

15.

**OVERSTRAND: DRAFT CAPITAL EXPENDITURE FRAMEWORK**

R Kuchar

Senior Manager: Town &amp; Spatial Planning

26 February 2024

(028) 313 8087

**1. Executive Summary**

The Overstrand Municipality was one of the Municipalities chosen by Provincial Administration for a project funded by the DBSA for the development of a Capital Expenditure Framework. This is to form part of the Overstrand Municipal Spatial Development Framework.

This item serves to provide council with the proposed Draft Capital Expenditure Framework.

This item also serves to set out the way forward in order to include a Capital Expenditure Framework into the Overstrand SDF.

**2. Service Delivery and Budget Implementation Plan - IGNITE**

Infrastructure and planning  
Town and spatial planning

**3. Compliance with Strategic Priorities**

Provision and maintenance of municipal services  
Creation and maintenance of a safe and healthy environment  
The encouragement of structured community participation in the matters of the municipality  
Promotion of tourism, economic and social development

**4. Delegated Authority**

None

**5. Legal Requirements**

Municipal Systems Act, Act 32 of 2000  
Spatial Planning and Land Use Management Act, Act 16 of 2013  
Amendment By-Law on Municipal Land Use Planning, 2020.

**6. Background/Discussion/Evaluation/Conclusion****Background**

Overstrand Municipality was included in a project initiated by Western Cape Provincial Administration for assistance in the drafting of a Capital

Expenditure Framework as required in terms of the Spatial Planning and Land Use Management Act, 2013 Section 21(n) which states the following:

“21. A Municipal Spatial Development Framework must  
(n) determine a capital expenditure framework for the Municipality’s development programmes, depicted spatially

The project was funded by the Development Bank of South Africa (DBSA).

The consultants that were appointed by the Provincial Administration and DBSA were Novus3 and BC Gildenhuys and Associates.

A project team consisted of the Provincial Administration, DBSA officials, the consultants and Municipal officials.

Dir. S. Müller from the Overstrand Municipality was the project leader from the Municipal side assisted by official from various departments.

No specified regulation exists prescribing how a CEF should look and what it must include. However, a framework developed by COGTA was adopted by the Provincial Administration and used for guidance on drafting the CEF.

The objectives of a Capital Expenditure Framework include:

- **Compiling a list of infrastructure projects:**  
The first objective is to compile a list of all infrastructure projects based on engineering master plans, which provides a comprehensive understanding of the municipality's infrastructure needs.
- **Quantifying MSDF proposals:**  
The second objective is to determine the resources needed to implement each project by quantifying the Municipal Spatial Development Framework (MSDF) proposals in terms of functional areas.
- **Consolidating infrastructure demand:**  
The third objective is to consolidate infrastructure projects into a comprehensive list of infrastructure demand, which provides a comprehensive overview of the municipality's infrastructure needs.
- **Contextualizing affordability:**  
The fourth objective is to contextualize the affordability envelope, as set out in the Long-Term Financial Plan (LTFP), which helps to understand the expected revenue, expenditure, and capital budget available over 10 years.
- **Prioritizing infrastructure demand:**  
The fifth and final objective is to determine and apply a prioritisation framework to the infrastructure demand, taking into consideration the intent of the MSDF and the financial limitations of the LTFP. This helps to prioritise infrastructure projects based on their importance and affordability, ensuring that resources are allocated in the most effective way possible.

During the drafting of the CEF the IDP, Long Term Financial Plan, SDF and Infrastructure Masterplans were the informants to the CEF.

### **Discussion**

As it is evident in the Long-Term Financial Plan of Overstrand, the lack of funding and limited availability to fund Capital Projects, dictates that a criteria system be established in order to prioritize the Capital projects.

