of citizen satisfaction. Unsurprisingly, these inequalities severely limit the opportunities available to young, poor black people in particular, and will be compounded by a poorly managed process of urban growth.

The most obvious manifestation of these challenges is evident in the spatial form of urban areas. Sprawling and highly segregated land use patterns impose significant costs on poor households and the environment, and divert public resources from poor to rich households (for example, through investments required to sustain existing urban infrastructure). High density peripheral settlements effectively exclude their inhabitants from full participation in urban life, while imposing significant economic and fiscal costs that is estimated at some 1,4% of annual GDP. As the National Development Plan has noted, public policy has often unwittingly reinforced these divides, and set them in concrete. Government is specifically responding to these challenges through developing an Integrated Urban Development Framework (IUDF).

## **1.2 Urban and Fiscal Policy Responses**

Capturing the benefits of urbanisation requires a public policy emphasis on both supporting the process of urban growth and reducing inequality, within the urban space economy. Facilitating urbanisation requires a focus on both the infrastructure and the institutions that manage them, with a particularly focus on poor and vulnerable people. Cities need to provide integrated packages of land, infrastructure and services that are critical inputs to business establishment and expansion, and they need to do these in places that capture efficiencies associated with agglomeration. Similar packages are required to provide households with the residential environments, mobility and access to opportunities that support productive activities, and reduce levels of exclusion from opportunity. Achieving these outcomes will require integration of city investments, and coordination with public investment more broadly.

Metropolitan municipalities are already assigned the most significant authority for these functions,

including land use planning and management, land acquisition and infrastructure development, human settlements management and public transport management. Many of these functions are supported by intergovernmental transfers, either directly or indirectly. Many metro's have begun to integrate their planning across these functions. However, policy uncertainties and conflicts remain in each of these functional areas, undermining the powers and accountability of municipalities for the integrated management of the built environment<sup>1</sup>. Building more inclusionary, efficient and sustainable cities requires a strengthening of the role of metropolitan municipalities to manage strategic spatial planning and integrate public interventions in urban land development processes, public transport management and economic development. It also requires a renewed focus on securing adequate public resources to finance associated investments, and using this to crowd-in private finance for shared growth and development.

Fiscal policy towards metropolitan municipalities has evolved quite considerably since the restructuring of local government in 2000. There has been strong real growth in transfers to metropolitan municipalities, leading to growing grant dependence (12.4% of total revenues) particularly on capital grants. New instruments introduced include:

- a) The Urban Settlements Development Grant, which emerged as a dedicated human settlements programme for metros out of the Municipal Infrastructure Grant (and the interim MIG-Cities arrangement)
- b) The Public Transport Infrastructure and Systems Grant, which was introduced as part of the package of funding for the 2010 World Cup, and the Public transport network operations grant
- c) The Neighbourhood Development Partnership Grant, which focuses on economic development in townships
- d) A series of incentives, such as tax incentives for regeneration in specified urban development zones and additional grant financing in social housing restructuring zones. Other tax expenditures may also exist or be introduced, particular for housing. Related measures include local content requirements recently introduced by *the dti*.

While many of these instruments have reference Spatial Development Frameworks at municipal level, they often remained disjointed from metropolitan spatial development strategies.

**Table 1: Selected national transfers to Category A municipalities, 2013/14 – 2015/16**

Medium-term estimates (R million)	2013/14	2014/15	2015/16
<b>Equitable share and related</b>	<b>10 493</b>	<b>11 453</b>	<b>12 547</b>
<b>Fuel levy sharing</b>	<b>9 613</b>	<b>10 190</b>	<b>10 659</b>
<b>Infrastructure</b>	<b>13 532</b>	<b>15 596</b>	<b>16 452</b>
Urban settlement development grant	9 077	10 335	10 700
Public transport infrastructure and systems grant	3 655	4 269	4 473
Integrated national electrification programme grant	276	245	425
Integrated national electrification programme grant (indirect via Eskom)	227	292	359
Neighbourhood development partnership grant (capital)	298	455	495
<b>Capacity building and other</b>	<b>1 133</b>	<b>925</b>	<b>1 075</b>
Public transport network operations grant	792	694	818
Expanded public works programme incentive grant	236		
Energy efficiency and demand-side management grant	40	40	60
Integrated city development grant	40	150	150
Neighbourhood development partnership grant (indirect technical assistance)	25	40	47
<b>Total</b>	<b>34 772</b>	<b>38 164</b>	<b>40 732</b>

<sup>1</sup> Government is taking steps to address these uncertainties, such as through the development of an Integrated Urban Development Framework.

Other than tax expenditures, each of these programmes provides (largely) infrastructure funding to support capital spending by metros. These are focussed on discrete outputs that are related to sectoral priorities, such as the production of serviced land (USDG), investment in BRT infrastructure (PTISG) or the development of township economic nodes (NDPG), but are largely measured in terms of the number of “units” produced. These programmes also operate alongside existing programmes, many of which flow via provinces. These include the bus subsidies (now the Public Transport Operating Grant to provinces), rail subsidies (to PRASA), the Integrated Housing and Human Settlements Grant that provides housing subsidies in various forms, and the Regional Bulk Infrastructure Grant. More recently, the Presidential Infrastructure Coordinating Committee has developed the Special Infrastructure Programme 7 (SIP 7) that proposes a raft of urban infrastructure investments.

This focus on physical outputs in each sector has often resulted in the cumulative developmental impact of these investments being difficult to measure – and perhaps sub-optimal, or no more than the sum of their parts. Each of these programmes has required municipalities to respond to their specific needs and priorities, weakening their ability to pursue integrated development strategies that address desired developmental outcomes, such as spatial transformation and economic development. It has also resulted in gaps in the funding framework.

These gaps emerge from:

- a) The relatively lower priority accorded by metros to maintaining existing infrastructure, resulting in rising maintenance backlogs and operating costs;
- b) Medium term spending pressures created by current investment programmes. This is particularly the case with the need for new public transport operating subsidies to sustain BRT systems, and property rates rebates and free basic services for public housing projects.
- c) Long term spending pressures created by the poor spatial integration of investment programmes, and the resulting highly inefficient and inequitable spatial form of cities
- d) An inability to effectively use public investment to crowd-in (leverage) private fixed investment by firms and households in urban areas.

Most grant programmes have recognised these problems, resulting in attempts to introduce higher order objectives in each grant alongside a focus on specific outputs. The Neighbourhood Development Partnership Grant (NDPG) has been restructured to focus on the planning and development of township economic nodes, locating them within broader “urban networks”, and has had significant success in leveraging private fixed investment. The PTISG has promoted Transit-Oriented Development Planning, while the USDG has sought to promote improved built environment performance.

The limited leverage that individual grant programmes have on spatial form has resulted in limited success with this approach. Individual grant programmes are: (i) comparatively small relative to the size of total public and private investment in the urban built environment; (ii) under pressure to deliver specific and measurable outputs that correlate with the resources provided in each financial year (“the numbers game”); and (iii) not able to directly address regulatory and planning weaknesses that continue to perpetuate the current spatial development trajectory.

