

# **DRAKENSTEIN MUNICIPALITY**



## **CAPITAL INFRASTRUCTURE POLICY**

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## **TABLE OF CONTENTS**

<b>1.</b>	<b>BACKGROUND</b>	<b>1</b>
<b>2.</b>	<b>OBJECTIVES</b>	<b>1</b>
<b>3.</b>	<b>KEY ISSUES TO BE ADDRESSED</b>	<b>1</b>
<b>4.</b>	<b>FINANCIAL STRATEGIES</b>	<b>4</b>
	4.1 Capital Financing Strategy	
	4.2 Asset Management Strategy	
	4.3 Financial Management	
<b>5.</b>	<b>CAPITAL AND INVESTMENT PROGRAMMES</b>	<b>4</b>
<b>6.</b>	<b>MULTIYEAR BUDGET</b>	<b>4</b>
	Financial Projections	

## 1. Background

Municipalities are responsible for **providing infrastructure services** to all its communities, industries, and other consumers in its area of jurisdiction. Over the past 14 years, one of the key areas of delivery for government has been in supplying new infrastructure to meet the backlog in the provision of basic services and broadening the service delivery foot print across the country while keeping abreast of growth and migratory patterns within society.

However, today there is a need to ensure that these services will be sustainable in future, and that the necessary institutional, financial and technical measures are in place to achieve this goal. This document provides a brief overview of tools aimed at assisting municipalities in achieving these goals by integrating them into a single planning vehicle.

## 2. Objectives

Every municipality needs to compile an Integrated Development Plan that defines a framework for creating and sustaining integrated human settlements by providing the necessary infrastructure in a sustainable and coordinated manner. The CIP's have been formulated to enhance the preparation of the IDP, and consolidates the information from a wide range of planning instruments.

It summarises the data at ward level by exploring the unique needs of communities, and the formulate plans for providing housing and infrastructure to service these needs. It therefore creates the basis for confirming the alignment of the different sector plans.

It furthermore addresses the full life cycle management of those assets by considering the refurbishment and maintenance needs, and ensure that the necessary skills and financial resources are available to achieve the goal of sustainable service delivery is achieved in the medium to long term.

## 3. Key Issues to be addressed

It is Drakenstein municipality's responsibility to provide all its communities with the necessary infrastructure services for water, sanitation, energy, access and transport, and solid waste, as well as ensure that other key services (e.g. education, health, sports and recreation, and community services) are planned in collaboration with the relevant service providers. This calls for the following actions:

- Ensuring that the necessary **infrastructure assets** are provided, operated and maintained (i.e. addressing their full life cycle)
- Ensuring that the necessary **funding** is available for the total costs involved over the full extent of the life cycle of the assets, by collecting revenue from consumers and utilizing available grant funds, and providing the required operating and capital funds to achieve the goals
- Ensuring that an **institutional model** exists for providing the necessary skills, processes and procedures to manage the assets
- Ensuring that the necessary **bulk supplies** (e.g. for water and electricity, as well as waste water treatment capacity) are available
- Ensuring that the growth needs of the municipality are addressed by considering local **economic development** initiatives, and taking cognizance of changing needs of communities while involving them in planning the provision of the above services

## **4. FINANCIAL STRATEGIES**

The implementation of the following financial strategies will enhance the future financial sustainability of the municipality.

### **4.1 Capital Financing Strategy**

Dedicate a particular person (**IGR Section**) to the function of raising grants Identify, establish, maintain and update database of all grant funders. Undertake project feasibility studies and project plans.

Approach funding organisations with business plans and the Financial Plan. Liase with District Municipality to set up a separate bank account for each local municipality so that the interest earned on grants received for each municipality is accounted for separately.

### **4.2 Asset Management Strategy**

Establish and maintain an asset register

Update asset register regularly

### **4.3 Financial Management**

Finalise the procedure of handing over the accounting duties currently performed by the consultant. Formulate a timetable, capacitate the financial officer and transfer the relevant accounting skills. Develop policies, procedures and bylaws. Provide councillors with the necessary financial training so they understand the financial information given to them.

## **5. CAPITAL AND INVESTMENT PROGRAMMES**

The capital and investment programmes are set out in the Capital Budget.

## **6. MULTIYEAR BUDGET (Financial Projections)**

Financial projections have been developed using the capital budget to obtain the list of infrastructure projects for the MTREF budget. Various financial feasibility studies pertaining these capital projects are performed and assessed and aligned to the IDP.

All the related studies should take in cognisance of the ff:

- a) A five-year projection of the operating and capital budget reflecting the required tariff ratio increases
- b) Funding currently available to undertake projects
- c) Financial resources required for capital projects
- d) Inflationary increases