

MORETELE LOCAL MUNICIPALITY



ASSET MANAGEMENT POLICY

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ABBREVIATION AND DEFINITIONS

Item	Description
ADC	Asset Disposal Committee
AM	Asset Management
AMP	Asset Management Plan
MUNICIPAL MANAGER	Accounting Officer
ASB	Accounting Standards Boards
CFO	Chief Financial Officer
CMIP	Comprehensive Municipal Infrastructure Plan
COGTA	Department of Co-Operative Governance and Traditional Affairs
CRC	Current Replacement Cost
DRC	Depreciated Replacement Cost
EUL	Estimated Useful life
GIAMA	Government-wide Immovable Asset Management Act
GIS	Geographical Information System
GRAP	Generally Recognized Accounting Practice
FAR	Fixed Assets Register
IAMP	Infrastructure Asset Management Plan
IAS	International Accounting Standards
ISO	International Standards Organization
MFMA	Municipal Finance Management Act
PPE	Property, Plant & Equipment
RUL	Remaining Useful Life
RV	Residual value
SCM	Supply Chain Management
Accounting officer	The head of the administration of a municipality appointed in terms of Section 57 of the Municipal Systems Act, Act 32 of 2000, as amended, and is referred to as the Municipal Manager.
Accrual basis of accounting	Under this basis, the effects of transactions and other events are recognised when they occur (the complete transaction and not just as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Financial statements prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash and/or deliver services in the future and of resources that represent

Item	Description
	cash to be received and/or potential to deliver services in the future, arising from those past transactions.
Asset	A resource controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the municipality.
Asset hierarchy	A PPE asset hierarchy is adopted for PPE which enables separate accounting for components of the asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality, including risk management (in other words, taking into account the criticality of components) and alignment with the strategy adopted by the municipality in asset renewal (for example the extent of the replacement or rehabilitation at the end of life). In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and components.
Asset management information system	Asset Management Information System is a combination of processes, data and software applied to provide outputs required for effective asset management.
Asset management Policy	Asset Management Policy is a formal statement adopted by Council that indicates the municipality's policy objective, the policy principles, and how these will be pursued (including the establishment of an IAM Team, and aligned systems and planning).
Asset management team	Asset Management Team is a multi-disciplinary team appointed by the Municipal Manager to initiate, monitor and review the asset management practices improvement program, the development of Infrastructure Asset Management Plans and a Consolidated Municipal Infrastructure Plan consistent with the municipality's goals and objectives.
Asset manager	The individual appointed by the municipality or each department within the municipality to manage and report on infrastructure assets.
Asset performance	Asset Performance is the performance of an asset that is measured in line with the applicable Level of Service.
Asset register	Is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements. The asset register should also facilitate proper financial reporting and is ultimately the responsibility of the Chief Financial Officer (CFO).
Asset utilisation	Asset Utilisation is the extent to which an asset is being productively used – typically measured as a percentage of its capacity.
Assets	Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.
Available for use	This is the period of time where an asset can function as was intended by management and are placed in physical use. This point of time the asset may have an outstanding snag list before being complete but do not prevent the asset to be used as intended. E.g. A road without road markings can be driven on even though it has no lanes painted.
Borrowing costs	Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds, for example interest on a bank overdraft.
Business risk	The result of failure of an asset.
	Capital spares are considered to be spares that constitute an entire or significant portion of

Item	Description
Capital spares	a component type, or a specific component, defined in the immovable asset hierarchy, for example emergency equipment.
Carrying Amount of Investment Property	Carrying amount of Investment Property is the amount at which an asset is recognised in the statement of Financial Position; which could be the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairments losses or the fair value at that point in time.
Carrying Amount of PPE	Carrying amount of PPE is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairments losses.
Carrying value	Amount at which an asset is included in the Balance Sheet of a Municipality after the deduction of any Accumulated Depreciation thereon.
Cash	Cash comprises cash on hand and demand deposits.
Cash equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash flows	Cash flows are inflows and outflows of cash and cash equivalents.
Cash-generating assets	Cash-generating assets are assets held with the primary objective of generating a commercial return.
Cash-generating unit	A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflow from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
Chief financial officer	Head of department in the municipality designated by the accounting officer to be administratively in charge of the budget and treasury office in terms of Section 81 of the Municipal Finance Management Act
Class of asset	Class of asset means a grouping of assets of a similar nature or function in the municipality's operations, which is shown as a single item for the purpose of disclosure in the financial statements.
Classifications of Investment Property	<p>Classifications of investment property:</p> <ul style="list-style-type: none"> • local government may own a building for the purpose of leasing on a commercial basis to external parties to generate funds, rather than to produce or supply goods and services. This property will also meet the definition of investment property. • investment property generates cash flows largely independently of the other assets held by the municipality. This distinguishes investment property from other land and buildings controlled by the municipality, including owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) can also generate cash flows.
Community facilities	Community Facilities are discrete assets that provide a service directly to the community (such as parks, sports facilities, cemeteries, landfill sites etc).
Component	Components are elements of an asset which generally are different structural entities of an asset and/or which have a different expected life or renewal/maintenance requirements, e.g. in a bridge – bridge bearings and expansion joints; in a pump station – the pump and