Moreover, these programmes are individually unable to shift the powerful incentives to focus on the short term focus on delivery of infrastructure that are faced by city leadership, national

departments, developers, financiers and communities. This is despite the consensus that the outcomes of this approach remain exclusionary, and are inefficient and ultimately unsustainable. The complex, multi-disciplinary challenge of restructuring the urban spatial form to build more sustainable, productive, liveable and inclusive cities has thus been delayed into the long term.

## 2. Catalysing spatial integration in South African cities

The 'second generation' challenge is to build more sustainable, productive, liveable and inclusive cities. This requires metros to more actively integrate public investments in the built environment, and is being supported by a legal process of devolving human settlements functions to metropolitan municipalities through housing accreditation and assignment, strengthening their role in public transport management through the implementation of the National Land Transport Act, and confirming their leading role in land use management in the Spatial Planning and Land Use Management Bill.

### 2.1 Approaches to spatial transformation

The **National Development Plan** emphasizes the importance of transforming the spatial pattern of South African cities. This recognises that the sprawling, low density and segregated land use patterns in South African cities are both inefficient and highly inequitable. Moreover, it responds to the critique that public investments since 1994 have largely reinforced this apartheid spatial form and impose significant costs on the fiscus and on poor households. It recommends a new, spatially-focussed approach that encourages integrated investment, led by cities, through a far stronger emphasis on the location of infrastructure and human settlements and the resulting spatial form of cities. The NDP specifically recommends a restructuring of fiscal arrangements to support this goal.

This basic approach is strongly supported by the **City Support Programme (CSP)** that was announced in the 2012/13 budget. It has also been repeatedly emphasized by metros themselves, during various meetings of the City Budget Forum. The CSP proposes a systematic approach to create incentives for cities to address the issue of urban spatial form, and specifically to weaken existing incentives that perpetuate the inequality and inefficiency of the apartheid city, through coordinating funding programmes and linking these to national regulatory reforms in the built environment and specific capacity support measures to assist cities<sup>2</sup>. The CSP recognises that metropolitan municipalities have significant own source revenues and borrowing powers that must be leveraged to support spatial transformation priorities, and must assume a leading role in the management of the urban built environment rather than solely for delivering pre-specified outputs related to access to basic services. Metro's have significant (though variable) capacity to execute the functions already assigned to them, and should be held accountable for the achievement of desired built environment outcomes. While they will clearly require some forms of capacity support (particularly associated with newly transferred functions), as well as enabling regulatory reforms, these alone are insufficient. They **should also be judged and rewarded for their performance** in achieving developmental outcomes.

The **Neighbourhood Development Partnership Programme** has also emphasized the importance of emphasising the critical role of public investment in leveraging private responses within a spatial framework. The associated **Urban Networks Strategy** promotes the established principles of land use clustering and strengthening connectivity that can be pursued through the better coordination and targeting of all public investments across primary and secondary urban networks.

**Metropolitan municipalities** themselves have also begun to pay renewed attention to spatial development at various scales, and are positioning themselves to assume greater authority over

---

<sup>2</sup> The CSP approach is detailed in a Framework Document that has been developed through extensive consultations with stakeholders. This expands on the specific regulatory reforms, capacity support measures and fiscal instruments required to induce spatial restructuring. It provides detailed strategies in four areas, namely: (i) Core City Governance Reforms (including spatial planning, infrastructure financing and management and urban economic development); (ii) Human Settlements; (iii) Public Transport; and (iv) Sustainability and Climate Resilience.

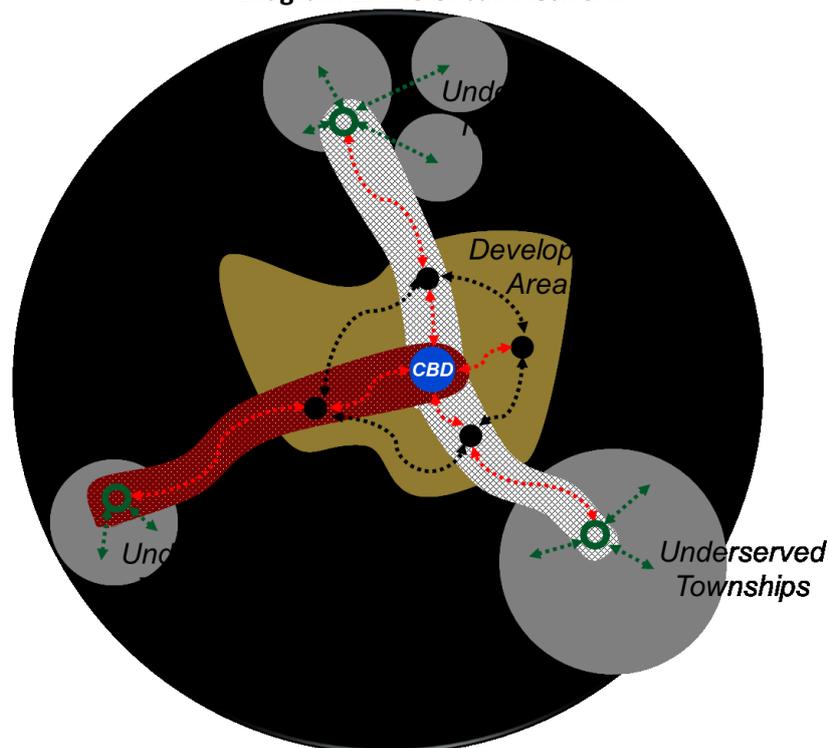
built environment functions. Municipal Spatial Development Frameworks, human settlements programmes, public transport interventions and area-based management strategies, while often innovative, are often fragmented and lack adequate leverage over other public sector interventions, particularly those of other spheres of government.

## 2.2 The Urban Networks Strategy

These approaches of spatial targeting (NDP), coordinated intervention (CSP) and spatial integration (NDPG) are highly complementary with the basic thrust of municipal plans. Collectively they emphasize the importance of coordinated public intervention in defined spatial locations within the city, in order to maximise the leverage of public resources on the spatial form of cities. The Urban Network Strategy (UNS) is the spatial approach adopted by the CSP to achieve these objectives. The UNS directs the spatial targeting of investment in order to optimise social and economic development objectives.

The Urban Networks Strategy is a transit oriented precinct investment planning, development and management approach. Its focus is on strategic spatial transformation that optimises access to social and economic opportunities for all and especially the poor. It aims to work towards a more efficient urban environment that creates an enabling environment for economic growth and development.

Diagram 1: The Urban Network



The Urban Network consists of a primary network and a number of secondary networks:

- a) At the primary network level (or city scale), the strategy proposes the identification of a limited number of significant urban nodes that include both traditional centres of economic activity (such as the existing CBD) and new “Urban Hubs” located within each township or cluster of townships. It also emphasizes the importance of connectivity between nodes, through the provision of rapid and cost effective public transport on the primary network and the delineation of activity corridors for future densification and infill development adjacent to the public transport routes
- b) At the secondary network level, the strategy proposes strengthening connectivity between

smaller township centres and identified urban hubs.

