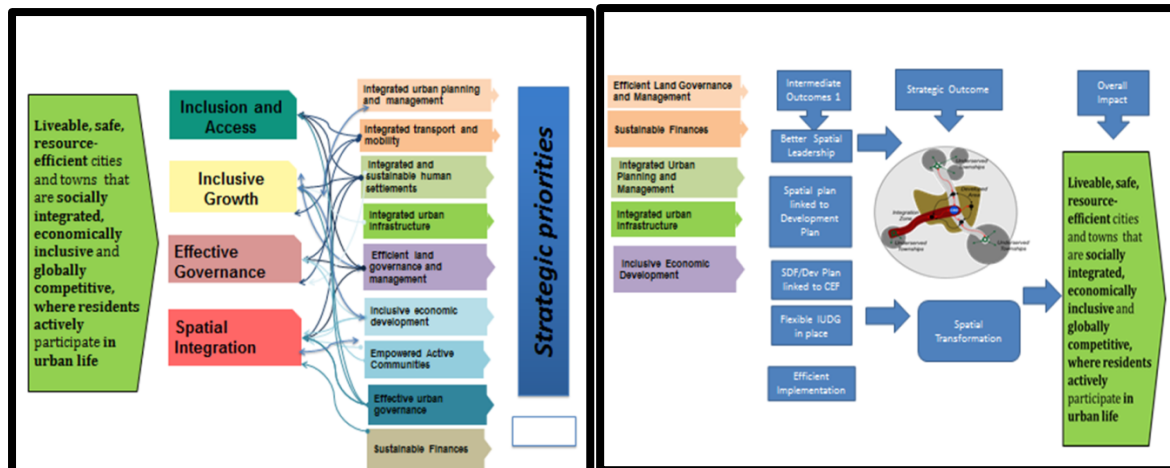


# Consolidated findings from Diagnostic Scan

The ICM Support Programme of the IUDF for  
Polokwane municipality

ICM Support Programme

5/5/2018



cooperative governance

Department:  
Cooperative Governance  
REPUBLIC OF SOUTH AFRICA



IUDF

INTEGRATED URBAN DEVELOPMENT FRAMEWORK

## TABLE OF CONTENTS

1.	Introduction and context .....	4
2.	Methodology .....	5
3.	Area 1: The spatial planning system .....	6
3.1	Introduction .....	6
3.2	Methodology.....	6
3.3	Description of the key findings .....	6
3.4	Proposed areas of TA support.....	10
3.4.1	Planning policy .....	10
3.4.2	Land use decision making and enforcement.....	11
3.4.3	Monitoring and evaluation .....	11
3.4.4	Summary observations on the spatial planning system.....	11
4.	Area 2: Infrastructure asset management and procurement and delivery management systems 12	
4.1	Introduction .....	12
4.2	Infrastructure Asset Management Methodology .....	12
4.3	Description of the findings.....	13
4.4	Proposed areas of TA support.....	18
5.	Area 3: The Capital Expenditure Framework readiness.....	19
5.1	Introduction .....	19
5.2	Methodology.....	20
5.3	Description of the findings.....	20
5.4	Proposed areas of TA support.....	24
5.4.1	Strategic Alignment.....	24
5.4.2	Spatial Growth Analysis .....	24
5.4.3	Technical Analysis: .....	24
5.4.4	Financial Analysis: .....	24
5.4.5	Prioritisation: .....	25
5.4.6	Capital Expenditure Framework: .....	25
5.4.7	Summary conclusions on Capital Expenditure Framework preparation.....	25
7.	Diagnostic Scan Conclusions .....	25
	Appendix 1 – Theory of Change for ICMs .....	27
	Appendix 2 - Conceptual Framework of the Spatial Planning System .....	28

Appendix 3 - Conceptual Model of the CEF and its components.....	29
Works Cited .....	30

## LIST OF TABLES

Table 1: Key Findings on the Spatial Planning System .....	6
Table 2: Summary Findings on Infrastructure Asset Management .....	13
Table 3: Checklist of performance against 32 diagnostic indicators.....	17
Table 4: Findings from the Diagnostic Scan on readiness for the CEF .....	21

## ACRONYMS

CEF: Capital Expenditure Framework

CFO: Chief Financial Officer

CIDMS: Cities Infrastructure Delivery and Management System

COGTA: Department of Cooperative Governance and Traditional Affairs

COO: Chief Operations Officer

DoE: Department of Energy

DoT: Department of Transport

DPW: Department of Public Works

DWS: Department of Water and Sanitation

GIAMA: Government-wide Immovable Asset Management Act

ICM: Intermediate City Municipality

ICMP: Intermediate City Municipality Programme

IDIP: Infrastructure Delivery Improvement Programme

IDP: Integrated Development Plan

IDMS: Infrastructure Delivery and Management System

INCA: Infrastructure Finance Corporation Limited

ISO: International Standards Organisation

IUDG: Integrated Urban Development Grant

IUDF: Integrated Urban Development Framework

LTFP Long Term Financial Plan

LUMS: Land Use Management System

MFMA: Municipal Finance Management Act

MPAP: Municipal Priority Action Plan

mSCOA: Municipal Standard Chart of Accounts

MUSSA: Municipal Services Strategic Assessment

NT: National Treasury

PMU: Project management unit

PPE: Property, plant and equipment

PPP: Public private partnership

RMS: Road management system

SABS: South African Bureau of Standards

SANS: South Africa National Standard

SCM: Supply chain management

SDF: Spatial Development Framework

SIPDM: Standard for Infrastructure Procurement and Delivery Management

SOPs: Standard operating procedures

SPLUMA: Spatial Planning and Land Use Management Act

UDB: Urban Development Boundary

WSA: Water Services Act, Water Services Authority

WSDP: Water Services Development Plan

WSP: Water Services Provider

WTW: Water treatment works

WWTW: Waste-water treatment works

## 1. Introduction and context

The IUDF is the government's policy position on how to guide and manage urban areas in the face of increasing urbanisation and a need to respond to the legacy of the apartheid city form<sup>1</sup>. It responds to the international Sustainable Development Goals (SDGs) and the National Development Plan (NDP). It provides a vision for cities to become more compact, better connected and coordinated through the goals of spatial integration, inclusion and access, inclusive growth and effective governance (DCOG, 2016, p. 8). These goals will be achieved through nine (9) policy levers which are based on the following premise<sup>2</sup>:

*that (1) integrated urban planning forms the basis for achieving integrated urban development, which follows a specific sequence of urban policy actions: (2) integrated transport that informs (3) targeted investments into integrated human settlements, underpinned by (4) integrated infrastructure network systems and (5) efficient land governance, which all together can trigger (6) economic diversification and inclusion, and (7) empowered communities all of the above will demand effective (8) governance and (9) financial reform to enable and sustain these policy actions (DCOG, 2016, p. 8).*

What is apparent is that cities need to focus on more integrated approaches to spatial planning, infrastructure and finances and that existing instruments (e.g. SDF, financial planning and budgeting, asset management, capital project planning) may need to be reviewed and amended to make them suitable and new instruments (e.g. a Capital Expenditure Framework or a Long Term Financial Plan) may be required in other instances.

A support programme designed specifically for intermediate city municipalities (ICMs)<sup>3</sup> has been developed to apply the IUDF approach to ICMs. The ICM Support Programme takes the IUDF theory of change and sequences and prioritises the 9 levers that will be most impactful in achieving the strategic outcome of spatial transformation (See Appendix 1 for illustration of the theory of change for ICMs). These are lever (1) – integrated urban planning and management; Lever (4) integrated urban infrastructure; Lever (5) – efficient land governance and management; Lever (6) – inclusive economic development and Lever (9) – sustainable finances. It proposes that spatial transformation can be achieved through improved spatial leadership (governance), spatial planning that is integrated to the overall development objectives of the city and is linked to capital infrastructure planning and financing and that implementation is efficiently carried out (DCOG, 2016, p. 22). It is spatial transformation that will enable ICMs to achieve the overall goal or impact of the IUDF.

The logical support areas that the ICM support programme has developed<sup>4</sup> therefore focuses on 3 broad areas: spatial planning and economic development; infrastructure and thirdly, governance and finance. Another way to think of the support areas is that they need to achieve the following activities: plan; build; fund; measure. The spatial planning aspects will fall under the “plan”

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<sup>1</sup> The IUDF was approved by Cabinet in April 2016.

<sup>2</sup> This can be seen as the Theory of Change of the IUDF (See Appendix 1).