Item	Description
	motor.
Condition index	The numerical rating of an asset depending on its structural integrity or condition, measured as a percentage.
Consolidated municipal infrastructure plan (cmip)	Consolidated Municipal Infrastructure Plan is a plan that provides an holistic overview of existing service performance, a vision of future performance scenarios, the risks, priorities, funding and tariff implications, as a strategic input to the Integrated Development Planning process.
Constructive obligation	<p>A constructive obligation is an obligation that derives from an Entity's actions where:</p> <ul style="list-style-type: none"> • by an established pattern of past practice, published policies or a sufficiently specific current statement, the Entity has indicated to other parties that it will accept certain responsibilities; and • as a result, the Entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
Control of an asset	<p>An Entity is deemed to have control of an asset if it:</p> <ul style="list-style-type: none"> • has the capacity to benefit from the asset; • is able to deny or regulate access of others to that benefit; • has the ability to secure the future economic benefit of that asset; and • all risk and rewards has fallen to the entity
Cost	Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
Cost of an asset	Is the amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction
Cost of disposal	Cost of disposal is incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expenses. Examples of costs of disposal are stamp duty, legal costs, costs of removing the asset and incremental costs to bring the asset into a condition for its sale.
Critical assets	Critical Assets are assets for which the consequences of failure are sufficiently severe to justify pro- active inspection, maintenance and renewal. ("Important" Assets also justify pro- active inspection, maintenance and renewal, but not to the same level as "Critical" Assets).
Current replacement cost (CRC)	Current Replacement Cost is a measure of replacement value – the cost of replacing an existing asset with a modern asset of equivalent capacity.
Defects	The overall condition of an asset is dependent on the rating of defects in respect of degree, extent and relevance to the effective functioning of chosen inspection items of an asset.
Demand management	Demand Management is an active intervention to change the pattern of demand for a service eg to minimise or eliminate the need to upgrade assets, to address a limitation on bulk supply capacity, or minimise losses.
Depreciable amount	Depreciable Amount is the cost of an asset, or any other amount substituted for cost, less its residual value. (GRAP 17)

Item	Description
Depreciated replacement cost (DRC)	<p>Depreciated replacement cost (DRC) Is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition to date (based on the fraction of remaining useful life/expected useful life). It is calculated by subtracting the residual value from the current replacement cost (CRC) and proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life. The DRC approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC) and remaining useful life (RUL) of eac of the asset components. Accordingly the following formula is used:</p> $DRC = ((CRC - RV) \times RUL / EUL) + RV$ <p>Replacement costs are “green fields”, unless there is evidence of definite cost variance due to “brown- field” modifications. Capital unit costs vary from site to site and provision is made for site specific influencing factors e.g. topography. Capital unit costs are also influenced by macro-economic driving forces such as “supply and demand”, financial markets and availability of contractors.</p>
Depreciation	The accounting process used to allocate the cost to particular accounting periods of 'using up' the service potential of the asset over its useful life. The process is a non-cash process and do not form a method of financing the replacement of assets.
Depreciation: Straight line method	Items of property, plant and equipment are depreciated on a constant or uniform amount over their estimated useful life. For example, if a vehicle is purchased and has an estimated useful life of 5 years, each month 1/60th of the vehicle will be depreciated
Depreciation: Sum of units method	Units consumed against total unit consumable for an asset are reflected as depreciation. For example 50 graves have been sold for the month in the cemetery which can produce 1000 graves. The depreciation will then be 50/1000 times the cost of the cemetery capitalised
Depreciation: Diminishing balance method	A percentage of the cost will be depreciated every year. For example an asset is to be depreciated at 10% per period on the carrying value.
Disposal	Disposal is the action required to effectively dispose, decommission, or transfer assets in terms of legal or organisational requirements.
Economic life	<p>Is either:</p> <ul style="list-style-type: none"> • The period over which an asset is expected to yield economic benefit; • The number of production of similar units expected to be obtained from the asset by one or more users (GRAP 13).
Entity-specific value	Entity-specific value is the present value or service potential of the benefits the municipality expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
Exchange transactions	Exchange Transactions are transactions in which one Entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another Entity in exchange.
Exempted capital assets	Exempted capital assets are municipal capital assets to be disposed where National Treasury approved the disposal; therefore Council approval is not necessary.