**Integration Zones are prioritised spatial focus areas within the urban network that provide opportunities for coordinated public intervention to promote more inclusive, efficient and sustainable forms of urban development. These interventions are likely to include investment programmes, enhanced delivery of services, asset maintenance and regulatory changes. Integration Zones are anticipated to have the following characteristics:**

- a) At a **spatial level**, integration zones consist of identified township hubs (urban hubs), primary transport linkages and activity corridors connecting these hubs to established urban nodes and the CBD. The Urban Hubs are also connected to secondary townships nodes via secondary transport linkages
- b) At an **economic level**, these zones must provide opportunities to leverage private investment by households or firms based on strategic spatial targeting in the hierarchy of network nodes, including through the use of available tax and investment incentives associated with the Urban Development Zones and Social Housing Restructuring Zones.
- c) At a **social level**, these zones should include opportunities to break down the segregated, exclusive nature of South African cities, through promoting inclusion of historically disadvantaged and vulnerable communities, and supporting interaction across the historical divides of race and class in South African cities.
- d) At a **programme level** these zones include opportunities or requirements for catalytic public investment in:
  - Core urban infrastructure services, such as bulk and connector water, sanitation, energy or solid waste infrastructure
  - Land and human settlements development, including opportunities for land development and release, public and social housing, and upgrading of informal settlements
  - Economic infrastructure investments, such as upgrading of business districts, the provision of improved street and pavement infrastructure and open space systems.
  - Public transport infrastructure and services

The identification of integration zones will serve two purposes. Firstly, it will allow significant public interventions to be focussed in an identified spatial context in order to leverage a private investment response and measurable changes to the urban spatial form. Secondly, it will enable all spheres of government to measure and manage the form and pace of change in spatial form. In particular, the fiscal framework will increasingly seek to reward those municipalities that are able to demonstrate measurable progress in transforming the spatial form of their cities in line with national development priorities.

#### **Planning Toolkits**

The National Treasury will provide additional guidance to municipalities to identify and plan for:

- The Primary Network
- Urban Hub
- CBD
- Activity Corridors
- Precinct Management

These will form part of series of toolkits being developed by the Neighbourhood Development Partnership Programme. The purpose of the toolkits is to provide practical guidance on the features of the urban network, including integration zones and the public policy and planning tools that are

available.

Many municipalities already have experience in area-based planning, intervention or management that will be invaluable to this exercise at both a conceptual and practical level. The identification and planning of the urban network and integration zones will provide an opportunity for these municipalities to review, prioritise and strengthen their planning, and communicate this clearly to other public and private entities.

It is well understood that public investments in the urban built environment must still address core infrastructure, human settlements and public transport requirements across all areas of a city. However, to ensure that these investments achieve desired integrated development outcomes for cities, do not perpetuate exclusion and inefficiency, or create long term fiscal problems, they must **also** address:

- a) The spatial location of investments
- b) Land use planning and management systems that determine where and how these sectoral investments occur;
- c) The need for greater resilience to the effects of climate change; and
- d) Core municipal governance systems, to ensure that the limited public resources that are available are used efficiently and effectively.

#### **A note on terminology**

While the standardisation of terms and definitions does reduce confusion and assist coordination, there is no requirement for the use of specific terminology by municipalities, provided that there is no substantive variance in meanings. This approach recognises that many municipalities have or are in the process of developing strategies that are already highly complementary with the objectives and approach of the Urban Networks Strategy.

### **2.3 An outcomes-based, planning-led approach**

The City Support Programme has already begun to assist metropolitan municipalities to define and establish a set of performance indicators that are able to effectively measure **intermediate results and outcomes for the development of more productive, liveable, inclusive and sustainable cities**.

The early definition of these indicators is essential for any credible strategies, plans and programmes that intend to have a measurable impact on the performance of the urban built environment.

These indicators will serve a number of purposes, including:

- a) Informing city level planning, specifically in relation to interventions in the identified urban network but also more broadly. They will eventually need to be mainstreamed into city planning instruments, such as Integrated Development Plans, Municipal Spatial Development Frameworks, Medium Term Revenue and Expenditure Frameworks, and Service Delivery and Budget Implementation Plans;
- b) Determining institutional capability gaps or priorities in the city, that can form the basis for a strategic set of capacity support activities;
- c) Providing the basis for the introduction of fiscal performance incentives (including those associated with the Integrated City Development Grant); and
- d) Strengthening “all-of-government” monitoring of progress towards these outcomes, including contributing to overall (Presidential, NDP) outcome indicators.

A process is underway to finalise these indicators during 2013/14. A generic set of national indicators will then be incorporated in these guidelines, as Annexure C.

## **2.4 Built Environment Performance Plans (BEPPs)**

Alongside the ICDG initiative, the Urban Settlements Development Grant has introduced the concept of **Built Environment Performance Plans (BEPPs)** that present consolidated information on the built environment plans and programmes of municipalities, in relation to existing municipal plans.

While at present confined to the operations of the Urban Settlements Development Grant, these BEPPs provide an important tool for intergovernmental planning and programming in the built environment, across a broader range of grant programmes and locally funded infrastructure investments.

Government is highly cognisant of the currently dispersed nature of planning and reporting requirements on municipalities. Built environment performance indicators and BEPPs provide an opportunity to revise and streamline current planning and reporting practices to reduce compliance burdens for municipalities, while simultaneously enhancing the quality of information and interaction. However, these changes are only possible if municipalities themselves use available instruments (from IDPs to BEPPs) to present a consolidated view of their investment needs, strategies, source of finance and programmes.

### 3. The Integrated City Development Grant (ICDG)

A new grant for metropolitan municipalities has been introduced in the 2013/14 national budget. The Integrated City Development Grant (ICDG) will provide incentives for participating municipalities who:

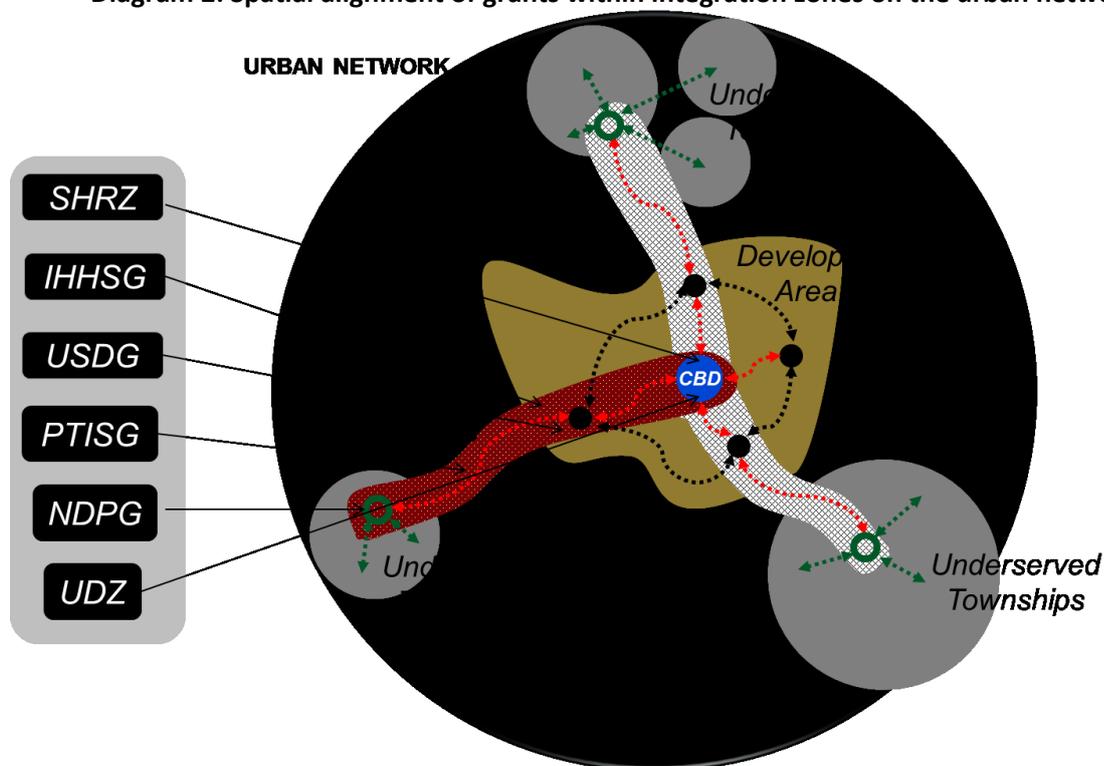
- Have defined their urban networks (including all network elements)
- Have identified specific integration zones based on spatial development objectives and network optimisation
- Define measurable performance objectives, indicators and targets

The ICDG will:

- Provide a strategic focal point for improved intergovernmental coordination, both within and between spheres of government
- Assist municipalities to plan and programme a series of catalytic investments within the identified integration zones that can be funded by existing sources of finance.
- Ensure that catalytic investments in integration zones also ensure the long-term optimization of the entire urban network
- Reward municipalities for progress with the implementation of catalytic investments and the achievement of pre-specified performance indicators.

The diagram demonstrates conceptually how investments funded by existing grant programmes can be aligned within an integration zone that is part of the urban network. It should be noted that this reflects the *relative spatial prioritisation of public investment*. In practice it is not anticipated that all investment will occur in a single zone, or even entirely within the urban network. Moreover, the prioritisation of zones is also likely to shift over time.

**Diagram 2: Spatial alignment of grants within integration zones on the urban network**



### 3.1 Grant objective

The objective of the ICDG is **to support the development of more inclusive, liveable, productive and sustainable urban built environments in metropolitan municipalities.**

The grant provides a financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments *within integration zones on the Urban Network* to achieve a more compact and inclusive urban spatial form.

### 3.2 Grant windows and approach

The ICDG will be provided through two grant windows, respectively associated with the planning and implementation of interventions in the urban built environment:

- a) **The Strategic Planning Window:** this window of the grant will be provided to eligible municipalities to support the identification, establishment and planning of integration zones with an urban network. Municipalities receiving support from this window of the grant will be required to submit a **Built Environment Performance Plan (BEPP) in a prescribed form to the National Treasury** that:
- i. **Identifies the Urban Network** and prioritises network elements based on spatial development objectives and network optimisation;
  - ii. **Identifies a limited set of integration zones** within the Urban Network, in accordance with the Urban Networks Strategy;
  - iii. **Details the measures taken to formally establish these integration zones** through: (i) amendment to relevant planning documents including Spatial Development Frameworks, Planning Schemes, Proclamations of Urban Development Zones and Social Housing Restructuring Zones; and (ii) formal council resolutions
  - iv. **Details the adopted integration strategies** for these zones that include: (i) the identification of catalytic investment projects or programmes across sectors in these zones; (ii) reforms to land use management regulations in these zones; and (iii) institutional arrangements for the effective management of public activities in these zones
  - v. **Adopts a series of pre-specified development objectives, indicators, milestones and targets** for the impartial assessment of progress in restructuring of the built environment at both the city scale and within each zone

**In addition, participating municipalities will be required to conclude an intergovernmental agreement** in terms of the City Support Programme that defines these performance objectives and the associated roles and responsibilities of national and local government.

### **Built Environment Performance Plans (BEPPs) for 2014/15**

All metropolitan municipalities will be required to prepare BEPPs for 2014/15 in the course of the 2013/14 financial year. These BEPPs must be submitted to the National Treasury, and must address planning requirements for all major built environment grants allocated to that municipality. This includes the ICDG, the USDG, the PTISG, NDPG and INEP.

The format for these BEPPs has been modified so that (i) they include specific planning and programming information for urban networks and integration zones elements, as required for the ICDG; (ii) are aligned with the built environment performance indicators and targets that are being developed in each city during 2013/14, with the support of the CSP. *The revised format for the BEPPs is outlined in Annexure C.*

The BEPPs complement and do not replace the statutory planning instruments of the municipality, such as the IDP, Spatial Development Frameworks and SDBIPs. They provide the basis for specific, measurable performance commitments, and a summary of the proposed application of all municipal resources in the built environment (including own revenues, and financial partnerships with the private sector), with a specific focus on the use of national grants, and.

- b) The Performance Incentive Window:** this window will be made available to municipalities who have already undertaken strategic planning (defined and planned their urban network and integration zones, precinct planning and project preparation (catalytic project plans) within integration zones, and have concluded an intergovernmental agreement. This window will provide performance-based funding that will reward cities for the achievement of pre-specified performance targets as identified through the Strategic Planning Window. Indicators will include measures of:
- i. **Spatial integration:** Municipalities will be rewarded for focussing their investments in these zones and complementing this with a programme of enhanced planning and regulatory reform to land use management. Over time, these rewards will emphasize the achievement of the results of these efforts, in terms of spatial form (hierarchy of network nodes, connectivity, settlement density, land and housing costs, mobility)
  - ii. **Good governance:** Effective spatial transformation requires good city governance, planning and budgeting for and executing investments, developing and maintaining sustainable revenue streams and managing assets. It also requires sufficient local consensus on the development choices made by a city. The ICDG will require cities to strengthen systems of financial management, supply chain management and citizen engagement to achieve these goals.

### **3.3 Targeted outputs and outcomes**

The ICDG responds to Presidential Outcomes 6, 8 and 9. Outcome 6 focuses on an effective, competitive and responsive economic infrastructure network, Outcome 8 focuses on sustainable human settlements and an improved quality of household life, and Outcome 9 focuses on a responsive, accountable, effective and efficient local government system.

The targeted outputs and outcomes associated with the grant will be determined in detail for each city in the course of 2013.

The targeted outcomes associated with the grant itself are<sup>3</sup>:

- Improved spatial targeting and sequencing of public investments in the urban built environment to achieve a more compact urban spatial form;
- Number of integration zones identified and formalised in participating municipalities;
- Number of spatial integration indicators, baselines and targets defined and agreed on in participating municipalities; and
- Number of strategic/catalytic projects within integration zones identified and planned by participating municipalities.

### 3.4 Estimating the total funding envelope

R40 million will be made available to eligible metros for the ICDG planning window in 2013/14. This funding will be used solely for the Strategic Planning Window of the ICDG.