<sup>3</sup> See the Support Programme for Intermediate City Municipalities in South Africa Draft Jan 2018 (COGTA, 2018) which is in its final stages of design.

<sup>4</sup> While recognising local variation in an approach that has both top-down and bottom-up elements.

activities, the infrastructure and capital projects will be in the “build” category and the financing instruments such as the new grant will fall under the “fund” activities.

Each pilot municipality has given an undertaking<sup>5</sup> to participate in the ICM support programme and to receive Technical Assistance (TA). More specifically, the pilot municipalities are required to ensure political and management commitment to champion the development and implementation of the SDF as the long term spatial plan in terms of SPLUMA; to ensure the establishment of technical capacity to implement the spatial plan; to spend aligned capital budgets and strengthen financial accounting and reporting capacity; and to have a (prioritised multi-year capital programme (the Capital Expenditure Framework (CEF)) linked to spatial priorities in terms of the SDF in place by 1<sup>st</sup> July 2018 (in order to be eligible for the IUDG<sup>6</sup>).

Three experts were therefore contracted to provide TA support to the spatial planning system, the infrastructure planning, management and projects delivery and thirdly and for preparing Capital Expenditure Frameworks CEFs). To arrive at specific support areas within these sectors, the ICM support programme approach is to undertake a diagnostic scan. This ‘rapid diagnostic’ process identified the key issues or findings and proposed potential support activities to achieve the overall IUDF goals in the municipality. These findings and proposed support areas are then discussed with the municipal stakeholders and agreement sought on support areas. The agreed support area activities are then set out in a work plan or implementation plan together with the municipality.

Each of the three TA’s undertook a diagnostic scan of their respective sectors in March 2018 and this report summarises the findings they observed along with the support areas they have proposed. The diagnostic scanning process is therefore the first step on the road to formulating meaningful, programmed support to the municipality.

This report presents the findings of the three diagnostic scans, each under their own section, and will form the basis for further engagement with municipal officials to agree the identified support areas.

## **2. Methodology**

A generalised methodology was followed by all three diagnostic areas which could be summarised as:

- Scan of relevant desktop sources of information;
- Develop an analytical framework / structure for the diagnostic (these are different per sector);
- Meetings and discussions with key officials;
- Document the findings;
- Suggest possible support areas based on the findings.

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<sup>5</sup> This is as per the Council report approved by each pilot ICM in 2017.

<sup>6</sup> For this pilot municipality a full CEF is not required in terms of DORA by July 2018 in order to receive the IUDG or the MIG2 as it is being called for the pilots.

Importantly, a scanning methodology was used rather than a fully comprehensive analysis. Also, the analytical frameworks and approach used is innovative and must be seen as being “tested “ through this process with the municipality.

### 3. Area 1: The spatial planning system

#### 3.1 Introduction

Given the emphasis on spatial transformation in the IUDF, a scan of the spatial planning system was essential to determine the strategic spatial issues. This diagnostic scan was undertaken by conceptually defining a spatial planning system and its components as a way to order and structure the diagnostic scan. It is noted that the South African Cities Network (SACN) undertook an assessment of the SDF last year (SACN, 2017) while this review works from that assessment and casts the net a bit wider and explores the planning system more holistically.

#### 3.2 Methodology

The spatial planning diagnostic scan followed the general methodology and can be summarised as:

1. desktop documents scanning;
2. development of analytical framework /concept for the spatial planning system components to be assessed;
3. focus group interviews with officials (mainly from planning department);
4. the application of the planning system components in interviews to arrive at findings;
5. document the findings; and
6. propose possible support areas.

The methodology proposed a structure of the spatial planning system, which is described as being comprised of<sup>7</sup>:

1. Planning policy (the SDF being key – but assesses several aspects. See table below)
2. Land use decision making
3. Built environment enforcement
4. Property Information
5. Monitoring and evaluation
6. (all the above seen in the context of ) the planning system governance

The scan made findings on each of these components.

#### 3.3 Description of the key findings

The table below summarises the key findings on the components of the spatial planning system that were assessed.

**Table 1: Key Findings on the Spatial Planning System**

No.	Component	Findings
1.	<b>Planning Policy</b> – including the SDF, linked to spatial	The municipality has an SDF that was compiled in 2007 and revised in 2010;

<sup>7</sup> See Appendix 2 for an illustration of this conceptual framework.

No.	Component	Findings
	outcomes	Data from that time – outdated; Latest version did not have maps included and reference to older SDF maps; Municipality is intending to review the SDF and a ToR has been prepared and being considered by the EAC The assessment of the SDF as the primary planning policy will therefore be “light” considering that a review is imminent.
	<b>1a. Development vision, outcomes and principles</b>	The 2010 SDF has a spatial vision <sup>8</sup> . Appear to be no quantifiable development outcomes emanating from this vision. The 4 principles also do not resonate with principles in SPLUMA such as spatial justice and equity.
	<b>1b. Spatial structure</b>	The SDF defines a clear spatial structure with a hierarchy of nodes, corridors and settlements (page 108). This is informed by the “spatial concentration model combined with a selective cluster approach in rural areas” (page 162); This spatial structure was defined in the 2007 SDF and appears to have been revised in the 2010 SDF. The one limitation of these is that they were defined predominantly by population size and didn’t take other factors such as economic activity and potential into account. It might be the case that if multiple factors were considered, different priorities could emerge; There seems to be some confusion within the municipality on whether this spatial structure still persists in the 2010 SDF. Replacing the approach of SDAs and PDAs which was seen to be contributing to fragmented planning with clearer LSDFs needs clarification. There is a concern that this may be replacing the hierarchy of places with planning instruments such as the urban edge, corridors and spines; Spatial areas previously defined as Strategic Development Areas (SDAs) and Priority Development Areas (PDAs) may not in fact be prioritized; It would seem that spatial structure and prioritization does not necessarily equate to municipal infrastructure prioritization; The CBD is defined as the core and to this extent a CBD renewal strategy was compiled in 2016, reviewing the 2005 development plan. However, it doesn’t reflect what targets were attained from the 2005 plan and what worked and what didn’t <sup>9</sup> ; In the revision of the SDF, care will have to be taken to ensure multiple departments’ involvement and realignment of decision making processes to ensure that the spatial outcomes defined in the SDF are reinforced;
	<b>1c. Hierarchy of plans</b>	There are detailed plans for some of the priority areas; The one limitation is the lack of aggregated data <sup>10</sup> and more recent data; The SDF has elevated shopping centres as a land use and defined a hierarchy of shopping centres (page 116) even defining the level of shopping centre that should anchor the various SDA and PDAs. This

<sup>8</sup> Their spatial vision is to “enhance sustainable development and alleviate poverty by focusing scarce resources on areas with economic growth potential and the highest return on capital”.

<sup>9</sup> For instance, it proposes an expansion of the UDZ tax incentive area with no indication of the efficacy of this incentive since commencement, as a basis to extend its boundary.

<sup>10</sup> For instance the 2016 CBD renewal plan is based on municipal level census data from 2011. This limits the sharpness of understanding of the trends in these areas and results in generalized interventions.



No.	Component	Findings
		<p>is a curious approach to planning as shopping centres ought to be considered in tandem with other land uses and not as an urban restructuring element in and of themselves;</p> <p>There are a number of other supportive plans and policies, but most predate the SDF by a while and would need reconsideration – such as the 2001 Medical Land Use Policy, the Gated Communities Policy of 2005, to align the with SPLUMA principles of inclusion, compact and mixed land uses.</p>
	<b>1d. Cross sectoral integration</b>	<p>The (undated) Polokwane 2030 <i>Economic Growth and Development Plan</i> identifies sectors that ought to be supported to achieve economic growth;</p> <p>This is not spatially referenced and doesn't give sufficient guidance on what ought to happen in specific areas to support those sectors;</p> <p>While there is some attempt to define "physical clusters" (section 8.1, page 45) with infrastructure and spatial development interventions, it falls short of detailing what types of infrastructure in which geographic areas and does not give sufficient direction to guide municipal activity and investment;</p> <p>Even the SDF (in section 5.1.2) talks in generic terms about areas with economic activity and the need to capitalize on these;</p> <p>The <i>Integrated Transport Plan</i> (ITP) contained in the SDF was compiled in 2007 (page 209), and it predates the reconfigured spatial form and priority development/ investment areas;</p> <p>The ITP is also lacking detail and doesn't draw the necessary links between spatial form and mass transit nor does it indicate the strongest movement desire lines within the municipality as a basis for informing investments in public transport.</p>
	<b>1e. Evidence-based decision making</b>	<p>Even the 2010 SDF revision is based on 2007/2008 data; Besides being dated, it is not sufficiently aggregated to provide the level of detail required to track demographic and economic changes and devise appropriate interventions at a sub-area level;</p> <p>Even in the CDB renewal plan, the statistics utilized were for Polokwane as a whole, as opposed to the CBD as the study area.</p> <p>An observation from the economic data in the SDF (albeit old (2008)) is the potential for jobless growth<sup>11</sup> which the Economic Growth Strategy should pick up on and support labour absorptive sectors;</p> <p>Another observation is that the socio-economic data should be analyses to indicate spatial distribution of things like deprivation (income/education), economic sector distribution and use this to formulate spatial development intervention strategies based on data evidence<sup>12</sup>;</p> <p>Hence, the paucity of data and the weak connections between what the data is indicating and strategic choices being informed by such data, weakens efforts to entrench evidence-based decision making.</p>
	<b>1f. Tools and mechanisms to realise spatial outcomes</b>	<p>These do not feature strongly in the SDF although the urban development boundary and urban fringe are mentioned<sup>13</sup>;</p> <p>More mechanisms could be considered such as strategic</p>

<sup>11</sup> Evidenced by the finance sector contributing 30,2% while education levels across the municipality is low.