Item	Description
Expected useful life	The life of an asset from acquisition (completion of construction) to practical failure taking cognisance of the operating environment and maintenance regime.
Expenses	Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumptions of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.
Facility	An area in which a number of assets may be grouped together.
Fair value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance lease	An asset held under a finance lease is recognized as a Fixed Asset as the municipality has control over such an asset even though it does not own the asset.
Fixed asset	An asset, either moveable or immovable, under the control of the municipality and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery over a period exceeding one financial year.
Future economic benefits	Assets that are used to generate net cash inflows
Geographic Information System (GIS)	GIS is a system of hardware and software used for storage, retrieval, mapping, and analysis of geographic data. Practitioners also regard the total GIS as including the operating personnel and the data that go into the system. Spatial features are stored in a coordinate system (latitude/longitude, state plane, UTM, etc.), which references a particular place on the earth. Descriptive attributes in tabular form are associated with spatial features. Spatial data and associated attributes in the same coordinate system can then be layered together for mapping and analysis. GIS can be used for scientific investigations, resource management, and development planning.
Heritage assets	Heritage assets are assets with cultural, environmental, historical, natural, scientific, technological or artistic significance and are held, owned and maintained indefinitely for the benefit of present and future generations.
High value	<p>High value in relation to a capital asset of a municipality or municipal Entity means that the fair market value of the capital asset exceeds any of the following amounts:</p> <ul style="list-style-type: none"> • R50 million; • one per cent of the total value of the capital assets of the municipality or municipal Entity, as determined from the latest available audited annual financial statements of the municipality or Entity; or • an amount determined by resolution of the council of the municipality or of the controlling municipality of the municipal Entity which is less than R50 mil or one per cent of the total value.
Immovable assets	Immovable assets are fixed structures such as buildings and roads. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).
Impairment	Impairment is defined as the loss of future economic benefits or service potential of an asset over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.
Impairment loss of a cash-generating asset	An impairment loss of a cash-generating asset is the amount by which the carrying

Item	Description
	amount of an asset exceeds its recoverable amount.
Impairment loss of non-cash generating asset	An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.
Impracticable	Impracticable is when the municipality cannot apply a requirement after making every reasonable effort to do so. For example; it is impracticable to apply a change in accounting policy for a prior period retrospectively if the effects of the retrospective application are not determinable.
Inception of a lease	<p>The inception of a lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.</p> <p>As at this date:</p> <ul style="list-style-type: none"> • a lease is classified as either a finance lease or an operating lease, and • in the case of a finance lease, the amounts to be recognised at the commencement of the lease term as determined.
Infrastructure asset management plan	Infrastructure Asset Management Plan is a plan developed for the management of Infrastructure Assets with the aim of providing specified levels of service in a cost-effective manner, now and in the future. Multi-disciplinary management techniques (including technical and financial) are combined to determine the aggregated asset life-cycle needs. A significant component of the plan is a long-term cash-flow.
Infrastructure assets	<p>Assets that have characteristics of:</p> <ul style="list-style-type: none"> • being a part of a system or network of similar assets • specialised in nature and don't have alternative uses • immovable • subject to constraints on disposal (GRAP 17)
Inspection item	Those items chosen for inspection for which defects are rated, and on which the condition index is calculated.
Intangible asset	An intangible asset is an identifiable non-monetary asset without physical substance.
Investment assets	Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. (GRAP 16). Investment Assets are recorded in the Fixed Asset Register in the same manner as other Fixed Assets, but a separate section of the Fixed Asset register must be maintained for this purpose.
Investment property	<p>Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:</p> <ul style="list-style-type: none"> • use in the production or supply of goods or services or for administrative purposes; or • sale in the ordinary course of operations. <p>and includes the following:</p> <ul style="list-style-type: none"> • land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations; • land held for a currently undetermined future use;