The grant allocation will rise to R150 million in 2014/15 and 2015/16 as funding for the Performance Incentive Window becomes available. Allocations in these outer years may also be used in the Strategic Planning Window in the case of municipalities who are not eligible to receive the ICDG in 2013/14.

Additional allocations to the ICDG will be considered in the 2014 MTEF, with the intention of ensuring a significant portion of total capital grants to eligible municipalities are transferred on a performance-basis.

### 3.5 Design of the grant mechanism

#### a) Eligibility for the Integrated City Development Grant

Minimum eligibility criteria will be used to determine whether a municipality may receive a grant allocation in any year. If eligible, the actual allocation to an individual municipality will be subject to a performance-weighted formula (see below).

Eligibility for the grant is restricted to metropolitan municipalities<sup>4</sup>. Eligibility requirements and the determination of the eligibility of individual municipalities will be reviewed annually by the National Treasury.

For 2013/14, the eligibility requirements are as follows:

For the Strategic Planning, eligibility is restricted to metropolitan municipalities who must have:

- i. Obtained a **financially unqualified audit opinion** from the Auditor General in the 2010/11 financial year
- ii. Achieved acceptable levels of **capital expenditure performance** (reported a variance between adjusted budgeted and actual expenditures of 35% or lower to the National Treasury for the 2011/12 financial year)

For the Performance Incentive Window, eligibility is restricted to metropolitan municipalities who must have:

- i. Obtained a **financially unqualified audit opinion** from the Auditor General in the last financial year; or submit a credible and measurable financial management improvement strategy that is

---

<sup>3</sup> These grant outcomes will be reviewed once finality is reached on built environment performance indicators for cities. A process to achieve this is already underway, commencing with a workshop of cities in February 2013. These guidelines will be adjusted accordingly.

<sup>4</sup> The participation of secondary cities can be considered in later years, once the grant programme has been established and is functioning adequately.

- designed to achieve and sustain a financially unqualified audit opinion within a maximum of two financial years;
- ii. Achieved acceptable levels of **capital expenditure performance** (reported a variance between adjusted budgeted and actual expenditures of 35% or lower to the National Treasury for previous financial year);
  - iii. **Confirmed the appointments** of full time City Manager and all executive managers (no acting managers), with no more than a 6 month vacancy for any of these positions for each subsequent year of participation in the programme; and
  - iv. Submitted a BEPP in the prescribed format for the relevant financial year and signed the associated **participation agreement** for the CSP.

#### **Municipalities that are not eligible for the ICDG due to financially qualified audit opinions**

Effective financial management is a necessary condition for any credible efforts to transform the apartheid city. The scale of the challenge requires municipalities to efficiently and effectively coordinate revenue and expenditure instruments, leverage their asset bases and prudently generate liabilities to effectively manage a long term spatial transformation. A municipality that cannot account for its assets or revenues, pays its debts or manage its supply chain is highly unlikely to make any meaningful progress in transforming its built environment. A financially qualified audit opinion is a serious finding on any one of these matters. The qualification is made by a professional, objective and Constitutionally-empowered body. The opinions of the Auditor-General reflect global best practice, and are not reached lightly. Similar challenges confront any municipality that is unable to spend over one-third of its budgeted capital programme.

Municipalities that do not meet these eligibility requirements will not be excluded from the overall City Support Programme, and will continue to receive other grants. All municipalities are encouraged to undertake planning for the identification and planning of their Urban Networks and integration zones, and ineligible municipalities in 2013/14 will receive **Technical Assistance** funding via the Neighbourhood Development Partnership Programme to do so. From 2014/15, municipalities will audit qualifications will be required to submit a credible and measurable **financial management improvement strategy** that is designed to achieve and sustain an unqualified audit opinion within a maximum of two financial years.

#### **b) Allocation formula**

**Strategic Planning Window:** Allocations will be made to eligible metropolitan municipalities on a population-weighted basis in order to account for the relatively greater planning complexity and investment needs in larger metropolitan municipalities. This will be the sole variable for determining allocations in the Strategic Planning Window of the ICDG.

**Performance Incentive Window:** The base allocation to eligible municipalities in the Performance Incentive Window will also be population-weighted. This will be adjusted by a performance variable that will be measured as a percentage of performance achievements relative to indicators and targets agreed in the Strategic Planning Window. Municipalities achieving less than their pre-determined targets will receive comparatively less funding relative to their population-weighted allocation, while those achieving their targets will receive comparatively more. The reduction in allocations to under-performing municipalities will finance the additional resources granted to well-performing municipalities.

For budgeting purposes, the population-weighted allocation for individual municipalities will be

published in scheduled to the annual Division of Revenue Acts, with the allocations in the outer years subject to change due to the application of the performance variable.

The application of a performance variable is time-sensitive. Firstly, this introduces an element of uncertainty to municipalities over what their final allocations will be. However, municipalities will also be in a position to judge their own performance and estimate the effects this will have on their final allocations. Secondly, the effects of changes in performance will only be known retrospectively, once measurement has been undertaken. In most cases, performance improvements in year 1 will only be measured in year 2, and thus can only influence allocations in the third year of the grant. However, some indicators may only be subject to improvement over a longer time period, such as five years. Where possible the difference between the national and municipal financial years will be used to compress these timeframes.

### **c) Fund flow arrangements**

Annual grant allocations will be transferred by the National Treasury to the Primary Bank Account of each eligible municipality.

Transfers will occur in two equal tranches in each year. In the case of the Strategic Planning Window of the ICDG. Transfers will be made in August 2013 and November 2013 respectively.

To qualify for each transfer a participating municipality must:

*By 1 August 2013:* Submit a formal council resolution including:

- i. The approval of an intergovernmental agreement in the prescribed format to participate in the City Support Programme, including the accession to the conditions and requirements associated with the ICDG.
- ii. Identification of an Urban Network, including integration zones

*By 1 November 2013:* Submit a **Built Environment Performance Plan** in the prescribed format that includes at least one sub-metropolitan integration zone, and including:

- i. A detailed description of the integration zone, including its geographical boundaries, the rationale for its selection with reference to the Urban Networks Strategy, and the spatial development objectives associated with the zone
- ii. Details of proposed or completed adjustments to the determination of Urban Development Zones and Social Housing Restructuring Zones
- iii. Details of proposed or completed adjustments to Spatial Development Frameworks and land use management regulations applicable to the zone
- iv. Details of the identification of catalytic projects or programmes within the zone
- v. Proposed timeframes for the preparation and execution of catalytic projects or programmes within the zone;
- vi. Details of institutional arrangements required to ensure the sustainability of interventions within the zone;
- vii. Indicators, milestones and multi-year targets associated with the development objectives in the zone and at a city scale; and
- viii. Capacity support requirements

### **d) Eligible expenditures**

The Strategic Planning Window of the ICDG will support municipalities to define their Urban Networks (and identify all network elements), to identify and develop a programme within

integration zones, and to identify catalytic investments and initiatives that will trigger a process of spatial restructuring within these zones.

