



**CAPRICORN DISTRICT MUNICIPALITY
INFRASTRUCTURE INVESTMENT AND CAPITAL PROJECTS POLICY
2026-2027**

Notwithstanding the date of approval, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

Contents

1	Definitions	Error! Bookmark not defined.
2	Introduction	Error! Bookmark not defined.
3	Purpose.....	Error! Bookmark not defined.
4	Objectives	Error! Bookmark not defined.
5	Guiding Principles	Error! Bookmark not defined.
6	Legislative Framework	5
7	Key Issues To Be Met.....	6
8	Financial Strategies.....	6
9	Capital Infrastructure Investments.....	7
10	Funding of Capital Infrastructure.....	7
11	Review of policy	7
12	Effective date	Error! Bookmark not defined.

1. DEFINITIONS

1.1 “Asset” means a tangible or intangible resource capable of ownership.

1.2 “Capital Asset” means: -

(a) Any immovable asset such as land, property or buildings; or

(b) Any moveable asset that can be used continuously or repeatedly for more than one year

in the production or supply of goods or services, for rental to others or for administrative

purposes, and from which future economic or social economic benefit can be derived, such

as plant, machinery and equipment.

1.3 “Capital Budget” refers to the process of planning and managing a municipality’s long term investments in assets such as property, plants and equipment’s with the goal of generating future profits and enhancing business value.

1.4 “Infrastructure Assets” includes all core assets which are integral to the delivery of municipal services, including water supply, sanitation, and community facilities. In terms of GRAP, 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 water tankers, trucks and fire vehicles).

1.5 “Asset Management Policy” means 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).

1.6 “MIG” Municipal Infrastructure Grant

1.7 “DORA” means Division of Revenue Act

1.8 “IDP” means Integrated Development Plan

1.9 “MFMA” means Municipal Finance Management Act

2. INTRODUCTION

Municipalities are responsible for **providing infrastructure services** to all its communities, and other consumers in its area of jurisdiction. 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 footprint across the country while keeping abreast of growth and migratory patterns within the society. However, today there is a need to ensure that these services will be sustainable in the future, and that the necessary institutional, financial and technical measures are in place to achieve this goal.

2.1 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.

2.2 This policy is mandated by section 8 of the Local Government: Municipal Budget and

Reporting Regulations (MBRR).

3. PURPOSE

The capital project and infrastructure investment policy seek to institute the necessary control measures to facilitate the daily activity of the municipality by providing a guideline for all stakeholders as to what is required for the formulation of capital projects and infrastructure investment, an internal dynamic document detailing the processes required for the efficient discharge of duties relative to financial controls necessary to ensure the efficient administration of the Capricorn District Municipality budgets and a guideline for business units to plan and promote capital projects. This policy sets out the process and methodology for capital investment of any nature, regardless of the funding source.

3.1 The following investments of a capital infrastructure nature falls within the ambit of this policy:

3.1.1 New building construction or acquisitions.

3.1.2 Extensions to existing buildings.

3.1.3 All major capital works, as covered within the Asset Management Policy.

3.1.4 All infrastructure developments.

4. OBJECTIVES OF THIS POLICY

The objective of this policy is to ensure procedure and internal control are in place to drive capital projects and infrastructure development by:

- 4.1 Ensuring the budget process is not compromised.
- 4.2 Enable the Municipality to improve existing service levels.
- 4.3 Suggest how the Municipality might structure investment in a manner that promotes economic development.
- 4.4 Safeguarding cash resources and optimising cash flow via effective, efficient and economical use of the municipality cash resources;
- 4.5 Encourage the Municipality to locate investment in infrastructure with a view to integrating previously disadvantaged and rural communities.
- 4.6 Promote the infrastructure which is environmentally sustainable.
- 4.7 Ensure that requirements with regards to MIG and the latest Division of Revenue Bill are complied with.

5. GUDING PRINCIPLES

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

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5.1.1 Need as identified within the IDP, underpinned by the Municipal Capital Investment

Program and National Spatial Development Perspective.