Item	Description
	<ul style="list-style-type: none"> • a building owned by the municipality and leased out under one or more operating leases on a commercial basis to external parties; • a property owned by the Entity and leased out at below market rental; or • property that is being constructed or developed for future use as investment property.
Lease	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Lease term	The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset with or without any further payments, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.
Legal obligation	<p>A legal obligation is an obligation that derives from:</p> <ul style="list-style-type: none"> • a contract (through its explicit or implicit terms); • legislation; or • other operation of law.
Level of service	Level of Service is the defined parameters that characterise essential service delivery requirements for a particular service, against which performance may be measured. Criteria can relate to availability of the service, quality, quantity, reliability, responsiveness, environmental acceptability and cost. Measures are identified for each criteria and used for performance monitoring and reporting and as a departure point for risk management.
Life-cycle	Life-cycle is the cycle of activities that an asset goes through – including planning and design, initial acquisition and construction, cycles of operation and maintenance and capital renewal, and finally disposal
Maintenance	Maintenance is the action required for an asset to achieve its expected useful life. Maintenance can be planned or unplanned. Repairs are a form of unplanned maintenance after failure or damage.
Material omissions or misstatements	Material omissions or misstatements of items are material if it could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The size or nature of the information item, or a combination of both, could be the determining factor.
Monetary assets	Monetary assets are money held or assets to be received in fixed or determinable amounts of money.
Movable assets	Movable assets are not fixed structures and can be moved from one location to another location, for example computers and vehicles.
Non-cash- generating assets	Non-cash-generating assets are assets other than cash-generating assets.
Non-exchange transactions	Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another Entity without directly giving approximately equal value in exchange, or gives value to another Entity without directly receiving approximately equal value in exchange.
Non-exempted capital assets	Non-exempted capital assets are municipal assets for which Council must approve disposals.
Non-monetary assets	

Item	Description
	Non-monetary assets are assets other than monetary assets.
Obligating event	An obligating event is an event that creates a legal or constructive obligation that results in an Entity having no realistic alternative to settling that obligation.
Operating lease	An operating lease is a lease other than a finance lease.
Operations	Operations are the use of manpower and consumables (such as energy, chemicals and materials) required for an asset to operate to the required performance.
Organ of state	<p>Organ of state means:</p> <ul style="list-style-type: none"> • a national department or national public Entity; • a provincial department or provincial public Entity; • a municipality or municipal Entity; • any other organ of state within the meaning assigned to “organ of state” in section 239 of the Constitution.
Owner-occupied property	Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or administrative purposes.
Practices improvement plan	Practices Improvement Plan is an action plan to improve the way infrastructure management is practiced in the municipality, based on an assessment of existing and target practice, and focussing on management processes, systems, data, and organisational arrangements. The initial Practices Improvement Plan may be prepared in the form of a Business Plan to be driven on a program basis.
Prior period errors	<p>Prior period errors are omissions from, and misstatements in, the municipality’s financial statements for</p> <p>one or more prior periods arising from the failure to use, or misuse of, reliable information that:</p> <ul style="list-style-type: none"> • was available when financial statements for those periods were authorised for issue; and • could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
Property, Plant and Equipment	Tangible items held for use in the supply of goods or services, for administrative purposes or social / internal rental to others that are expected to be used during more than one financial period
Provision	A provision is a liability of uncertain timing or amount.
Qualifying asset	Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale. Examples of qualifying assets are office buildings, infrastructure such as roads, bridges and power distribution facilities and property that will become self-constructed items of property, plant and equipment once construction is complete.
Recoverable amount	Recoverable amount is the higher of a cash-generating asset’s fair value less cost to sell and its value in use.
Recoverable service Amount	Recoverable service amount is the higher of a non-cash generating asset’s fair value less cost to sell and its value in use.

Item	Description
Rehabilitation	Rehabilitation is the works to rebuild or replace parts of an asset to enable it to the original capacity and performance, and materially extend its useful life (which may be a full or partial extension of life – ie less than its expected useful life).
Remaining useful Life	Remaining useful life of an asset is the time remaining until an asset ceases to provide the required standard of performance or usefulness. Calculated using a generic algorithm based on asset condition as determined by the asset condition index and a generic asset structural decay curve. The remaining Useful life is an estimation of the amount of years that the asset will be able to safely perform its intended function.
Renewal	Renewal is the replacement or rehabilitation of an asset.
Replacement	Replacement is the complete replacement or reconstruction of an asset with one that performs to a similar standard of performance.
Reporting date	Reporting date means the date of the last day of the reporting period to which the financial statements relate.
Residual value	Residual value is the estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated cost of disposal, if the asset was already of the age and in a condition expected at the end of its useful life.
Revenue	Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
Risk management	Risk Management is the application of a formal process that identifies the exposure of a municipality to service performance risk and determines appropriate responses.
Service	Refer to municipal service to be provided to the public as defined in “The Constitution of the Republic of South Africa”
Service potential	Goods and services in accordance with an entity's objectives being delivered to the public but which do not directly generate net cash inflows
Sub-system	The part of each system in which it is convenient to group the assets.
System	Is a grouping of assets of a similar nature or function that are managed as separate systems and normally all having different functions and operational characteristics.
The commencement of the lease term (municipality as the lessee)	The commencement of the lease term (municipality as the lessee) is the date from which the municipality is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.
Upgrading	Upgrading is the replacement, augmentation, or alteration of an asset that results in a material improvement to capacity or performance.
Useful live	<p>The period over which an asset is expected to be available for use, or the number of production or similar units expected to be obtained from the asset.</p> <p>The asset may last longer than the period that a single entity will use the asset and each entity need to determine the expected useful life for that asset to the entity.</p>
Expected useful life	<p>Expected useful life is:</p> <ul style="list-style-type: none"> • the period over which an asset is expected to be available for use by the municipality, or