<sup>12</sup> For example, a place like Thabamoopo has as much as 43% of the jobs in manufacturing yet this area doesn't feature as a manufacturing hub within the municipality.

<sup>13</sup> Interestingly, an observation is that there appears to be some discomfort with these because the SDF defines the urban fringe as being areas beyond the urban boundary where developments will be considered, suggesting that there is pliability in the enforcement of the UDB.

No.	Component	Findings
		infrastructure investment in targeted areas; The densities that are proposed in the SDF are low and with the spatial form of the municipal area, mass transit systems like the BRT will not be viable to operate.
2.	<b>Land use decision making</b> – need a strong system with checks and balances to make informed land use decision consistent with outcomes in policies	In terms of SPLUMA municipalities require a single land use scheme. While it appears that attempts have been made to implement this it is unclear whether one that is guided by SPLUMA (or that pre-dates SPLUMA) has been finalised; Alignment may be required in terms of density approaches between the 2010 SDF and the density policy <sup>14</sup> ; A key component of a land use management system is a clearly articulated bulk services contributions policy – it was unclear the status of this policy in Polokwane and the extent to which it is crafted to help realise spatial outcomes in the SDF (through for instance, waivers and offsets); This issue of lifting the moratorium on land use development applications was noted and the observation made that it will be important to record rights granted (and not exercised) to assist future infrastructure planning under such capacity constraints as future demand may already be taken up.
3.	<b>Built environment enforcement</b> – needs to be robust but also review bylaws to remain relevant and where contraventions, need actions to be swift, effective and consistent.	It is apparent that some enforcement and compliance occurs in the formal parts of the municipality; There is a concern with non-compliance in township and rural areas, in particular in traditional authority areas exacerbated by the observation that there is no indication that the municipality is developing a differentiated policy and administration processes and regimes to be better respond to these areas.
4.	<b>Property information</b> – need accurate base data to ensure decisions are based on objective evidence. Also need data to craft informed policies and to ensure that the outcomes of good spatial policy can translate into robust revenue collection systems	Not explored in great detail in this scan but it is noted that this aspect of the planning system is often under-appreciated or not seen as an integral part of the planning system. The act of urban planning (policy, infrastructure investment and land use and construction permitting) creates real estate value and the municipality ought to have a central repository of this property information to enable it to direct future interventions to create, capture (use for borrowing) and redistribute the value; A single property information repository that houses property information such as cadaster, land use rights, ownership, valuations and services for each property in the municipal area would provide a resource /useful tool for trends analysis; An important consideration is that the municipality puts in place a regime to measure what it has defined as important and committed to attain.
5.	<b>Monitoring and evaluation</b> – a good spatial planning system should have a M&E component to measure and track performance against outcomes and act as an	There is some reference to development objectives that the SDF seeks to attain but these are not quantified, and no built environment measures are defined in the SDF; There is a need to track and evidence the impact of policies and investments to monitor and to do course correction and there are measures that can be applied <sup>15</sup> .

<sup>14</sup> The 2010 SDF defines densities that peak at 75units/ha in the Polokwane CBD and while these have subsequently been increased in a separate density policy finalized in 2013, the scheme still defines minimum plot sizes as a development control mechanism which militates against increased density.

<sup>15</sup> There are various measurement frameworks that the municipality could choose from, e.g. National Treasury's City Support Programme (CSP) has built environment indicators that could be used as a departure point, remembering that SPLUMA Section 22 (p)(iv) requires SDFs to have monitoring indicators.

No.	Component	Findings
	early warning system.	
6.	<b>Planning System Governance</b> – includes all aspects of municipal institutional structures for supporting a sound planning system	The primacy of the SDF is key to informing municipal decisions to achieve spatial development outcomes. It was found that in Polokwane this is weak and there is little cross referencing between spatial and infrastructure planners; It was observed that mega projects and PPPs <sup>16</sup> mentioned by officials do not appear to emanate from the SDF (or any of the supporting policy documents); It is proposed that the role and function of the SDF be carefully considered in the upcoming revision of the SDF and processes of engagement and the inclusion of key sectors is integral in ensuring buy-in by all (and achieve the primacy of the SDF).

### 3.4 Proposed areas of TA support

The diagnostic scan of the spatial planning system observed and identified a range of issues and gaps, summarised in the section above. The purpose of the scan and the methodology employed is to arrive at possible support areas for the ICM Support Programme to the ICM municipalities. Being a scan rather than an in-depth analysis, the support proposals identified are also at a high level and will need to be discussed further with the relevant officials at the municipality. That process will verify the suggested areas of support and hone in on more detailed support needs.

The proposed support areas have been identified (more or less) under the components of the planning system but some are broader and span more than one aspect of the planning system. They include:

#### 3.4.1 Planning policy

This includes interventions relating to the SDF, the spatial structure, hierarchy of plans and planning instruments. The single most important support intervention identified relates to the revision of the 2010 SDF to make it SPLUMA compliant and using more updated and aggregated data. To this end the following is proposed

- a) **Review of terms of reference** – it was indicated that these had been drafted and that an appointment was imminent. It is proposed that the ICM support team could assist with ensuring improved requirements and it is recommended that the proposed terms of reference be shared with the team for review prior to appointment of a service provider;
- b) **Support to municipality in driving the SDF review** - it is important for municipal officials and politicians to have a good handle of the planning dynamics and the spatial configuration choices that they make along with the policy choices and investment decisions. This means that the process of the SDF review must be firmly driven by the municipality and it is proposed that the municipality do as much of the conceptual work as possible in house and that the aspects that are outsourced relate to obtaining data/ stats, modeling, GIS and mapping. This might take a little longer but it is likely to be a more robust product that is owned within the municipality.

<sup>16</sup> Such as the ICC and the roads concession which are high high cost projects need to deliver on long term outcomes and that they are not at the expense of less visible yet highly impactful operational considerations – like urban management as part of the regeneration of the CBD, for example.

c) **Incentives to drive the spatial outcomes** – the municipality could further enhance the attainment of spatial outcomes by expanding the suite of incentives that they have available. Some incentives that could be considered include:

- i. **Regulatory easing** – in those areas where development frameworks have been undertaken – consider doing the change in use applications internally, that way property owners needn't have this hurdle if their development proposals are in line with the development frameworks.
- ii. **Bulk contributions policy** – in the revision of this, carefully consider the locations and types of developments where the municipality will waive the payment of contributions.
- iii. **Rates and taxes** – a similar logic and approach as for bulk contributions.
- iv. **Development facilitation** – this entails cross sectoral teams that work with key stakeholders on applications/ development proposals that resonate with municipal plans.

### 3.4.2 Land use decision making and enforcement

**Land use management scheme** – this requires review and refinement to ensure that it not only covers the entire municipal area but is sufficiently robust to address the myriad of land use typologies and gives effect to the development outcomes articulated in the SDF. It will also be the basis for enforcement across all areas of the municipality.

Based on the findings, the municipality should have a clear bulk infrastructure (development charges) policy across all key infrastructure sectors that the municipality must provide to developments.

### 3.4.3 Monitoring and evaluation

**Built environment/outcome indicators** – this is an omission in the SDF (again may be linked to lack of data). The municipality should be supported to ensure that the 2018/19 SDF revision incorporates some indicators and builds internal processes to collect data to be able to populate these over time. Lessons learnt from the sister programme (the CSP) for metropolitan areas on indicators can be applied in this support.