Funds in this window may be used at the discretion of the municipality and subject to the achievement of requirements for the transfer of funds for:

- (i) The development of built environment performance indicators associated with the City Support Programme, and the associated establishment of targets, baselines, measurement and reporting systems (including SDBIPs);
- (ii) Planning activities associated with integration zones within Urban Network, particularly as inputs to the 2014/15 BEPP;
- (iii) Policy research activities related to regulatory reform in the built environment, such as land use management reforms;
- (iv) Project preparation activities at concept, pre-feasibility or feasibility stage for catalytic projects within integration zones<sup>5</sup>; and
- (v) Project implementation for catalytic public interventions within integration zones.

The ICDG Performance Incentive Window will supplement existing sources of capital finance, and may be used for any **capital spending by a municipality on catalytic investments and initiatives within an identified integration zone** as authorised through its annual budget.

It is anticipated that metros will allocate resources to contribute towards their core human settlements and public transport priorities that are essential to the achievement of their performance targets.

Grant funds will thus supplement resources available in other grant programmes, as well as metros own financing.

#### **e) Under-spending and Rollovers**

The ICDG is a supplementary allocation to municipalities and grant spending is thus intended to blend with a municipalities own resource rather than finance specific projects. Significant under-spending is therefore not anticipated. Funds that are not transferred to a municipality at the end of any financial year will be surrendered to the National Revenue Fund unless there is tangible evidence that a municipality will achieve the requirements for the transfer of funds by the end of their own financial year (i.e. within one calendar quarter).

#### **f) Reporting requirements**

Cities will report on grant receipts and expenditures as part of their existing reporting requirements in terms of section 71 of the MFMA. In addition, and in compliance with the DoR Act, they will submit an annual report on grant usage that provides progress with respect to each of the performance indicators.

---

<sup>5</sup> A separate Project Preparation Facility will be made available to support municipalities to undertake the feasibility, preparation and detailed design work that is typically necessary for larger catalytic interventions.

## **4. Institutional arrangements**

### **4.1 Roles and responsibilities of National Departments**

The ICDG will be managed by the City Support Programme, Intergovernmental Relations Division, National Treasury.

Strategic management and oversight will be undertaken in consultation with an interdepartmental committee consisting of the Departments of Human Settlements, Cooperative Governance, Transport and Environmental Affairs. The interdepartmental committee will meet quarterly to determine any changes to indicators, approve specific measurement methods, and oversee the performance measurement process. The committee may also recommend flexibility in the application of grant rules and procedures should good cause be established.

The Intergovernmental Relations Division, National Treasury, will be responsible for budgeting, allocating and disbursing grant funds in accordance with agreed procedures in this guideline. Fund transfers will be processed by the Neighbourhood Development Partnership Programme. Progress with the implementation of the grant will be reported to the City Budget Forum.

### **4.2 Submissions and assessment procedures**

Participating municipalities will be required to update their Built Environment Performance Plans on an annual basis, and no later than 1 November of each year.

Clear baseline data on current city performance will need to be established at the outset of the grant programme to enable the objective measurement of performance improvements. Considerable data is already available, and this will be supplemented by research activities already planned in the CSP (particularly a project to determine and measure suitable KPIs in the built environment, for which procurement has already been completed).

Each eligible metro will be subjected to an annual performance assessment in the second quarter of each local government financial year (Sept – Dec). This assessment will be undertaken by an assessment panel, which will visit each metro and seek to verify information provided. The findings of the assessment panel will be submitted to the interdepartmental committee for the verification of allocations to each metro for the forthcoming national financial year.

### **4.3 Alignment of other transfer programmes to participating municipalities**

Public investment in the built environment has a number of objectives, ranging from increasing the availability of land and housing to poor households, to improving mobility, to regenerating urban economic nodes, to reducing infrastructure bottlenecks to economic growth. Each of these objectives requires carefully designed programmes and clear outputs from national funding. It is neither likely nor desirable that a single grant instrument will be able to address the fully range of national priorities in the urban built environment.

A consolidation of funding into a single instrument risks over-loading a single programme with multiple objectives, while still not adequately leveraging other sources of investment in the built environment.

Improving the integration of these investments requires: (i) greater clarification of the roles of each instrument; (ii) coordinated planning and performance management; and (iii) additional tools to enhance the overall spatial impact of this spending.

Coordination between grant programmes is required across three dimensions:

- a) **Focussing on outputs:** Sector grant programmes are well suited to pursuing specific, measurable outputs, such as the number of serviced land parcels produced or BRT stations constructed. It remains very difficult for these programmes to individually leverage significant changes in the spatial form of cities, not least as this implies coordination with other spending programmes.
- b) **Contributing to outcomes:** Integration of investments in the built environment needs to happen within physical space. Transport, land use and housing investments must ultimately complement each other to produce a spatial form for our cities that is equitable and efficient. These sectoral programmes thus require complementary incentives for metros to coordinate their investments and regulatory interventions towards these high order goals, while still producing key outputs associated with each programme. The ICDG Performance Window is designed to provide these incentives as a complement to sector programmes.
- c) **Enabling city-level leadership:** Clear incentives and direction must be provided to cities so that they actually utilise the range of instruments at their disposal (including own revenues, planning and regulatory powers) to pursue improved spatial outcomes. This requires the leadership of cities to think beyond the short term sector priorities towards the long term impact of their spending decisions.

This approach suggests that the key, large scale sectoral programmes in human settlements (USDG, IHSDG) and public transport (PTISG, PTOG) should continue to focus on measurable outputs within their domains, rather than attempting to independently focus on the longer term developmental outcomes. The timely and effectively **delivery of these outputs remains an important objective** in itself, and individual sector **programmes should not be overloaded with additional objectives**. The conditions and requirements of existing programmes should:

- a) Focus on the production of sectoral outputs in a manner that complements and support spatial integration goals, rather than pursuing these goals independently.
- b) Provide adequate discretion to cities to determine the location and nature of the investments that they support. City leadership is a critical pre-requisite for effective local planning, driving reforms to the land use management framework, and leveraging additional local resources.

In this context, the ICDG will provide direct fiscal incentives for cities to leverage spending, including all grant resources, within identified integration zones and to achieve associate spatial development objectives.

It is thus designed to complement existing grant programmes, rather than to provide a source of funding for projects that were unable to secure funding elsewhere. This requires limited changes to the actual design and intent of these programmes, as the main reform is to require greater levels of city discretion of the location of investments. The basis for a progressive revision of the objectives, outputs and outcomes of these programmes is summarised in the table below, and will be subject to further discussion in the course of 2013/14:

**Table 2: Existing programmes in the urban built environment**

Prog.	Objectives	Measurable outputs	Outcomes
USDG	Increased provision of serviced urban land to poor households	Number of land units delivered (acquisition, establishment, servicing, transfer)	Lower average unit cost of residential land and housing
IHSDG	Housing subsidies (“top structure”) that support new housing typologies (eg social housing)	Number of housing units completed (across tenure types)	
PTISG	Public transport investments, IRPTN network services, esp BRT	Number of BRT routes / stops installed and buses acquired	Increased mobility
PTOG	Operating subsidies for commuter	Number of trips, vehicles subsidised	

	bus services		
NDPG	Mixed-use development in township areas (Urban Hub / Precinct Devt)	Number of Urban Hub Precinct Plans Number of Project Plans in Urban Hubs Total Investment in Urban Hubs: Public and Private Sector Firm size diversity Urban Hub Land Use Mix	Sustainable mixed-use, ToD Urban Hub precincts

**4.4 Built Environment Performance Plans (BEPPs)**

The BEPP remains a key tool to enhance coordination of public spending. From 2014/15, BEPP submissions will be required to provide summary information and performance metrics on all major built environment spending programmes of a municipality, including all national grants for infrastructure investment. The management of the BEPP will be transferred to the National Treasury, in order to enhance alignment across spending programmes. The format of the BEPP will also be restructured to enhance its utility for individual national departments. Municipalities will be able to develop their 2014/15 BEPPs in the course of the 2013/14 financial year.