In the draft CEF the following criteria were used in order to prioritise projects:

- **Population density:** This category helps assess the level of demand and potential impact of the projects on the local economy. Higher population density may indicate a greater need and benefit for certain types of infrastructure or services, which can influence the feasibility of the projects. Regarding the promotion of densification and reducing urban sprawl as indicated in the Growth Management Strategy, this criterion focuses on prioritising projects in areas with higher population densities.
- **Revenue-generating assets:** This criterion focuses on revenue-generating assets, which evaluates the potential income generated by projects. This assessment helps determine the financial impact and sustainability of the proposed projects, ensuring that they make a positive contribution to the municipality's economy. This aligns with the prioritisation rationale of promoting economic growth by investing in assets that generate revenue, whether through new assets, maintenance, or upgrading of existing assets. By prioritising revenue-generating projects, Overstrand can foster economic development and enhance its economic stability.
- **Economic Activity Index:** This index assesses the overall economic vitality and productivity of the municipality. It takes into account various factors, including employment rates, business activity, and industry growth, to gauge the potential economic benefits of projects. This index assists Overstrand officials in determining which projects contribute the most to the economic activity of the municipality. By considering these economic indicators, officials can make informed decisions regarding project prioritisation and identify opportunities that will enhance the economic prosperity of the municipality.
- **Tourism Facilities:** This refers to assets that prioritise and promote tourism by providing both soft and hard infrastructure. These assets encompass a wide range of elements related to tourism, recreation, and hospitality facilities. Projects falling into these categories are given priority within the prioritisation model, as they align with the Municipality's mandate of promoting economic development through the hospitality and tourism industry. Consistent with the prioritisation

rationale, this criterion ensures the promotion and support of the tourism and hospitality industry.

### Prioritization Results

As some of the data is not available or difficult to apply in the Overstrand available data, it has an impact on the results.

However, the result of prioritization for Overstrand is as follows:

### **Project score analysis: Score spread across priority themes**

A radar analysis is a data visualisation technique used to display multivariate data in a two-dimensional graphical format. It is particularly useful for comparing multiple quantitative variables across several categories or entities. Within the intricate tapestry of prioritisation encompassing spatial, economic, social, financial, and technical objectives, radar analysis offers a beacon of clarity. Each axis on the radar chart symbolises a distinct facet of the prioritisation model, analogous to the diverse threads woven into a strategic tapestry. Collectively, these axes paint a comprehensive picture, exemplified by the relationship between project scores and their alignment with different branches:

- **Highest Alignment:** The economic theme boasts the highest average score among all themes, standing at 48%. This indicates a strong emphasis on economic considerations, which aligns with the LTFFP's objective of supporting local economic growth through prioritised capital investments. It suggests that the model effectively identified projects with economic advantages encompassing aspects like revenue generation and tourism infrastructure. Notably, several projects aligned with economic objectives have secured high scores, and it is worth highlighting a few examples, including the Upgrading of Hawston Swimming Pool, the Construction of a Concrete Sitting Pavilion at Masakhane Sports Field, and the Installation of Pumping Stations and Rising Mains. These facilities make neighbourhoods more attractive, potentially enhancing property values, and could serve as assets that can be rented out to sports clubs and other organisations.
- **Second Highest Alignment:** The spatial theme receives the second-highest alignment score, suggesting a moderate level of spatial relevance among the projects. This alignment connects with the LTFFP's objective of integrating spatial planning within the IDP. Projects in this category likely contribute to functional areas, Priority Development Areas, and urban boundary considerations, which are essential for sustainable urban development and growth. Several projects aligned with spatial objectives have secured high scores, and a few examples include the Sandbaai Stormwater Project in Long

Street, the direct wastewater reuse scheme for Hermanus, and the Seawater Desalination scheme.