### 3.4.4 Summary observations on the spatial planning system

In summary, it can be said that Polokwane has many of the spatial planning system components in place but the spatial plans and planning system lacks the gravity and importance it should have in directing the future development of the municipality. It therefore needs to be prepared in-house collaboratively, it must involve cross-sectoral processes, it must be SPLUMA compliant in more aspects, it must give strategic direction in the short and longer term and it must be built up from sound, up to date property, economic, social and infrastructural data and information. Improving the land use management component will have several benefits to the municipality and contribute to strategic decision making on future development and the management of spatial development.

## **4. Area 2: Infrastructure asset management and procurement and delivery management systems**

### **4.1 Introduction**

This specific area of support was identified for ICM's in order to address efficient implementation of capital projects. Of importance is the shift towards programmatic grant funding through the IUDG (rather than MIG project-based funding) and the need to have reliable systems in place that will allow ICMs to qualify for IUDG grants, to subsequently manage the grant and to continue to meet the criteria for ongoing qualification.

The purpose of the diagnostic assessment was to understand Polokwane's capacity to spend their capital budgets, assess supply chain management processes, contract management and the systems and capacity in place to ensure planned, integrated infrastructure delivery. By having infrastructure that is in good condition, where it is planned, is delivered through well governed processes in the correct spatial locations, the municipality will be fostering more inclusive economic development and building longer term sustainability, as promoted in the IUDF.

### **4.2 Infrastructure Asset Management Methodology**

The methodology can be summarized as:

- desktop documents scanning;
- development of infrastructure sector-compliant assessment criteria/indicators;
- focus group interviews with officials as well as other key interviews;
- the application of the criteria in interviews to arrive at findings;
- document the findings; and
- propose possible support areas

The desktop scan for this sectoral area included a review of all the applicable laws, norms and standards relating to infrastructure (focus on key sectors of water and sanitation, roads and storm water and electricity) and policy documents to distil out the common, key principles that underlie all approaches to infrastructure. A full set of 32 criteria or indicators were then proposed as the diagnostic framework – 10 were derived from general principles, norms and standards with the remainder derived from the water, sanitation, roads, storm water and electricity sectors.

Focus group interviews with officials from the Polokwane Municipality, as well as interviews with other stakeholders such as the Department of Water and Sanitation were undertaken to discuss the infrastructure sector in terms of the 32 criteria or indicators.

The intention was to assess whether the municipality's institutional capacity is 'sufficient' for generally successful implementation of the new IUDG, rather than to assess full and complete

compliance with nationally-set best practice<sup>17</sup>. The goal was to identify key gaps requiring attention or support. Minor aspects of non-compliance or the use of different approaches to nationally-recommended approaches which would not substantially impact on the city's capacity to implement the IUDG and meet the goals of the IUDF were not prioritised in the diagnostic process.

The findings were compiled into a composite report for the two pilot ICMs and the relevant sections are contained in this report for the Polokwane municipality.

### 4.3 Description of the findings

The high level assessment and findings is summarised for Polokwane Municipality below in table format for easy reference, followed by a checklist assessment table against the 32 indicators.

**Table 2: Summary Findings on Infrastructure Asset Management**

No.	Indicator	Findings
1.	Expenditure against the capital budget	Polokwane has a mixed record of expenditure against its infrastructure grant allocations. In some years it has been 90% or higher, in other years closer to 50%.
2.	Funding of Infrastructure	<p>More recently, Polokwane contributed its own funds to capital projects (SACN, 2017);</p> <p>Some "imbalances" and contradictions were observed in the budget<sup>18</sup>;</p> <p>The National Treasury / INCA independent financial assessment<sup>19</sup> found that Polokwane would be a BB+ non-investment grade by financial institutions, the reasons being that: it got a low score of 3.2 out of 10 due to the regressed liquidity ratio (0.8:1), negative cash generated from operations in the past 2 years, a reduction in Capex, a lack of balanced funding mix and the inability to maintain high debtors collection rates;</p> <p>It is noted that the LTFP needs to address the following:</p> <p>A specific strategy to curtail the reliance on electricity for revenue; the electricity distribution losses and non-revenue electricity consumption; prudent management and curtailment of operational expenditure (especially Salary and Wages); increasing the amount earmarked for Repairs and Maintenance; improvement in the level of debt collection to above 95% and to maintain it at that level year on year; and strive for a well-balanced funding mix between grants, own cash and borrowings.</p>
3.	Auditor General Audit results	Polokwane has a mixed record of audit reports. One of the areas of findings was irregular expenditure related to SCM. The recent improvement in audit findings is noted <sup>20</sup> .

<sup>17</sup> This approach also allowed flexibility as some national norms and standards are being reviewed so an approach that rather assessed the municipality's management practices in terms of basic management principles inherent in the 32 indicators and that would lead to generally successful IUDG implementation and achieve the outcomes of the IUDF was seen as more suitable.

<sup>18</sup> For example, in the budget roads get more attention than water and yet Polokwane is a water scarce area or that more was spent on sports and recreation than on solid waste and electricity, and that trading services were receiving only 35% of the capital budget yet they are the major revenue raisers.

<sup>19</sup> See Independent Financial Assessment report on Polokwane (National Treasury, 2018, pg. 5)

<sup>20</sup> In the diagnostic study commissioned by the Cities Network in 2016 (Insights, 2016)

No.	Indicator	Findings
4.	Access to basic level of services	<p>Polokwane has also made good progress in reducing backlogs in access to basic levels of service;</p> <p>The latest draft IDP indicates access to water supply infrastructure has increased to 83% (Polokwane Municipality Draft Integrated Development Plan, 2018); Access to electricity increased from 64% in 2001 to 94% in 2016;</p> <p>While there has been progress in reducing the backlog in access to basic acceptable levels of sanitation, the backlogs remain high in rural areas.</p>
5.	Asset Management and Project Management Asset Register	<p>The findings in this regard are very encouraging.</p> <p>The infrastructure asset register is up-to-date, according to officials;</p> <p>There is an asset manager whose job it is to keep it updated, and it is monitored through a monthly asset steering committee meeting;</p> <p>Internal audit indicated that they had audited the infrastructure asset register and had not made any findings relating to its completeness;</p> <p>The line function departments are using the asset register for asset management planning.</p>
6.	Maintenance	<p>The National Treasury<sup>21</sup> found that there is an inadequate budget for repairs and maintenance (2% of PPE);</p> <p>Also found that the capital budget is skewed in favour of the construction of new assets rather than the renewal of existing assets<sup>22</sup>;</p> <p>It also found that the capital budget appears to be skewed in favour of roads projects at the expense of much-needed water projects;</p> <p>Formal plans for routine road maintenance are absent;</p> <p>There appears to be no maintenance plan for water and sanitation;</p> <p>There are no plans in place for servicing of mechanical components at the WTW and WWTW.</p>
7.	Internal Audit	Is active in auditing infrastructure and making improvements.
8.	Water and Sanitation	<p>Polokwane is a water-scarce municipality;</p> <p>It declared a moratorium on new development in 2013 due to the scarcity of water supply. The moratorium has since been lifted;</p> <p>The municipality has high water losses – being addressed through the replacement of old, leaking asbestos pipes and the installation of more meters;</p> <p>The high level of water losses reduces the profitability of selling water;</p> <p>Polokwane buys 80% of its water from the Lepelle Northern Water Board. DWS and Lepelle have been slow to increase supply capacity project (only likely to contribute to supply to Polokwane in 6 to 8 years' time);</p> <p>The municipality has several projects aimed at increasing its own water supply sources in various stages of planning and implementation (mainly boreholes);</p> <p>There is a shortage of capacity for waste-water treatment;</p> <p>The existing WWTW is being refurbished<sup>23</sup>;</p>

<sup>21</sup> See National Treasury 2017-18 Budget Assessment Report for Polokwane (National Treasury, 2017d).

<sup>22</sup> Only 28.7% of the budget is allocated to renewal as compared to the National Treasury guideline of 40%.



