



Harry Gwala District Municipality

HGDM-P011

INFRASTRUCTURE

INVESTMENTS

AND CAPITAL

PROJECTS POLICY

2016-17

(DRAFT)



CONTENTS

1. PURPOSE	3
2. REGULATORY FRAMEWORK.....	3
3. DEFINITIONS AND ABBREVIATIONS	4
4. SCOPE OF POLICY	5
5. GUIDING PRINCIPLES	6
6. STAKEHOLDERS AND ROLE PLAYERS	6
7. POLICY PROCEDURES	7
7.1. New capital infrastructure investment.....	7
7.2. Refurbishment and significant infrastructure maintenance projects.....	8
7.3. Funding of capital infrastructure investments	9
8. REVIEW OF POLICY	9
9. APPROVAL AND IMPLEMENTATION OF POLICY.....	9



Harry Gwala District Municipality

1. PURPOSE

The policy on Infrastructure Investments and Capital Projects is to assist and provide guide Harry Gwala District Municipality (hereafter Municipality) decision-makers in:

- The exercise of their discretionary powers when considering appropriate conditions of approval to be imposed for municipal capital infrastructure development,
- Their negotiations with developers relating to the payment of development contributions and the division of engineering services costs between the Municipality and Applicants, and
- The application of calculation methods for Development Contributions as outlined by the Municipality.

Infrastructure investment is a cornerstone in service delivery of the Municipality and it is essential that the Municipality continually implement its mandate effectively through continuous **infrastructure development**.

2. REGULATORY FRAMEWORK

2.1. Section 153 of the Constitution stipulates that a municipality must:

- 2.1.1. Structure and manage its administration and budgeting and planning process so as to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- 2.1.2. Participate in national and provincial development programmes.

2.2. In order to realise the above objects, the Local Government: Municipal Systems Act (Act 32 of 2000) was enacted. Section 25 of this Act stipulates that each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality (i.e. the IDP) which:

- 2.2.1. Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- 2.2.2. Aligns the resources and capacity of the municipality with the implementation of the plan;
- 2.2.3. Forms the policy framework and general basis on which annual budgets must be based;
- 2.2.4. Complies with the provisions of Chapter 5 of the Act; and
- 2.2.5. Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation

2.3. In addition to this, Section 26 of the Act specifies that an IDP must include:

- 2.3.1. The municipal council's vision including the municipal critical developmental and transformation needs;
- 2.3.2. An assessment of the existing level of development in the municipality;
- 2.3.3. The council's developmental priorities and objectives, including its local economic development aims;



Harry Gwala District Municipality

- 2.3.4. The councils' development strategies, which must be aligned to national and provincial sector plans;
 - 2.3.5. A spatial development framework which must include basic guidelines for a land use management system;
 - 2.3.6. The council's operational strategies;
 - 2.3.7. Applicable disaster management plans;
 - 2.3.8. A financial plan, which must include a budget projection for the next three years; and
 - 2.3.9. The municipality's key performance indicators and performance targets.
- 2.4. The Municipal Planning and Performance Management Regulations published in terms of the Municipal Systems Act (Act 32 of 2000) in August 2001, set out the following additional requirements for an IDP:
- 2.4.1. An institutional framework for the implementation of the IDP and to address the municipality's internal transformation needs;
 - 2.4.2. The clarification of investment initiatives;
 - 2.4.3. The specification of development initiatives including infrastructure, physical, social and institutional development; and
 - 2.4.4. All known projects, plans and programmes to be implemented within the municipality by any organ of state
- 2.5. The Municipal Finance Management Act (Act 56 of 2003) sought to ensure closer alignment between the municipality's annual budget and its IDP. In order to do it put in place a range of measures to do so, including:
- 2.5.1. Alignment in the processes of budget and IDP preparation;
 - 2.5.2. The pursuit of greater credibility in terms of the ability to afford/pay for development proposals put forward in the IDP;
 - 2.5.3. The preparation and approval of a Service Delivery and Budget Implementation Plan (SDBIP) shortly after approval of the budget and the IDP; and
 - 2.5.4. The introduction of link between the IDP, the budget and the performance management contracts of senior officials.

3. DEFINITIONS AND ABBREVIATIONS

BSC	Budget Steering Committee, a committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA
IDP	Integrated Development Plan, as prescribed by the MSA
MBRR	Municipal Budget and Reporting Regulations
MFMA	Municipal Finance Management Act No 56 of 2003
Municipality	Harry Gwala District Municipality



MSA	Municipal Systems Act No 32 of 2000
MIG	Municipal Infrastructure Grant
Infrastructure asset	All core assets which are integral to the delivery of municipal services, including water supply, sanitation, road transport and stormwater drainage, solid waste removal, electricity supply, and community facilities. It furthermore includes all immovable Property, Plant and Equipment (PPE), as well as specific immovable assets such as vehicles that are directly used in the delivery of the service (such as waste removal trucks).
Infrastructure Asset Management Plan	A plan developed for the management of Infrastructure assets with the aim of providing specified levels of service in a cost-effective manner, now and in the future. Multi-disciplinary management techniques (including technical and financial) are combined to determine the asset life-cycle needs. A significant component of the plan is a long-term cashflow forecast.
Infrastructure Asset Management Policy	A formal statement adopted by Council that indicates the municipality's policy objective, the policy principles, and how these will be pursued (including the establishment of an IAM Team, and aligned systems and planning).
Infrastructure Asset Management Strategy	a document that defines key IAM processes and targets including the definition of Consumer Groups and Service Catchments; Service Performance Standards and targets that accommodate the municipality's vision of future growth and demand; interaction and coordination measures; AMS functionality and data standards; risk management processes; IAM practice improvement processes; a funding and prioritisation strategy; and allocation of responsibility for implementation.
Maintenance	The actions required for an asset to achieve its expected useful life and ensuring that the asset functions efficiently for the whole of its Expected Useful Life. Maintenance can be planned or unplanned. Planned Maintenance includes measures to prevent known failure modes and can be time or condition-based. Repairs are a form of unplanned maintenance to restore an asset to its previous condition after failure or damage.