5.1.2 Necessity to fulfil the service delivery mandate as identified in the IDP.

5.1.3 Affordability

6. LEGISLATIVE FRAMEWORK

The Municipal council is compelled to annually approve a budget before the commencement

of that particular year – Chapter 4 of the MFMA. The budgetary process comprises monetary

allocations per vote categorised in operating budgets and capital budgets. The former seeks

to provide the framework for operational dictates whilst the latter seeks to plan and sustain

longer term visioning of the municipality.

Subsection 19 of the MFMA holds that:

1) A municipality may spend money on a capital project only if:

a. The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget.

- b. The project, including the total cost has been approved by council.
 - c. Section 33 has been complied with, to the extent that section may be applicable to the project; and
 - d. The sources of funding has been considered, are available and have not been committed for other purposes
- 2) Before approving a capital project as per subsection (1)(b), the council needs to consider:
- a. The total project cost covering all financial years until the project is operational.
 - b. The future operational costs and revenue on the project, including municipal tax and tariffs implications.
- 3) A municipal council may in terms of subsection (1)(b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme

7. KEY ISSUES TO BE MET

It is the Municipality's responsibility to provide all its communities with the necessary infrastructure services for water and sanitation, as well as ensure that other key services (e.g. fire and disaster emergency services) are planned in collaboration with the relevant service providers. This calls for the following actions:

- 7.1 Ensuring that the necessary **infrastructure assets** are provided operated and maintained (i.e. addressing their full life cycle).
- 7.2 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.
- 7.3 Ensuring that an **institutional model** exists for providing the necessary skills, processes and procedures to manage the assets.
- 7.4 Ensuring that the necessary **bulk supplies** (e.g. water as well as wastewater treatment capacity) are available.
- 7.5 Ensuring that the growth needs of the Municipality are addressed by considering local **economic development** initiatives and taking cognisance of changing needs of communities while involving them in planning the provision of the above services.

8. FINANCIAL STRATEGIES

The implementation of the following financial strategies will enhance the future financial sustainability of the Municipality:

8.1 Capital Financing Strategy

8.1.1 Dedicate a particular person to the function of raising grants, identify, establish, maintain, and update database of all grant funders, and undertake project feasibility studies and project plans.

8.1.2 Approach funding organisations with business plans and the financial plan.

8.1.3 Ensure that all requirements with regards to MIG and DORA or any other legislation are compiled with as per the Division of Revenue Act and MIG requirements found on the

8.2 Asset Management Strategy

8.2.1 Establish and maintain an asset register.

8.2.2 Update asset register regularly.

8.3 Financial Management

8.3.1 Formulate a timetable, capacitate the financial officer and transfer the relevant accounting skills.

8.3.2 Develop/review policies, procedures and bylaws.

8.3.3 Provide councillors with the necessary financial training so they understand the financial information that they must base their decisions on.

9. CAPITAL INFRASTRUCTURE INVESTMENTS

9.1. New infrastructure development may only be entered into if: -

9.1.1 The project is in line with the Municipality's IDP;

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 The capital investment programmes are set out in the capital budget.

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

9.2.1 Needs analysis based on:-

9.2.1.1 Service delivery sustainability

9.2.1.2 Consumer growth projections which are in line with the National and Regional Spatial

9.2.1.3 Development Growth Perspectives; and

9.2.1.4 National, Regional and Municipal strategic directives.

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 Government grants and subsidies.

10.1.3 Operating Revenue.

10.2 Financial projections have been developed using the capital budget to obtain the list of infrastructure projects for the budget. Various financial feasibility studies pertaining Capricorn District Municipality Infrastructure Investments and Capital Projects Policy to these capital projects are performed and assessed and aligned to the Integrated Development Plan (IDP).

10.2.1 All the related studies should take in cognisance of the following:

10.2.1.2 A five-year projection of the operating and capital budget reflecting the required tariff ratio increases.

10.2.1.2 Funding currently available to undertake projects.

10.2.1.3 Financial resources required for capital projects.

10.2.1.4 Inflationary increases.

11. REVIEW OF POLICY

This policy on Infrastructure Investment and Capital projects will be reviewed as and when amendments are required. Any changes to the policy must be adopted by Council and be consistent with the Act and any National Treasury regulations.

12 Effective date

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.