No.	Indicator	Findings
		<p>Planning is underway for an additional new regional WWTW, possibly to be implemented as a PPP or a partial PPP scheduled for completion in the next 3 years;</p> <p>A water Master Plan is in place and the WSDP is currently being reviewed and it will be done using the WSDP system;</p> <p>The last MUSSA assessment was done in 2017 but the municipality does not produce action plans to address the issues raised in the MUSSA assessments;</p> <p>Polokwane has not separated the WSA and WSP functions within its organizational structure;</p> <p>The WTW and WWTW are not fully meeting DWS and SANS requirements for water quality and water effluent standards;</p> <p>There is a need to review process controllers to meet certification requirements.</p>
9.	Electricity	<p>The municipality distributes electricity in the Polokwane / Seshego area and Eskom distributes electricity directly to consumers in the other areas of the municipality;</p> <p>According to the 2017/18 IDP, access to electricity supply is at 99%;</p> <p>There is a five-year electricity Master Plan, produced in 2012, currently being reviewed to produce a 10-year plan;</p> <p>Electricity losses are approximately 12% - being addressed through installing pre-paid meters;</p> <p>There is a need to improve the management of electricity debtors;</p> <p>The sale of electricity is the main profit driver for the municipality;</p> <p>Ageing infrastructure is the key challenge in the electricity sector in Polokwane.</p>
10.	Roads	<p>There is a roads and storm water Master Plan which will be reviewed as it is expiring this financial year;</p> <p>There is no Roads Management System;</p> <p>The roads department uses the infrastructure asset register for planning of periodic preventative roads maintenance projects;</p> <p>Many of the roads in the municipality are either Provincial or National roads rather than municipal;</p> <p>Condition surveys are carried out every three years.</p>
11.	Infrastructure planning	<p>Infrastructure line function departments develop priority lists of projects based on technical criteria and IDP processes, and management decides on prioritization between sectors, considering criteria such as backlogs, condition, spatial development, and impact;</p> <p>Polokwane does not have a formal methodology for prioritizing projects between sectors.</p>
12.	Multi-year approach to project delivery	<p>Until recently infrastructure capital projects were not managed on a three-year basis, resulting in under-expenditure;</p> <p>The municipality is now endeavoring to prepare specifications earlier and to advertise tenders for projects in the year before implementation;</p> <p>PMU is supported by consultants (have a 3-year contract) to improve project management;</p>

<sup>23</sup> During the focus group meetings with Polokwane officials it was indicated that the existing WWTW is in the process of being refurbished in partnership with Anglo American, which will add additional capacity. Anglo American will also be assisting the municipality with maintenance and operation of the WWTW. Anglo American will obtain grey water from the refurbished plant.



No.	Indicator	Findings
		The PMU manages all the capital projects of the municipality; PMU indicated that they are doing active cash-flow management of the capital budget.
13.	Delivery Management Strategy	<p>While it is encouraging to establish that Polokwane funds infrastructure in alternative ways, the National Treasury assessment report<sup>24</sup> indicates that the municipality was “cautioned” regarding plans for major infrastructure projects that are funded through alternative funding mechanisms;</p> <p>It is advised that the “caution” of National Treasury needs to be reiterated and the feasibility of the various proposals needs to be thoroughly assessed before they are implemented<sup>25</sup>;</p> <p>Polokwane has registered a further eight PPP projects with National Treasury;</p> <p>Polokwane does not have a formal infrastructure delivery management strategy but it is applying its mind to choosing appropriate delivery options for different types of projects.</p>
14.	Infrastructure SCM	<p>The National Treasury benchmark assessment report noted poor implementation of infrastructure projects and a slow turnaround time on SCM processes for infrastructure projects;</p> <p>It also indicated that planning for projects needs to start earlier and that project management and contract management need to be improved;</p> <p>The meetings with officials indicated that the city has taken measures to address the SCM, project management, contract management and budgeting weaknesses identified in the National Treasury assessment report;</p> <p>The municipality has established a contract management section under the CFO;</p> <p>There is a need to develop SOPs or policy to clarify roles and responsibilities between the contract management section and the project managers in the PMU;</p> <p>The PMU has been strengthened with the appointment of a service provider to support and develop the capacity of the internal project managers;</p> <p>Measures have been taken to address irregular SCM expenditure identified by the Auditor General and that no irregular SCM expenditure was incurred in the 2016/17 financial year;</p> <p>Polokwane is progressing with implementing SIPDM;</p> <p>The Council has adopted an infrastructure SCM policy and the gateway reviews have been instituted;</p> <p>Polokwane has not yet developed an infrastructure procurement strategy;</p> <p>The SCM processes are generally adequate and few cancellations of SCM committee meetings or expired tenders;</p> <p>Officials estimated that it takes approximately 4 months from date of submission of a specification to the bid committee to date of award, which is comparatively good.</p>
15.	Service standards and customer care	Officials indicated that service delivery standards are in place, but they are not being monitored.

<sup>24</sup> See (National Treasury , 2017) for the Benchmarking Assessment of Polokwane.

<sup>25</sup> For example, the City is planning to implement a “concession” model for rehabilitation of municipal roads in the city. It was not clear from the interviews with officials exactly how this concession would work and how it would be more beneficial than investing in the roads from the normal capital budget (including borrowing), given that the roads do not generate any direct revenue.

No.	Indicator	Findings
16.	Tariffs	The National Treasury assessment report noted the increased tariffs for trading services above the inflation rate to make them more cost-reflective; The average consumer collection rate is 89%, which is relatively good; The municipality is planning to install meters in rural areas with unmetered yard connections.

### The 32 Diagnostic Indicators Checklist

In terms of the 32 diagnostic indicators derived from the methodology, the checklist for the City is shown below:

**Table 3: Checklist of performance against 32 diagnostic indicators**

No	Item	Polokwane
1	Infrastructure asset management policy	No
2	3-year infrastructure capital expenditure plan	Yes
3	Monitoring and reporting against infrastructure plan	Yes
4	Large capital investment decisions based on projected life-cycle costs of infrastructure rather than just initial cost	Yes
5	Risk-based approach to asset management is in place	Partial – hindered by lack of maintenance plans
6	Infrastructure asset register is in place and is up to date	Yes
7	Information on infrastructure asset register is used to inform asset management planning	Yes
8	Condition assessments are carried out periodically	Yes
9	System(s) to prioritise repairs, based on risk	Partial – hindered by lack of maintenance plans
10	System for handling of complaints and responding to requests from citizens and stakeholders, including standards for reasonable response times; and monitoring and reporting on responsiveness	No
11	Financial and economic appraisals of major capital investment proposals	Yes
12	Multi-year approach to the planning and implementation of infrastructure projects	Yes
13	Cash-flow projections maintained for projects	Yes
14	Commitment register(s)	Yes
15	Flexibility to change annual project cash-flow projections during the year	Yes
16	Project pipeline	Partially, by sector
17	Life-cycle asset management planning	Partially – lack of maintenance plans
18	Maintenance plans – preventative maintenance of a capital nature	No
19	Maintenance plans – repetitive operational maintenance	No
20	System of prioritization for reactive repairs based on risk	No – link to lack of maintenance plans
21	Management monitors implementation of maintenance plans	No
22	Infrastructure SCM policy (part of SIPDM)	Yes
23	Infrastructure procurement strategy (part of SIPDM)	No
24	Decision-gates for large capital projects (part of SIPDM)	Yes
25	Governance arrangements for management of capital projects	Yes
26	WSDP	Yes – in process

No	Item	Polokwane
27	Water Safety Plan	In process
28	Wastewater Risk Abatement Plan	Yes
29	Municipal Priority Action Plan to address issues from DWS MUSSA assessment and DWS Reliability Plan	No
30	Water Treatment Works and Wastewater Treatments Works are classified, and process controllers have required qualifications in accordance with the classification	Partial - There is a need to review the job descriptions of the process controllers with a view to ensuring that they align more closely with the DWS requirements for the plant classification.
31	Roads Management System	No
32	Portfolio, programme and project management	Yes. Need to develop SOPs or policy to clarify roles and responsibilities between the contract management section and the project managers in the PMU.

### Summary of Findings

The diagnostic has identified important overall infrastructural asset management weaknesses in Polokwane mostly due to the lack of planning for maintenance, longer term planning and prioritization across sectors and funding. While some sound systems are in place, there is still room to improve on others. National Treasury has raised some concerns regarding the planned BRT project warranting further engagement in this regard. Similarly, the proposed road concession project raises a flag around possible viability. It would benefit from support in these areas to ensure ongoing qualification for the IUDG. Polokwane shares common gaps with other ICMs in respect of needing to develop a standard methodology for prioritising capital projects across sectors, developing an infrastructure asset management policy and a procurement strategy. The latter two aspects could benefit from standardised approaches for all ICMs.

Areas of potential support were identified from the diagnostic and these are noted in the section below.

