

PLANNING AND APPROVAL OF CAPITAL PROJECTS POLICY

Item A-F (20a-2012)
CM 31/05/2012

**FINANCE DEPARTMENT: REVIEWED INTEGRATED
DEVELOPMENT PLAN (IDP) AND MEDIUM TERM
REVENUE AND EXPENDITURE FRAMEWORK (MTREF):
2012/2013 TO 2014/2015**

RESOLVED:

6. **That** to guide the implementation of the municipality's annual budget, the Council of the Ekurhuleni Metropolitan Municipality **APPROVES** the policies as set out in the following Annexure of this document:

- Annexure M** Property Rates Policy (as reviewed)
- Annexure N** Electricity Tariff Policy (as reviewed)
- Annexure O** Provision of Free Basic Electricity Policy (as reviewed)
- Annexure P** Water and Wastewater Tariff Policy (as reviewed)
- Annexure Q** Provision of Free Basic Water and Wastewater Policy (as reviewed)
- Annexure R** Solid Waste Tariff Policy (as reviewed)
- Annexure S** Credit Control & Debt Collection Policy (as reviewed)
- Annexure T** Indigent Policy (as reviewed)
- Annexure U** Policy on electricity metering for residential and small business customers in the Ekurhuleni Metropolitan Municipality (as reviewed)
- Annexure V** Planning and Approval of Capital Projects (as reviewed)
- Annexure W** Long Term Funding Policy (as reviewed)
- Annexure X** Cash Management Policy (as reviewed)
- Annexure Y** Investment Policy (as reviewed)
- Annexure Z** Funding and Reserves Policy (as reviewed)
- Annexure ZA** Grants in Aid Policy (as reviewed)
- Annexure ZB** Asset Accounting Policy (as reviewed)
- Annexure ZC** Uniform Cell Phone Policy (as reviewed)

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PLANNING AND APPROVAL OF CAPITAL PROJECTS POLICY

1. APPLICATION AND SCOPE

The Planning and Approval of Capital Projects Policy is applicable to the Ekurhuleni Metropolitan Municipality as well as to all of the municipal entities of the Metro, being:

- ▶ Brakpan Bus Company
- ▶ East Rand Water Care Company
- ▶ Ekurhuleni Development Company, including Pharoe Park, Phase Two and Lethabong Housing Institute

The policy, **as amended**, will be effective as from 1 July 2012.

This policy is an interim policy that will be amended once the Project Management Office is fully operational. It is the intention that Ekurhuleni Metropolitan Municipality will have a functional Program Management Office by June 2011 to assist in the formal evaluations of all proposed projects. Interim evaluations will be done on the proposed 2011/14 multiyear Capital Program. A detailed policy will be developed during the 2010/11 financial year for implementation as from 1 July 2011 which will include a prioritization model which will be aligned with the GDS.

2. OBJECTIVES OF POLICY

- ▶ To ensure that capital projects are only budgeted for if a positive feasibility has been obtained.
- ▶ To further ensure that projects are only budgeted for if it can be proven that the project is feasible to be implemented in the allocated time frames.
- ▶ To ensure that budgeted projects are in line with the prioritization criteria.
- ▶ To ensure the optimum allocation of resources to projects that can be implemented within the timeframes budgeted for.

3. INTRODUCTION

The three-year capital budget provides departments the opportunity to plan their capital spending activities in advance, allowing for a more strategic approach.

The typical project cycle consist of at least the following phases:

- ▶ Project Initiation
- ▶ Planning which will include inter alia feasibility studies, Environmental Impact Assessment, Geo Technical studies, Preliminary designs and detail designs.
- ▶ Implementation
- ▶ Close down

4. POLICY STATEMENT

That all projects be registered with the EPMO where after the following process will be rolled out.

- ▶ Initiate project through project Description submitted to EPMO.
- ▶ Develop project charter
- ▶ Develop provisional activity based project plan using the approved electronic software
- ▶ Develop budget and cash flow linked to project activities and calculate total budget required.(All budgets will start from 0 based)
- ▶ Capture project plan and cash flow on project monitoring software.

This process will be a continuous process to be followed as and when projects are identified throughout the year. The intention is to produce a draft proposed budget at the end of November of each year with fully developed project plans and cash flows for each project. No projects will be considered for inclusion in the multiyear CAPEX if this process was not followed.

The process of prioritization in terms of Council's approved prioritization policy can then unfold.