- **Third Highest Alignment:** The technical theme demonstrates a moderate alignment with technical aspects across the projects. These projects align with criteria related to basic and developmental infrastructure services, which is in line with the LTFP's goal of building and maintaining sustainable municipal operations and service delivery. Examples of projects such as infrastructure upgrades and replacements reflect the municipality's commitment to maintaining its technical infrastructure. Some projects aligned with technical objectives have secured high scores, including the Hermanus MV LV Upgrade Replacement, the Hermanus WWTP Gravity Drainage Area and the Replacement of the 11kV Switchgear in Sandbaai.
- **Fourth Highest Alignment:** The social theme had the second lowest average score among all themes, standing at 20%. This suggests that projects may have relatively fewer social objectives or impacts. The projects that did align with these criteria mainly revolved around social facilities, housing, or their association with a specific Directorate. Several projects that are closely aligned with social objectives include the Housing Projects in Zwelihle Greenfields and Schulphoek and the Hawston Seafarms in Hermanus. Notably, the Hawston Seafarms project in Hermanus stands out as it not only aligns with social objectives but also corresponds with the LTFP's vision. The Long-Term Financial Plan highlights the municipality's primary economic drivers, which encompass a variety of industrial sectors, including Agriculture, Mining, Construction, Trade, Business Services, and Logistics. These sectors are anticipated to be the driving forces behind economic expansion within the region. In this context, the Hawston Seafarms project reflects a multifaceted alignment, addressing both social and economic goals outlined in the Long-Term Financial Plan.
- **Lowest Scoring Theme:** The financial theme receives the lowest score, mainly due to two factors identified in the analysis. Beyond the existing criteria of affordability and monetary impact, the prioritisation model may benefit from additional comprehensive financial criteria, potentially emphasising project-specific aspects. This highlights an opportunity for further refinement to incorporate financial considerations that align with the LTFP's financial sustainability objectives. Secondly, the absence of data on external funding for projects could affect their alignment with the financial goals outlined in the LTFP. Incorporating funding sources and financial impact assessments into the prioritisation process can enhance alignment with long-term financial objectives.

## Spatial Prioritization

### Spatial targeting based prioritisation

As per Section 152 (1) (b), (c), and (d) of the Constitution, a municipality is obligated to ensure sustainable provision of services to communities, foster social and economic development, and create safe and healthy environments.

Section 152 (2) further emphasizes that a municipality must endeavour, within its financial and administrative capacities, to realize the goals outlined in Section 152 (1).

Given the prevailing developmental pressures in South Africa, notably the scarcity of resources to meet municipalities' infrastructure demands, this scenario is coupled with the constitutional framework and other planning documents. Consequently, the principle of spatial targeting has been adopted. Spatial targeting involves a deliberate concentration of efforts within a specific spatial area to attain a particular desired outcome or objective.

- **Spatial Concentration:** A significant number of projects are strategically located within and around the Priority Development Areas of Hermanus, Gansbaai, Stanford, Kleinmond, and Hawston. This spatial distribution underscores the projects' relative correlation with the key nodes within the municipality. It not only demonstrates a well-considered allocation of resources but also aligns strongly with the spatial structure and developmental goals outlined in the SDF. The concentration of projects within these PDAs represents a strategic move by the municipality. These areas already benefit from existing services and infrastructure, making them ideal for revenue generation and further development. By prioritising these established zones, the Municipality capitalises on the advantages of densely populated areas to maximise the impact of its projects. This concentration not only signifies prudent resource allocation but also parallels the bid rent model's premise that land in proximity to central points commands higher value due to increased accessibility. Therefore, the municipality's approach harmonises with the bid rent model by optimising the impact of projects in areas where they can most effectively enhance the quality of life and economic opportunities, ultimately maximising potential returns on these investments. This strategy not only fosters efficiency and cost-effectiveness but also underscores the municipality's unwavering commitment to enhancing the quality of life and economic prospects in regions where they can have the most significant and immediate positive influence.

- **Economic Concentration:** When examining the economic concentration within the spatial distribution of projects, it becomes evident that Hermanus and Gansbaai stand out with the highest scores. This alignment is logical given that these regions primarily serve as hubs for revenue generation, particularly through tourism and service industries. Additionally, the scoring of projects in areas characterised by a high to moderate population density, such as Pearly Beach, Pringle Bay, and Kleinmond, is noteworthy. This indicates that projects have performed well in locations with a strong population density, ensuring that a significant portion of the populace stands to benefit from the capital investments made through these initiatives. In essence, the strategic project placement considers both revenue potential and the ability to positively impact a substantial portion of the local population.
- **Social Concentration:** In terms of social concentration, it's evident that projects with a significant social impact are primarily located in less affluent areas like Zwelihle, as well as within the Priority Development Areas of Hermanus and Gansbaai. These projects tend to perform favourably when they contribute to the provision of social facilities, and housing, or are closely associated with specific Directorates focused on Community Services. This underscores the municipality's commitment to addressing social needs in areas where they are most pronounced, ensuring that projects are strategically placed to enhance the well-being and quality of life for residents in these communities.
- **Technical Concentration:** The technical concentration of projects reveals a strong presence within PDAs such as Hermanus, Gansbaai, Pringle Bay, Stanford, Hawston, Kleinmond and their vicinity. These project placements align closely with criteria related to fundamental and developmental infrastructure services, a commitment that resonates with the Long-Term Financial Plan's overarching objective of establishing and sustaining efficient municipal operations and service delivery. Illustrative examples of projects, such as infrastructure upgrades and replacements, underscore the municipality's dedication to preserving and enhancing its service-based infrastructure. This approach aligns logically with the municipality's dual priority of investing in new assets while concurrently ensuring the continued maintenance and renewal of existing ones. By strategically focusing on technical projects in these key areas, the Municipality demonstrates its commitment to ensuring the long-term sustainability and functionality of critical infrastructure components within its jurisdiction.