### 4.4 Proposed areas of TA support

Based on the findings of the diagnostic scan of the infrastructure asset management and procurement and delivery management, the following 12 areas of potential support are suggested for discussion with the municipality:

1. Assistance in developing an Asset Management Policy;
2. Developing a process to prioritise across sectors to improve infrastructure planning, in particular the 3-year capital expenditure plan;
3. Assistance to accelerate the Lepelle Northern Water pipeline to provide additional water supply to Polokwane;
4. Developing a Delivery Management System: this is required especially to assess alternative models of infrastructure funding (such as the road concessions) as well as financial and economic appraisals of major capital investments;
5. Preparation and implementation of a Roads Management System;

6. Ensure a project pipeline through supporting the Capital Expenditure Framework (CEF);
7. Preparation of infrastructure Maintenance Plans for both preventative and repetitive operational maintenance;
8. Development and implementation of an Infrastructure Procurement Strategy in terms of helping with the implementation of the SIPDM;
9. Preparation of the DWA's MUSSA improvement plan and monitoring by management, if required;
10. For the WTW and WWTW the job descriptions of controllers need to be aligned to the DWA requirements;
11. Portfolio, programme and project management capacity in the PMU: Could assist in reviewing the SOPs - including clarifying the roles and responsibilities between the PMU and contract management section;
12. Developing a system of handling complaints and citizen requests and monitoring and reporting on responsiveness.

## 5. Area 3: The Capital Expenditure Framework readiness

### 5.1 Introduction

The diagnostic report on readiness to prepare a Capital Expenditure Framework (CEF) as required by the Spatial Planning and Land Use Management Act, 16 of 2013 (SPLUMA) (Clause 21(n)) is the first step towards developing and implementing the preparation of CEFs. It is intended to scan the readiness of the municipality to prepare a CEF. It will contribute towards a standardized CEF being supported in ICMs. Importantly, the new IUDG has qualifying criteria related to having a CEF in place.

As part of this TA support, a firmer description of a CEF was developed because SPLUMA itself does not define or describe a CEF. This report uses the following description:

*"A capital expenditure framework is a comprehensive, high-level, long-term infrastructure plan that flows from a spatial development framework. The capital expenditure framework estimates the level of affordable capital investment by the municipality over the long term. Affordable capital investment is determined by comparing an estimate of capital investment needs to an estimate of available capital finance sources. The affordable capital investment should be disaggregated by sector; by target user (poor households, non-poor households and non-residential users); by investment driver (informal settlement upgrading, other new infrastructure and renewal) and in space."*

Following on the description, more detail on the overall model of a CEF and its component parts was developed. With a more robust understanding of a CEF, the criteria that a municipality needs in place to be able to prepare a CEF formed the basis of the diagnostic scan.

## 5.2 Methodology

Like the infrastructure asset management methodology in the previous section, the TA needed to develop a “framework” within which to direct the nature of the diagnostic scan and then apply the scan to arrive at diagnostic findings.

The methodology can be summarized as:

- desktop documents scanning;
- development of the “model” for a Capital Expenditure Framework<sup>26</sup>;
- development of diagnostic criteria for components of the “model” CEF;
- interviews with officials and organisations;
- the application of the diagnostic criteria in interviews to arrive at findings;
- documenting the findings; and
- proposing possible support areas.

The desktop scan for this sectoral area included a review of IUDF documents, infrastructure investment reports<sup>27</sup> and municipal planning documents (e.g. the IDP, SDF, infrastructure Master Plans) to determine the level of strategic alignment and the level of integration and coordination. The engagements and interviews served to add to, verify and expand the desktop findings. The methodology is a broad scan with participation of officials in Polokwane in order to begin to build understanding and ‘ownership’ going forward.

The findings were compiled into a composite report for the two pilot ICMs, the relevant sections of which is contained in this report for the Polokwane municipality.

## 5.3 Description of the findings

The findings are structured as per the identified components of the proposed “model” of the CEF in table format for ease of reference. They include:

1. Strategic alignment;
2. Spatial Growth Analysis (Growth Strategy) , including socio-economic and economic growth analysis;
3. Technical analysis;
4. Financial analysis;
5. Prioritisation;
6. Capital Expenditure Framework.

Importantly, these components ensure that spatial planning (SDF), capital project needs and the capital budgets are all considered in a strategic way to prioritise needs within the available affordability envelope (budget) of the municipality. The diagnostic scan assessed these criteria or components. The high level findings are summarised in the table below:

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<sup>26</sup> See Appendix 3 for the concept diagram of the components of the CEF.

<sup>27</sup> For example, the (DCOG, 2018); the SALGA guide to municipal infrastructure investment and the CIDB Toolkit, to name three.

Table 4: Findings from the Diagnostic Scan on readiness for the CEF

No.	Criterion	Intention of criterion	Key Findings
1.	Strategic alignment	<p>To assess how well the municipality's policies (and legal frameworks) result in improved alignment, especially with the IUDG goals.</p> <p>To assess spatial integration at a high level (inclusion and access) and whether growth is spatially quantified in priority areas in the SDF.</p>	<p>SDF is in the process of being reviewed and not able to gauge strategic alignment yet; The IDP does attempt to put the various functional areas into context. The IDP refers to four clusters and the Spatial Analysis refers to certain priority development areas (PDA's) and certain strategic development areas (SDA's);</p> <p>The IDP does not provide sufficient analysis with regards to each of these priority areas to demonstrate spatial integration;</p> <p>The absorption of Aganang into the municipal area may be considered as improving "inclusion" and access to basic services;</p> <p>The existing SDF does not demonstrate concerted effort and investment to improve integration and inclusion;</p> <p>It does addresses access to services;</p> <p>The growth in population and economy is broadly quantified at a city level, but is not spatially quantified per functional area or per priority development area.</p>
2.	Spatial Growth Analysis (Growth Strategy)	<p>It is the quantification of the SDF (demographic, socio-economic and economic growth).</p> <p>It shows the anticipated growth and translates it into a land budget per land use.</p> <p>It links space (location) to numbers as per the SDF.</p>	<p>A Spatial Growth Analysis does not exist. There is no cohesive plan that presents the long term growth demands for Polokwane for the priority development areas within the municipality that is underpinned by credible supporting data that can serve as the base document for all long term planning by the infrastructure sectors within the municipality.</p>
	2a.Socio - Economic Growth analysis		<p>It is done at a broad city level, but not broken down per functional area or per priority development area. Sector plans do not work from the same base.</p> <p>The few master plans that exist seem to use the Polokwane Economic Growth and Development Strategy 2030 document as their base reference. These figures do not align with each other. A common base is required for planning purposes.</p>
	2b.Economic Growth analysis		<p>An economic growth analysis was undertaken at a very high level. Does not translate to priority development areas and does not translate to land requirements (land budget) within the various priority development areas.</p>
3.	Technical analysis	<p>To assess infrastructure Master planning and asset management of each sector.</p> <p>To see if long-term capacity and</p>	<p>Sector plans exist for Water, Roads, Electricity and Waste, but not for Sanitation.</p> <p>Most of these plans have at most a 5-year planning horizon but they have different</p>

No.	Criterion	Intention of criterion	Key Findings
		asset maintenance requirements are met to determine replacement, refurbishment and upgrading.	base years <sup>28</sup> that make consolidation difficult. Difficult to obtain a cohesive long-term view including all sectors and how they relate to development objectives for each priority development area; No master plans exist for Sanitation, Storm Water or for Waste Management; No structured forward planning for infrastructure <sup>29</sup> .
4.	Financial analysis	To assist in investment modelling; To help set the affordability envelope of the municipality; To support viable long term financial planning To support sustainable borrowing to fund infrastructure.	No long term financial planning is undertaken in the City. The municipality focuses only on the 3 year MTREF period as is required by legislation; The municipality assesses its borrowing capacity on past performance to fund specific projects rather than to optimize its borrowing capacity based on a longer term view; INCA is supporting the City to prepare a Long Term Financial Plan <sup>30</sup> and this will go some way towards filling these gaps; Need to link financial planning to spatial planning and the location of investment in infrastructure.
5.	Prioritisation	To balance needs with available resources to address strategic objectives; Need a consolidated data base on infrastructure projects (project pipeline); Need to know the infrastructure backlogs, renewal and growth needs Need to be able to do this across sectors.	The institutional arrangements <sup>31</sup> for budgeting do present opportunities for prioritising projects; While some prioritisation occurs, it is not a linked to strategic processes in the municipality in a formal way; Each department budgets for their sector based on 3 year indicatives as per the MTREF, which the Budget Office provides; It is not clear how these indicatives are arrived at; The sector departments attempt to balance between what they term service delivery challenges as highlighted in the IDP and bulk capacity and asset management requirements flowing from

<sup>28</sup> To illustrate the point, the approval dates of the various sector plans vary as follows: Water Services Development Plan = 2016; Roads Master Plan = 2012; Energy Master Plan = 2014.