4. SCOPE OF POLICY

This policy sets out the process and methodology for capital investment of any nature, regardless of the funding source. The following investments of a capital infrastructure nature falls within the ambit of this policy:-

- New building construction or acquisitions;
- Extensions to existing buildings;
- Upgrades to accommodation and housing;
- Land acquisitions;
- All major capital works, as covered within the Asset Management Policy;



- All infrastructure developments; and
- Information and communication infrastructure renewals and/or upgrades.

5. GUIDING PRINCIPLES

The key guiding principles for Infrastructure Investments and Capital Projects policy:

- Services for the poor;
- Equity in the allocation and use of funds;
- Efficient use of funds;
- Development objectives reinforced;
- Maximise economic benefit;
- Infrastructure for a basic level of service;
- Necessity to fulfil the service delivery mandate as identified within the Asset Management Policy; and
- Affordability.

6. STAKEHOLDERS AND ROLE PLAYERS

Project Management Unit (here after referred to as PMU)

- Responsible for providing strategic guidance on matters relevant to IDP;
- Managing Infrastructure funding;
- Co-ordination of all projects serviced by the PMU;
- Performance of project feasibility studies and compilation of business plans;
- Managing of contracts with contractors and consultants for each project;
- Responsible for project management of every infrastructure project;
- Ensuring that project-related capacity building and development objectives are met;
- Monitoring and reporting to all relevant stakeholders;

Local Municipalities

- Responsible for execution of projects as approved by the District Municipality;
- Responsible for management of and reporting on progress of projects approved and allocated by the District Municipality.
- Required to make recommendations on future service delivery matters.



7. POLICY PROCEDURES

7.1. New capital infrastructure investment

New infrastructure development may only be entered into if:-

- the project is in line with the Municipality's IDP;
- funding has been secured through either internal or external funding mechanisms and has been approved in the Municipality's Capital Budget; and
- a detailed life-cycle funding plan has been developed, supported and integrated into the Asset Management Policy;

All new infrastructure investments will be subject to:-

- Needs analysis based on:-
 - service delivery sustainability;
 - consumer growth projections which are in line with the National and Regional Spatial Development Growth Perspectives; and
 - National, Regional and Municipal strategic directives.
- Strategic project plan, including:-
 - a holistic overview of the direct benefits, risks and impact of the intended project;
 - an assessment on the impact of current Infrastructure;
 - a service delivery framework relevant to the project;
 - a cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
 - a funding model, detailing the financing source and associated cost, if any, as well as any revenue projections associated with the project.
- Outcome of stakeholder consultation, including:-
 - Environmental impact studies; and
 - Feedback from community participation process, with specific focus on:-
 - Rights and entitlements of members of the community; and
 - Impact on quality of life.
- Implementation model, detailing:-
 - Relevant skills base and source of skills required for implementation; and
 - Specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).



7.2. Refurbishment and significant infrastructure maintenance projects

All Capital Infrastructure refurbishment and significant maintenance projects may only be entered into if:-

- the project is in line with the Municipality's IDP or emergency maintenance framework;
- funding has been secured through either internal or external funding mechanisms and has been approved in the Municipality's Capital Budget; and
- a detailed life-cycle funding plan has been developed, supported and integrated into the Asset Management Policy.

All refurbishments and significant infrastructure maintenance projects will be subject to:-

- Needs analysis based on:-
 - service delivery sustainability; and
 - Asset redundancy and failure assessment of the asset under scrutiny.
- Strategic project plan, including:-
 - an holistic overview of the direct benefits, risks and impact of the intended refurbishment project;
 - an assessment on the potential impact of unavailability of the asset during the refurbishment process, including redundancy measures;
 - a service delivery framework relevant to the project;
 - a cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
 - a funding model, detailing the financing source and associated cost, if any, as well as any revenue projections associated with the project.
- Outcome of stakeholder consultation, including:-
 - Environmental impact studies; and
 - Feedback from community participation process, with specific focus on;
 - Rights and entitlements of members of the community; and
 - Impact on quality of life;
- Implementation model, detailing:-
 - Relevant skills base and source of skills required for implementation; and
 - Specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).



7.3. Funding of capital infrastructure investments

All new capital infrastructure investments may be funded from:

- Available Own Funds;
- Borrowings;
- Government grants and subsidies;
- Public donations and contributions;
- PPP initiatives in line with the MFMA PPE Regulations; and
- Operating revenue.

All refurbishment and significant infrastructure maintenance projects may be funded from:-

- Available Own Funds;
- Borrowings in respect of refurbishment;
- Government grants and subsidies in accordance with their relevant conditions; and
- Operating revenue.

8. REVIEW OF POLICY

In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the review policy tabled to Council for approval as part of the budget process.

The following should be taken into account for future amendments to this policy:

- Changes in financial strategy;
- Changes in no-financial strategic strategies; and
- Changes in legislation

Policy section:	Director: Budget and Reporting
Current date:	30 March 2016
Previous review date:	22 May 2015

9. APPROVAL AND IMPLEMENTATION OF POLICY

This policy shall be implemented on 01 July once approved by council.

Policy section:	Director: Budget and Reporting
Approval by council:	