



**1. Policy Title**

CAPITAL INFRASTRUCTURE INVESTMENT POLICY

**2. Main Purpose**

This policy aims to describe the process through which the Municipality can initiate projects of a capital nature. It ultimately aims to serve as a principal instrument to steer the budget for Infrastructure and Capital projects in the Municipality around a particular agreeable and sustainable developmental path.

**3. Scope of the 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, other than those projects relating to low cost 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;

**4. Strategic Objective**

To ensure the creation and acquisition of an asset is maintained at a healthy state so as to provide a return on the city's investment.

**5. Key Principles**

The Capital Infrastructure Investment Policy is based on the following principles:-

- Need as identified within the IDP, underpinned by the National Spatial Development Framework;
- Necessity to fulfil the service delivery mandate as identified within the Asset Management Policy; and
- Affordability.

**6. Governance Issues**

- The Constitution of the Republic of South Africa, 1996
- The Municipal Finance Management Act (MFMA), Act 56 of 2003



## **7. Policy Procedures**

### **1. NEW CAPITAL INFRASTRUCTURE INVESTMENT**

1.1. 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;

1.2. All new infrastructure investments will be subject to:-

- Needs analysis based on:-
  - i. service delivery sustainability;
  - ii. consumer growth projections which are in line with the National and Regional Spatial Development Growth Perspectives; and
  - iii. National, Regional and Municipal strategic directives.
- Strategic project plan, including:-
  - i. a holistic overview of the direct benefits, risks and impact of the intended project;
  - ii. an assessment on the impact of current Infrastructure;
  - iii. a service delivery framework relevant to the project;
  - iv. a cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
  - v. 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:-
  - i. environmental impact studies; and
  - ii. 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:-
  - i. relevant skills base and source of skills required for implementation; and
  - ii. specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).



## **2. REFURBISHMENT AND SIGNIFICANT INFRASTRUCTURE MAINTENANCE PROJECTS**

2.1 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.

2.2 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:-
  - i. an holistic overview of the direct benefits, risks and impact of the intended refurbishment project;
  - ii. an assessment on the potential impact of unavailability of the asset during the refurbishment process, including redundancy measures;
  - iii. a service delivery framework relevant to the project;
  - iv. a cost assessment, detailing the capital and maintenance cost projections for the entire life-cycle; and
  - v. 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:-
  - i. environmental impact studies; and
  - ii. 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:-
  - i. relevant skills base and source of skills required for implementation; and
  - ii. specific timeframes for each activity throughout the project lifecycle (cradle to grave approach).



### **3. FUNDING OF CAPITAL INFRASTRUCTURE INVESTMENTS**

3.1 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.

3.2 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. Competence and Capacity to implement**

- Asset Management Unit
- Relevant Infrastructure Departments

### **9. Relevant Legislation applicable to this Policy**

This policy gives effect to the provision of the following legislation.

- The Constitution of the Republic of South Africa, 1996
- The Local Government Municipal Finance Management Act (MFMA), Act No. 56 of 2003