<sup>29</sup> An exercise undertaken with the municipality, to list all their infrastructure projects for the next ten years demonstrated the unavailability of credible information that extends for a ten year period. The only information provided tends to cover the MTREF period with a list of all projects (probably not funded up to that point) that bundles into year 4 and 5, and not beyond.

<sup>30</sup> INCA was appointed by National Treasury GTAC to do a long term financial plan and the process begins with the preparation of an Independent Financial Assessment, followed by the long term plan.

<sup>31</sup> The institutional arrangements for budgeting for and prioritising infrastructure projects include the Finance Department and Budget Unit assisting all departments to do budgets. The Budget Office engages each of the sector departments on the draft budget they prepare and revisions are made. The Budget office then consolidates all requirements and presents it to the Technical Budget Committee (Municipal Manager and all Heads of Departments). The Technical Budget Committee presents the budget to the Political Budget Committee.

No.	Criterion	Intention of criterion	Key Findings
			<p>their respective master plans;</p> <p>It is evident that the SDF and the master plans are not aligned, hence a moratorium on the granting of development rights;</p> <p>The Budget office consolidates all requirements and presents it to the Technical Budget Committee (the Municipal Manager and Heads of Departments);</p> <p>The Technical Budget Committee has responsibility to balance the needs and demands<sup>32</sup>;</p> <p>The Political Budget Committee also plays an important role in determining the priorities – they are presented with a draft budget and test it against political objectives;</p> <p>There is no formal prioritization decision-making model and criteria for prioritization are not articulated in any documentation. Prioritization is done on the basis of engagement in the Technical Budget Steering Committee chaired by the Municipal Manager. It was explained that the following challenges received special attention in the prioritization of the capital budget:</p> <ul style="list-style-type: none"> <li>- Projects related to water supply;</li> <li>- Maintenance and upkeep of infrastructure and increasing capacity for growth.</li> </ul>
6.	Capital Expenditure Framework	This is the outcome where the infrastructure requirements will be spatially aligned and financially affordable to the municipality and to the beneficiaries.	<p>This is a new instrument introduced by SPLUMA, so not expected to be in place yet;</p> <p>Have an IDP and capital budgets that cover the 3 - year MTREF period with project lists per sector and per Ward;</p> <p>Longer-term infrastructure plans exist within the sectors for Water, Roads and Electricity, but the longer-term requirements are not consolidated and integrated to support longer-term infrastructure planning in alignment with spatial planning and spatial growth.</p> <p>Costing of providing specific service standards for priority development areas could not be ascertained – not built into any financial models.</p>

<sup>32</sup> The committee understands their responsibility to balance the Service Delivery Demands captured in the IDP (based on the community engagement) process with the need to ensure the functionality of existing assets and adequate capacity for future demand (growth).



## **5.4 Proposed areas of TA support**

Based on the findings of the diagnostic scan for CEF readiness for Polokwane municipality, the following areas of support have been suggested for each of the component areas listed above, for discussion with the municipality:

### **5.4.1 Strategic Alignment**

The SDF needs to be reviewed to align the development objectives/principles of SPLUMA and the goals of the IUDF Framework with the specific development challenges of the Polokwane municipal area as guided by the political imperatives. The political objectives must reflect on the developmental objectives to provide direction to a development strategy for each priority development area because it is imperative to link objectives, space, infrastructure and financing.

It is also proposed that support be given to the drafting of the scope of work for the review of the SDF prior to appointing a service provider.

### **5.4.2 Spatial Growth Analysis**

A Spatial Growth Analysis for Polokwane should be undertaken that is supported by adequate quantification of household growth per income category for projecting the housing demand as well as the quantification of land requirements (land budget) for commercial, industrial, institutional and other development requirements for the different priority development areas.

A simple model could be tested initially, using nationally available and existing planning data to provide context for the scale and profile of each programme. An example of a basic template has been developed for the municipality to provide such quantified context for each programme.

### **5.4.3 Technical Analysis:**

It is proposed that the Planning Department be assisted to engage with all the sectors to jointly arrive at development strategies and quantify plans for each of the priority development areas and then list the infrastructure requirements for the future. This should include a view on bulk services capacity requirements and service backlog requirements per priority development area. In the absence of any sophisticated methods or models, it may be necessary to settle on something basic initially that is informed by the Master Plans and the Asset Management Plans for each Programme in each priority development area. Importantly, it will help to shift towards a more programmatic – approach for each priority development area in line with the CEF and the IUDG requirements.

### **5.4.4 Financial Analysis:**

It is important that the Technical Analysis aligns with the Financial Analysis in order to establish what is affordable in terms of capex availability but also to facilitate choices with regards to service standards applied and technology choices. It is also proposed that support be given to develop a costing model that will align with the long term financial plan which is being developed with the assistance of National Treasury. Support can be given to align the long term financial plan to the Technical Analysis and ensure it takes a spatial perspective (priority development areas identified).

#### **5.4.5 Prioritisation:**

It is proposed that support be provided to develop a slightly more structured prioritisation model for Capex<sup>33</sup>. A prioritisation process can be facilitated using a simple model where Capex can be prioritised on the following basis:

- Percentage split of Capex budget between engineering infrastructure related investment versus non engineering infrastructure investment;
- Percentage split of engineering infrastructure related investment between new infrastructure versus existing infrastructure (upgrade, renewal and replacement);
- Percentage split between programmes based on a needs analysis and a technical assessment. A template has been prepared for this should the municipality require it. The analysis will help to prioritise between programmes and the upgrading/renewal/new capacity requirements in space.

#### **5.4.6 Capital Expenditure Framework:**

It is proposed that the municipality be supported to identify and consolidate longer term infrastructure requirements beyond the 3 year MTREF based on the outcome of the prioritization process where the municipality balances priority development areas taking due cognizance of IDP processes, spatial transformation objectives and infrastructure management requirements. The longer-term requirements should be estimated for both a growth and aging infrastructure point of view and these need to be aligned to the Long Term Financial Plan. In order to meet the IUDF goals, the future infrastructure investment requirements need to be balanced with the projected affordability of the municipality. This can be done with guidance on the project pipeline planning from the Core Systems for Local Government Infrastructure Delivery, 2017, document prepared by National Treasury.

#### **5.4.7 Summary conclusions on Capital Expenditure Framework preparation**

The legacy of apartheid has left municipalities with unsustainable urban structures that lack integration. These patterns create unique challenges with regards to accessibility, integration, inclusivity and inequality. Spatial planning has the potential to play a leading role to integrate all functions in the municipality towards addressing these challenges on the ground (in space). The IDP plays a role in integrating all functions to build a more sustainable future. While this future is discussed with the communities during the IDP participation process, this has resulted in a very strong bias towards community needs that sometimes neglects the concern with the longer-term sustainability. It is in this context that the CEF is made a requirement of the SDF as per SPLUMA. It is now also a requirement to gain access to the Integrated Urban Development Grant.

## **7. Diagnostic Scan Conclusions**

This report is a consolidation of three diagnostic scans undertaken as part of the ICM support programme. The three areas relate to the spatial planning system, infrastructure asset and delivery management and the preparation of longer term, strategic plans linked to financial planning and budgeting. The emphasis on the 3 key areas of space, infrastructure and finance are integral to the

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<sup>33</sup> A suggestion is that it could be done along the lines described in the Infrastructure Delivery Management Toolkit and Core Systems for Local Government Infrastructure Delivery document.