## **5. Transitional and outstanding issues**

The restructuring of the urban built environment is a long term process, with significant improvements in developmental outcomes only likely over the medium term (5 years).

The first phase of the ICDG will last for one financial year (2013/14) and will provide planning support to metropolitan municipalities. The most significant change in 2013/14 is the expansion and revision of the BEPP format for 2014/15, to include information on the urban network and integration zones to strengthen alignment across grant programmes and with the municipal capital budget, and to consolidate the presentation of built environment performance indicators.

The second phase of the ICDG will last for three financial years (2014/15 to 2016/17) and will provide reward-based financial incentives to municipalities based on their progress in achieving pre-specified targets for built environment performance.

A progress review of the ICDG programme will be conducted in 2016/17.

## Annexure A: ICDG Framework in terms of the Division of Revenue Bill, 2013

<b>Integrated Cities Development Grant</b>	
<b>Transferring Dept</b>	<ul style="list-style-type: none"> <li>National Treasury (Vote 10)</li> </ul>
<b>Strategic goal</b>	<ul style="list-style-type: none"> <li>The development of more inclusive, liveable, productive and sustainable urban built environments in metropolitan municipalities</li> </ul>
<b>Grant purpose</b>	<ul style="list-style-type: none"> <li>To provide a financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form</li> </ul>
<b>Outcome statements</b>	<ul style="list-style-type: none"> <li>Improved spatial targeting and sequencing of public investments in the urban built environment to achieve a more compact urban spatial form</li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>Number of sub-metropolitan spatial integration zones identified and formalised in participating municipalities</li> <li>Number of spatial restructuring indicators, baselines and targets defined and agreed on in participating municipalities</li> <li>Number of strategic/catalytic projects within sub-metropolitan spatial integration zones identified and planned by participating municipalities</li> </ul>
<b>Priority outcome(s) of government that this grant primarily contributes to</b>	<ul style="list-style-type: none"> <li>Outcome 6: An effective, competitive and responsive economic infrastructure network</li> <li>Outcome 8: Sustainable human settlements and an improved quality of household life</li> <li>Outcome 9: Responsive, accountable, effective and efficient local government system</li> </ul>
<b>Details contained in the business plan</b>	<ul style="list-style-type: none"> <li>Outcome indicators</li> <li>Output indicators</li> <li>Inputs</li> <li>Key activities</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>Eligibility for the grant is reviewed annually and is restricted to metropolitan municipalities. For 2013/14 eligibility is restricted to metropolitan municipalities who must have: <ul style="list-style-type: none"> <li>obtained a financially unqualified audit opinion from the Auditor General in the 2010/11 financial year</li> <li>achieved acceptable levels of capital expenditure performance (reported a variance between adjusted budgeted and actual expenditures of 35% or lower to the National Treasury for the 2011/12 financial year)</li> </ul> </li> <li>Submission of a formal council agreement on a memorandum of understanding regarding participation in the Cities Support Programme by 1 August 2013</li> <li>The pre-specification by the city of integration by 1 November 2013.</li> </ul>
<b>Allocation criteria</b>	<ul style="list-style-type: none"> <li>Allocations will be made to eligible metropolitan municipalities on a population weighted basis in order to account for the relatively greater planning complexity and investment needs in larger metropolitan municipalities</li> </ul>
<b>Reason not incorporated in equitable share</b>	<ul style="list-style-type: none"> <li>The Integrated Cities Development Grant (ICDG) provides a specific financial incentive for metropolitan municipalities to enhance the performance of their urban built environments. It reflects commitments contained in the National Development Plan to streamline funding for urban public investments to support the restructuring of the urban built environment</li> </ul>
<b>Past performance</b>	<ul style="list-style-type: none"> <li>Not applicable, new grant</li> </ul>
<b>Projected life</b>	<ul style="list-style-type: none"> <li>The restructuring of the urban built environment is a long term process, with significant improvements in developmental outcomes only likely over the medium term (5 years). The first phase of the ICDG will last for one financial year (2013/14) and will provide planning support to metropolitan municipalities</li> <li>The second phase of the ICDG will last for three financial years (2014/15 to 2016/17) and will provide reward-based financial incentives to municipalities based on their progress in achieving pre-specified targets for built environment performance. A progress review of the ICDG programme will be conducted in 2016/17</li> </ul>
<b>MTEF allocations</b>	<ul style="list-style-type: none"> <li>2013/14: R40 million, 2014/15: R150million, and 2015/16: R 150 million</li> </ul>
<b>Payment schedule</b>	<ul style="list-style-type: none"> <li>Transfers are made in accordance with a payment schedule approved by National Treasury</li> </ul>
<b>Responsibilities of transferring national officer and receiving officer</b>	<b>Responsibilities of National Department</b> <ul style="list-style-type: none"> <li>National Treasury will orient participating municipalities on grant requirements, facilitate peer learning</li> <li>National Treasury will review eligibility criteria and assessment compliance with grant conditions prior to the transfer of each grant instalment</li> </ul>
	<b>Responsibilities of Provincial Departments</b> <ul style="list-style-type: none"> <li>Not applicable</li> </ul>

**Integrated Cities Development Grant**

**Process for approval of 2014/15 business plans**

- Participating municipalities must submit a proposal for a Built Environment Performance Plan by 1 November 2013 in accordance with requirements outlined in the grant guidelines

## **Annexure B - Pro forma council resolution**

---

The municipal council of each participating municipality must approve participation in the Integrated City Support Grant through passing a resolution that includes the following wording:

“The municipal council notes:

- a) The allocation of funding from the Integrated City Development Grant and the Neighbourhood Development Partnership Grant for the 2013/14 financial year;
- b) The terms, conditions and requirements associated with the Integrated City Development Grant and the Neighbourhood Development Partnership Grant, including: (i) grant management, governance, reporting and co-ordination arrangements ; (ii) the definition of Urban Network (and identifying all network elements); and (iii) submission of a Built Environment Performance Plan for 2014/15, including the identification of and plans for integration zones within the urban network.

