

# Lephalale LOCAL Municipality

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## **LIM362 POLICY RELATING TO DEALING WITH INFRASTRUCTURE INVESTMENT AND CAPITAL PROJECT FINAL 2027**

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## **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 BCMM 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  
Generally Recognized Accounting Practice

## **7. Policy Procedures**

### **7.1 NEW CAPITAL INFRASTRUCTURE INVESTMENT**

7.1.1 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;

7.1.2 All new infrastructure investments will be subject to:-

Needs analysis based on:-

7.1.2.1 service delivery sustainability.

7.1.2.2 consumer growth projections which are in line with the National and Regional  
Spatial Development Growth Perspectives; and

7.1.2.3 National, Regional and Municipal strategic directives.

7.1.2.4 Activate the economic activity of the Town

7.1.2.5 Stipulate the Funding Source

#### **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.

### **7.2 REFURBISHMENT AND SIGNIFICANT INFRASTRUCTURE MAINTENANCE PROJECTS**

7.2.1 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.

7.2.2 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:- •**

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

### **7.3 FUNDING OF CAPITAL INFRASTRUCTURE INVESTMENTS**

7.3.1 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.

7.3.2 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
- Generally Recognized Accounting Practice

### **10 .Policy Review**

This policy takes effect from 1 July 2023 and will be reviewed annually during the budgetary process of the Municipality.

