

4 January 2011

GREATER TZANEEN MUNICIPALITY

FINANCE DEPARTMENT

POLICY DEALING WITH INFRASTRUCTURE INVESTMENT AND CAPITAL PROJECTS

1. INTRODUCTION

Municipalities are responsible for **providing infrastructure services** to all its communities, industries 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 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 the Municipality 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 human settlements by providing the necessary infrastructure in a sustainable and coordinated manner. 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 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 over medium to long term.

3. KEY ISSUES TO BE ADDRESSED

It is Greater Tzaneen Municipality's responsibility to provide all its communities with the necessary infrastructure services for water, sanitation, electricity, and solid waste, as well as ensuring that other key services (e.g. health, sport 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.
- 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 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 (**GETEDA**) to the function of raising grants, identify, establish, maintain and update database of all grant funders. Undertake project feasibility studies and project plans.

Approaching funding organisations with business 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 be accounted for separately.

4.2 Asset Management Strategy

Establish and maintain an asset register.
Update asset register regularly.

4.3 Financial Management

Develop Policies, Procedures and By Laws. Provide Councillors with the necessary financial training so that 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.

- a) A Three year projection of the operation and capital budget must be compiled.
- b) Funding currently available to undertake projects must be determined.
- c) Financial resources required for capital projects must be determined.
- d) Inflationary increases must be taken into account.