

OVERBERG

DISTRICT MUNICIPALITY

INFRASTRUCTURE INVESTMENT AND CAPITAL PROJECTS POLICY

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1. BACKGROUND

1.1 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.

2. PURPOSE

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 fall within the ambit of this policy:

- New building construction or acquisitions;
- Extensions to existing buildings;
- Land acquisitions;
- All major capital works, referred to in the Asset Maintenance / Life-Cycle Management components of the Asset Management Policy;
- All infrastructure developments; and
- Information and communication infrastructure renewals and/or upgrades.

3. DEFINITIONS

Concept, term, abbreviation	Description
Asset	The cost of an item shall be recognised as an asset if, and only if: (a) it is probable that the future economic benefits or service potential associated with the item will flow

	to the entity, and (b) the cost or fair value of the item can be measured reliably
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.
Capital assets	Items of biological assets, intangible assets, investment property or property, plant and equipment
Council	The municipal council of Overberg District Municipality
GRAP	Generally recognised accounting practice
IDP	Integrated development plan
Infrastructure assets	Includes all core assets which are integral to the delivery of municipal services, including water supply, sanitation, road transport and storm water drainage, solid waste removal, electricity supply, and community facilities. It 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). It, however, excludes intangible assets (such as licenses, software, etc.) and current assets (assets with a life less than 12 months, such as consumables).
Maintenance	The actions required for an asset to achieve its expected useful life and thereby ensuring that the asset concerned 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. Expenses on maintenance are considered operational expenditure.
MFMA	Municipal Finance Management Act, 56 of 2003
Municipality	Overberg District Municipality
Operation	Relates to running the service e.g. record keeping, accounting, monitoring, complaints, and repairs.

Vote	<p>As contained in Section 1 of the MFMA, vote means:</p> <p>(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</p> <p>(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</p>
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4. LEGISLATIVE CONTEXT

This policy is required to meet the requirements of Regulation 7 of the Local Government: Municipal Budget and Reporting Regulations contained in General Notice No. 393 of 2009.

The Overberg District Municipality is committed to adhering to and applying the prescribed legislative environment as it applies to virements, with specific reference to:

- 4.1 The Constitution of the Republic of South Africa, Act 108 of 1996 as amended
- 4.2 The Municipal Finance Management Act, 56 of 2003 (MFMA)
- 4.3 Treasury regulations issued in terms of the MFMA
- 4.4 Generally recognised accounting practice (GRAP)

5. SCOPE FOR APPLICATION

5.1 This policy applies to all infrastructure investments made by the municipality and capital projects undertaken by the municipality.

6. RESPONSIBLE OFFICIALS

The Municipal Manager shall be responsible for the implementation and administration of this policy.

7. GUIDING PRINCIPLES

This policy is based on the following principles:

7.1 “Need” as identified within the IDP, underpinned by the Municipal Capital Investment Program and the National Spatial Development Perspective;

7.2 Necessity to fulfil the service delivery mandate as identified in the Asset Management Policy; and

7.2 Affordability.

8. NEW CAPITAL INFRASTRUCTURE INVESTMENT

8.1 New infrastructure development may only be undertaken if:

8.1.1 The relevant project has been included in the Municipality’s IDP;

8.1.2 Funding for the project concerned has been secured through either internal or external funding mechanisms and such project been approved in the Municipality’s Capital Budget; and

8.2 All new infrastructure investments will be subject to:

8.2.1 A “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.

8.2.2 A 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 project's entire life-cycle; and
- A funding model, detailing the financing source and associated cost, if any, and any revenue projections associated with the project.

8.2.3 Outcome of stakeholder consultation, including:

- Environmental impact studies; and
- Feedback from the community participation process, with specific focus on:
 - Rights and entitlements of members of the community; and
 - Impact on quality of life.

8.2.4 An implementation model, detailing:

- Relevant skills base and source of skills required for implementation; and
- Specific timeframes for each activity throughout the project lifecycle.

9. REFURBISHMENT AND SIGNIFICANT INFRASTRUCTURE MAINTENANCE PROJECTS

9.1 All Capital Infrastructure refurbishment and significant maintenance projects may only be undertaken if:

9.1.1 The project concerned is in line with the Municipality's IDP or emergency maintenance framework;

9.1.2 Funding has been secured through either internal or external funding mechanisms and has been approved in the Municipality's Capital Budget; and

9.1.3 A detailed life-cycle funding plan has been developed, supported and integrated into the Asset Maintenance / Life –Cycle component of the Asset Management Policy.

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

9.2.1 A “Needs” analysis based on:

- Service delivery sustainability; and
- Asset redundancy and failure assessment of the asset under scrutiny.

9.2.2 A strategic project plan including:

- A 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 of the relevant project; and
- A funding model, detailing the financing source and associated cost, if any, as well as any revenue projections associated with the project.

9.2.3 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;

9.2.4 An implementation model, detailing:

- Relevant skills base and source of skills required for implementation; and
- Specific timeframes for each activity throughout the project lifecycle.

10. FUNDING OF CAPITAL INFRASTRUCTURE INVESTMENTS

10.1 All new Capital Infrastructure Investments may be funded from:-

- 10.1.1 Cash backed accumulated surpluses;
- 10.1.2 Borrowings;
- 10.1.3 Government grants and subsidies;
- 10.1.4 Public donations and contributions;
- 10.1.5 PPP initiatives in line with the MFMA - PPP regulations; and
- 10.1.6 Operating Revenue
- 10.1.7 Capital Replacement Reserve.

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

- 10.2.1 Cash backed accumulated surpluses;
- 10.2.2 Borrowings in respect of refurbishment;
- 10.2.3 Government grants and subsidies in accordance with their relevant conditions; and
- 10.2.4 Operating Revenue.

11. RELATED POLICIES

The following policy is related to this policy:

11.1 Asset Management policy

12. REVIEW

12.1 This policy will be reviewed at least annually and updated if needed.

13. EFFECTIVE DATE

This policy shall come into effect on 1 July 2017.