- **Financial Concentration:** The financial concentration analysis offers an intriguing perspective. While the financial theme comprises the fewest projects aligned with prioritisation criteria, its spatial distribution is notably diverse throughout the municipality. In contrast to other themes, the financial theme stands out as the only one demonstrating a robust concentration of project scores in three PDAs (Kleinmond, Hermanus, and Gansbaai). This spatial distribution suggests that projects that are more affordable (which incidentally is also allocated in areas with less population and are more remote) score better. In contrast, projects in areas with higher population densities and urban complexities require more expensive capital outlay, and are therefore by means of the financial perspective, penalised. The cost-effectiveness of projects in the less urbanised areas makes them a favourable choice for prioritisation, allowing the Municipality to allocate resources efficiently. By concentrating on these economically viable options, the Municipality can ensure that it maximises the value of its investments while still addressing essential financial objectives in multiple regions across its jurisdiction.

In summary, the spatial analysis underscores the municipality's strategic focus. Projects concentrate on Priority Development Areas to maximize existing resources, promote efficiency, and enhance economic opportunities. Hermanus and Gansbaai emerge as hubs for revenue generation, while less affluent areas receive attention to address social needs and improve quality of life. Furthermore, the technical projects are strategically placed within Priority Development Areas, aligning with the Long-Term Financial Plan's goal of efficient municipal operations and service delivery. The financial theme exhibits a diverse spatial distribution, suggesting cost-effectiveness and efficient resource allocation. In essence, project placement aligns with the strategic objectives of both the LTFP and the SDF, catering to the diverse needs of residents in the municipality.

### **Capital Expenditure programme**

After evaluating the portfolio of projects in terms of the prioritization the consultants in the CEF came out with a Capital Expenditure programme.

### **Conclusion**

The format based on the framework adopted by COCTA is a very complicated framework relying on a huge data basis that is not always available. It seems that especially on the financial side there might be some duplication with the Municipal Long Term Financial Plan. To keep the CEF in this format relevant, it will need extensive manpower and financial investment in order to achieve it, even in a five (5) year cycle. It is however proposed that the draft Capital Expenditure be used as a basis towards the review at the SDF in the 2024/25 and 25/2026 financial year. This will ensure that it can be adapted within the circumstances the Overstrand Municipality finds



itself. This will also ensure that public has an input in the CEF as part of the SDF. In the meantime, it is proposed that the CEF serve as a guideline to budget processes and project prioritisation.

### **7. Financial Implications**

None

### **8. Staff Implications**

None

### **9. Comments from other Departments, Divisions and Administrations**

Operational and Infrastructure directorates formed part of the project team

### **10. Annexures**

Annexure A: A link of the Draft CEF will be provided to Councillors electronically on the morning of the Council meeting of 27 March 2024.

### **RECOMMENDATION TO THE COUNCIL:**

1. that the Draft Capital Expenditure Framework be noted;
2. that the Draft Capital Expenditure Framework serve as a guideline in the interim; and
3. that the Draft Capital Expenditure Framework forms part of the Spatial Development Framework Review for the 2024/25 and 2025/26 financial year.

**RESPONSIBLE OFFICIAL:**

**R KUCHAR**

**TARGET DATE FOR IMPLEMENTATION:**

**4 JUNE 2024**

**TARGET DATE TO INFORM APPLICANT:**

**N/A**

**TARGET DATE TO INFORM OBJECTOR:**

**N/A**