IUDF and its goals of integrated development through spatial transformation (See Appendix 1 for the theory of change). In other words, it seeks to create improved interfaces with:

- a) Spatially defined priority development areas (quantified spatial frameworks) with
- b) infrastructure requirements per defined priority development areas (master planning) with
- c) affordability (budgeting and long term financial planning)

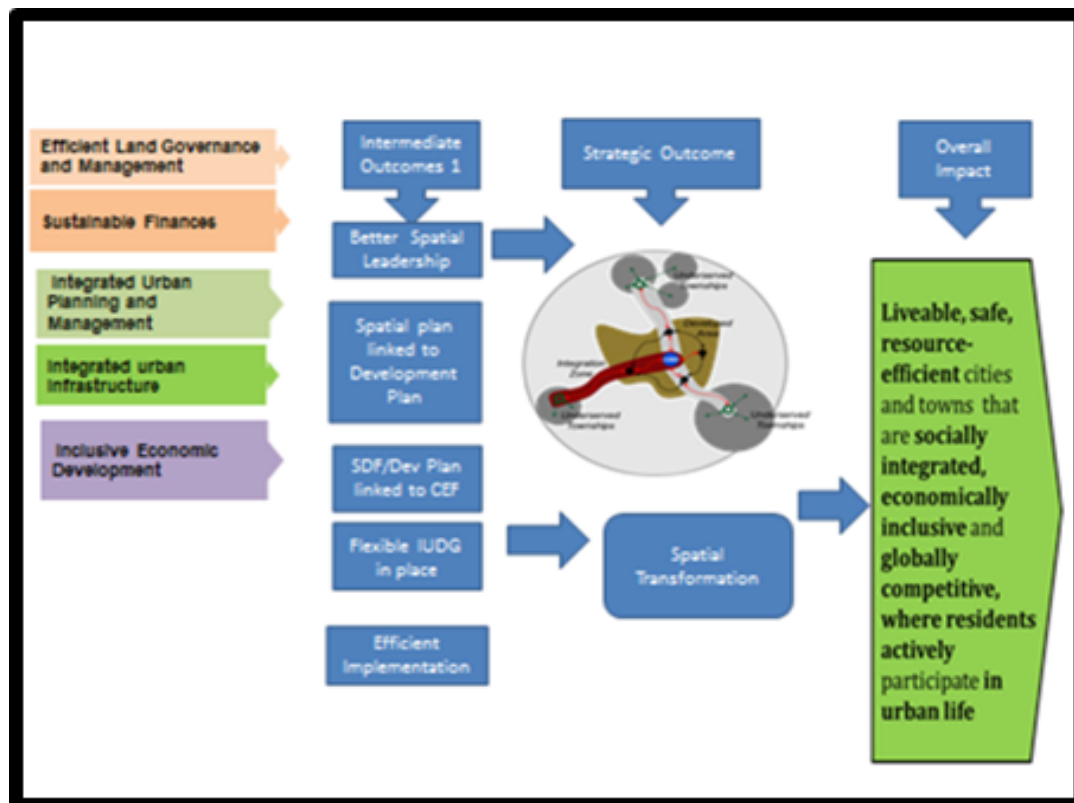
From this scan it is clear that a sound spatial planning system with robust spatial governance (good decision making, good information and data, good procedures and appropriate policies and instruments) sets the foundations for realistic longer term planning across all sectors. It provides a basis to inform infrastructure investment in the right places at the right service levels and develop project pipelines that help achieve agreed outcomes. The proposed Capital Expenditure Framework is an instrument that is both strategic and integrative. It is integrative in that it plans what infrastructure is required where (spatial location), it compiles infrastructure into programmes rather than *ad hoc* projects and it must realistically determine the priorities within the affordability envelope (budget) of the municipality. It takes a long term view but must link to the 3 year planning cycle.

Polokwane is an intermediate city municipality that comprises a large geographic area made up of diverse areas (modern capital city through to dispersed homesteads in traditional areas), each of which makes particular spatial planning, infrastructure provision and financial demands on the administration. The findings of the diagnostic scan therefore highlights observations where there are gaps, where current procedures can be improved or where an aspect is absent.

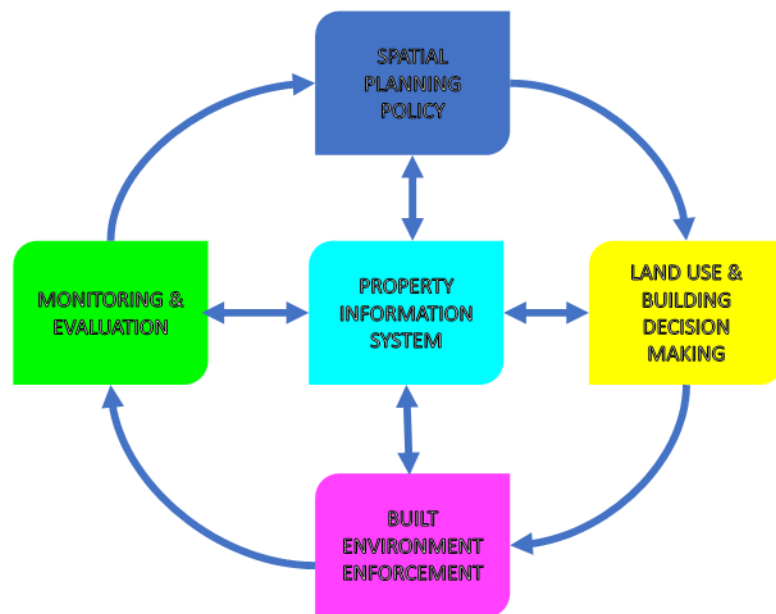
The proposed support areas that have been highlighted through the scan need to be work-shopped with the municipality and then agreed. From there, a programme of IUDF ICM support will be developed for presentation to the steering committee.

A concluding comment is that the Polokwane Municipality, as part of its responsibility as a pilot municipality, is working with the ICM support programme which is also evolving. This diagnostic scan process and methodology is therefore new and untried and is being “tested” in the City. So we welcome comment from the municipality on the methodology, in addition to the findings and support areas presented in this report.

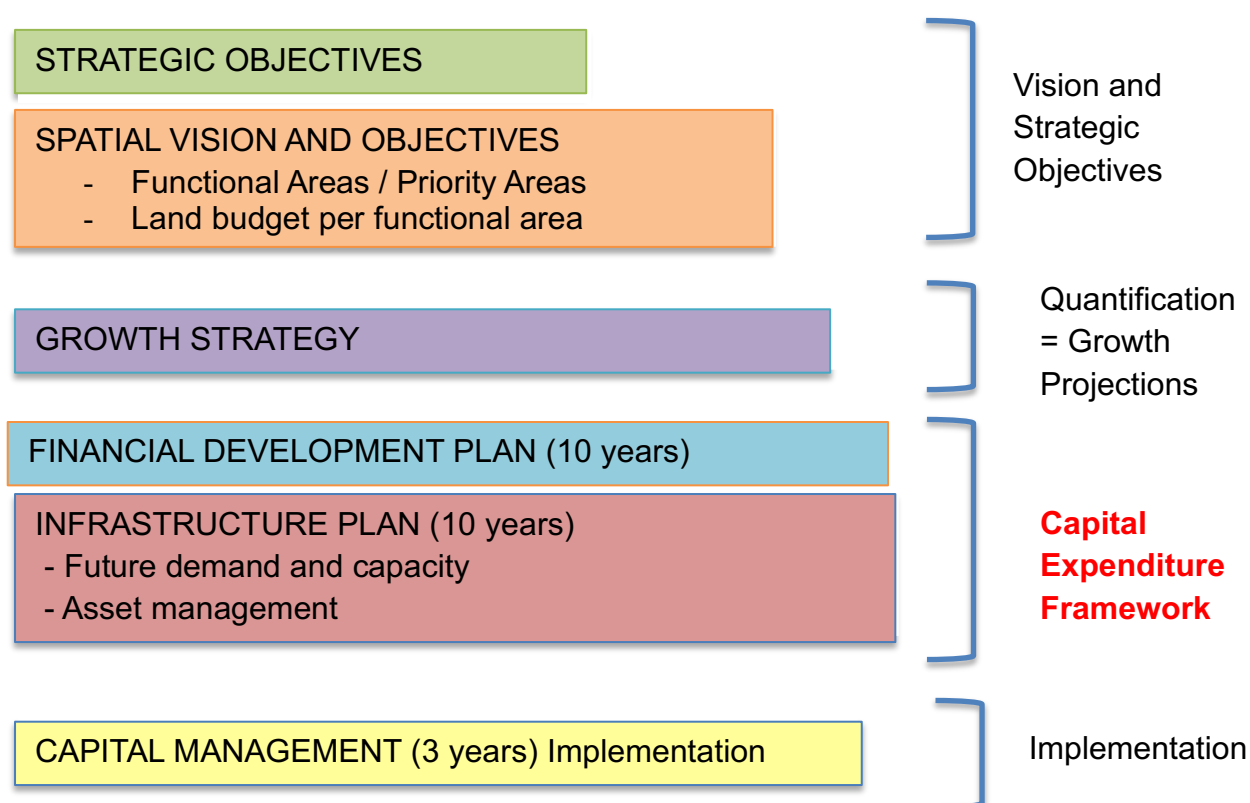
## Appendix 1 – Theory of Change for ICMs



## Appendix 2 - Conceptual Framework of the Spatial Planning System



### Appendix 3 - Conceptual Model of the CEF and its components



## Works Cited

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