The municipal council:

- a) Approves the receipt of the Integrated City Development Grant and the Neighbourhood Development Partnership Grant, subject to the terms and conditions of the programme
- b) Authorises the Municipal / City Manager to sign the Memorandum of Agreement between the Municipality and the National Treasury.
- c) Notes the process for the identification of the urban networks and the related plans for the network elements, urban hubs, CBD and integration zones; and
- d) Approves the development of a Built Environment Performance Plan for 2014/15 for submission in terms of the requirement of the grant

## Annexure C: BEPP format for 2014/15

### a) Introduction and purpose

The Built Environment Performance Plan (BEPP) provides a summary of the full Capital Investment Programme of a participating municipality. The purpose of the BEPP is to provide a single overview of a municipality's capital investment strategy, plans, programmes and projects alongside the associated outputs and outcomes that this strategy is intended to deliver. The BEPP enables national government to understand how a municipality will apply its capital financing, including grant resources, and what it intends to achieve with these resources. In turn, this enables national government departments to monitor grant expenditures from a developmental perspective. The BEPP is thus an important instrument of cooperative governance, as it enables more effective, strategic coordination and communication between spheres of government.

The BEPP complements existing planning instruments, such as IDPs and MTREFs, and does not replace them. The development and approval of a credible and costed BEPP presupposes the existence of a range of detailed statutory plans and compliance with applicable legal requirements, including:

- The IDP and related plans such as a Long Term Development Framework, Spatial Development Frameworks and sectoral plans for human settlements, transport, water, sanitation, energy and solid waste;
- The medium term revenue and expenditure framework;
- Individual grant requirements;
- Performance management requirements, including Service Delivery and Budget Implementation Plans (SDBIPs);
- Supply chain management regulations; and
- Reporting requirements.

### b) Content and format requirements

The BEPP of each participating municipality must contain the following elements:

Section	Key content requirements
A. Introduction	<p><b>1. Background</b>, including:</p> <p>(a) a list of the documents and references used in compiling the BEPP; and</p> <p>(b) a statement confirming the adoption of the BEPP by the municipal council</p>
B. Context and Investment Requirements	<p><b>2. Economic, environmental, social and demographic context</b> for investment in the urban built environment, focusing on the major development trends and pressures facing the municipality. This section must summarise and quantify trends in built environment sectors, and their implications, related to:</p> <p>(a) <b>Spatial Development:</b> (i) the historical spatial patterns of urban development and a projection of future demand for settlement; (ii) the demand for the production of urban land by area, land use type, location, cost, availability and acquisition method; (iii) current settlement densities, by location</p> <p>(b) <b>Basic infrastructure:</b> (i) current capacity of major infrastructure services, by location; (ii) demand projections for each major service, including currently unmet demand (backlogs) and future growth requirements; (iii) asset condition and maintenance requirements, including demands for refurbishment or replacement of assets, by major service and location</p>

Section	Key content requirements
	<p>(c) <b>Human settlements:</b> The demand for: (i) housing by income group, location and cost (including property market developments and unmet demand) with specific focus on densification requirements, affordable or gap market needs, rental market (formal rental/social housing; informal rental such as additional dwelling on individually owned single stands) (ii) the management and upgrading of informal settlements; (iii) the management/prevention of illegal occupation of land and buildings; and (iv) emergency housing for household living in life threatening conditions and or who are faced with eminent eviction;</p> <p>(d) <b>Transportation:</b> Trends in demand for transport services by mode and income group; (ii) average trip lengths (time, distance)</p> <p>(e) <b>Community and Social Facilities:</b> access standards and performance</p> <p>(f) <b>Environmental Management:</b> procedures, standards and performance</p>
C. Built Environment Programme Expenditure & Revenue Review	<p>3. An overview of revenue and expenditure requirements to finance required investments in the built environment, including:</p> <p>a) Past allocations / structure of all public capital expenditure and revenues (by sector, programme and source) including off-budget items such as the HSDG.</p> <p>b) Past performance: expenditure levels and rates, revenue performance, outputs and outcomes (by sector, programme and source)</p> <p>c) Pressures facing the municipalities (summary of cost needs; capital financing structure), with a focus on:</p> <p>(i) Serviced land production to support economic growth (industrial, business, etc.) and residential development, including upgrading of appropriately located informal settlements, suitable land for higher density housing for rental and for the Gap market (ownership); and</p> <p>(ii) Transport infrastructure, by mode.</p>
D. Strategies and programmes	<p>4. A description of the long term vision and key development needs of the municipality</p> <p>5. The spatial development strategy of the municipality, including</p> <p>(a) The Spatial Development Framework and an overview of area-based management initiatives of the municipality</p> <p>(b) Details of integration zones prioritised by the municipality, including</p> <ul style="list-style-type: none"> <li>• A detailed description and phasing of the integration zone(s) in the municipality, including their geographical boundaries, the rationale for selection with reference to the Urban Networks Strategy, and the associated development objectives.</li> <li>• Details of proposed or completed adjustments to the determination of Urban Development Zones and Social Housing Restructuring Zones</li> <li>• Details of proposed or completed adjustments to Spatial Development Frameworks and land use management regulations applicable to the zone</li> <li>• Details of the identification of catalytic projects or programmes within the zone</li> <li>• Proposed timeframes for the preparation and execution of catalytic projects or programmes within the zone;</li> <li>• Details of institutional arrangements required to ensure the sustainability of interventions within the zone;</li> <li>• Indicators, milestones and multi-year targets associated with the</li> </ul>

Section	Key content requirements
	<p>development objectives in the zone and at a city scale; and</p> <ul style="list-style-type: none"> <li>• Capacity support requirements</li> <li>• Development strategies for each zone, including core objectives and instruments</li> <li>• Spatial development plans and programmes, by sector, with specific reference to integration zones within the Urban Network</li> </ul> <p><i>[Note: Toolkits for Identification of the Urban Network and Urban Hub Design are available. Further Toolkits for other parts of the Urban Network and for Precinct Management will be issued in 2013/14.]</i></p>
E. Outcomes and outputs	<p>6. The anticipated outcomes and outputs of municipal investment in the built environment, including</p> <ul style="list-style-type: none"> <li>(a) High level development objectives and desired outcomes</li> <li>(b) Sector development outcomes and outputs</li> </ul> <p><i>[Note: this section should provide summary information only. Detailed information should be provided in a table in Annexure A)</i></p>
F. Institutional and financial arrangements	<p>7. A description of the institutional arrangements required to give effect to the investment programme, including</p> <ul style="list-style-type: none"> <li>(a) Organisational arrangements for capital programme management</li> <li>(b) Supply chain management</li> <li>(c) Partnerships</li> </ul> <p>8. A summary of financial allocations in the MTREF to support the spatial development strategy, including</p> <ul style="list-style-type: none"> <li>(a) The value of programmes and projects by sector</li> <li>(b) The value of programmes and projects by integration zone</li> <li>(c) Non-infrastructure related interventions in integration zones</li> </ul> <p>9. Application of grant allocations, including:</p> <ul style="list-style-type: none"> <li>(a) Allocations by programme</li> <li>(b) The application of grant resources by grant programme and municipal project</li> </ul>
Annexure A: Performance Matrix	A detailed matrix of built environment performance indicators, with baselines and target values, as developed in 2013/14

## **Annexure D – National indicators for built environment performance**

---

Generic indicators will be included in this guideline once finalised