Item	Description
	<ul style="list-style-type: none">the number of production or similar units expected to be obtained from the asset by the municipality.

SECTION 1

OBJECTIVE OF THE ASSET MANAGEMENT POLICY

The Asset Management Policy provides direction for the management, accounting and control of Property, Plant & Equipment (Fixed Assets) owned or controlled by the Council.

SECTION 2

ROLE OF MUNICIPAL MANAGER

The Municipal Manager shall be the principal custodian of all the council's fixed assets and shall be responsible for ensuring that the fixed asset management policy is scrupulously implemented and adhered to.

The Municipal Manager or his/her duly delegated representative is responsible for:

- Ensuring implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA).
- Physical verify selected assets in possession of the Council annually, during the course of the financial year.
- Keep a complete, accurate and balanced record of all assets in possession of Council.
- Report in writing all asset losses, where applicable, to Council.
- Ensure that assets are valued and accounted for in accordance with a standard of GRAP.
- Establishment of an asset disposal committee.

2.1 ROLE OF DISPOSAL COMMITTEE

The asset disposal committee shall be established by the Accounting Officer in line with the Supply Chain Management regulations. The committee shall serve for a period not exceeding 12 months and shall be appointed by the Accounting Officer in writing. The committee shall be chaired by the Chief Financial Officer and key Departments will be represented. The disposal committee shall comprise of all heads of department. Including a representative from SCM unit and the Asset unit.

The asset disposal committee shall:

- Receive a consolidated asset disposal list from the Chief Financial Officer
- Verify and confirm that assets on the consolidated disposal list does not contravene with Section 14 of the Municipal Finance Management Act
- Evaluate and recommend on the best disposal method to be used.
- Advice Accounting Officer and Council on the disposal and writing off of assets

SECTION 3

ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)

The CFO shall be the custodian of the fixed asset register of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

3.1 HEAD OF ASSETS UNIT

- Shall ensure that complete records of asset items are kept, verified and balanced regularly.
- Shall ensure that all movable assets are properly bar coded and accounted for.

- Shall conduct an annual audit inventory by scanning selected movable assets and compare this inventory with the Departments asset sign offs.
- Shall ensure that the Fixed Asset Register is balanced annually with the general ledger and the financial statements.
- Provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the Fixed Asset Register.
- Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the treasury department in the prescribed format.
- Shall ensure that asset acquisitions are allocated to the correct asset code.
- Shall ensure that, before accepting an obsolete or damaged asset or asset inventory item, a completed asset disposal form, counter signed by the Asset management Section, is presented.
- Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from the departments.
- Shall compile a list of the items to be auctioned in accordance with the Supply Chain Management (SCM) Policy.
- Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.
- Shall ensure that the SCM unit is notified of any disposal of written-off asset or asset inventory items.

3.2 THE MANAGER: BUDGET

- Shall ensure that the capital budget with funding source as submitted by the departments is approved.

3.3 THE MANAGER: EXPENDITURE SECTION

- Shall ensure that invoices authorized for payment are matched to the goods received note before processing such payment.
- Shall if any doubt exists as to whether the invoice is in accordance with policy, query the payment with the relevant department and shall not process a payment until the invoice meets the policy criteria.

SECTION 4

ROLE OF OTHER DEPARTMENTS

4.1 CORPORATE SERVICE DEPARTMENT

The Corporate services Department:

- Shall ensure that no monies are paid out on termination of service without receiving the relevant asset clearance form signed off by the relevant department.
- Shall ensure that every asset clearance form is counter signed by the Asset Management Section before processing the termination of service.

4.2 COMMUNITY SERVICES

The Community Services Section:

- Shall ensure that the necessary security measures are in place to minimize asset losses within Council owned buildings or facilities.
- Report to the Asset Management Section of any unauthorized asset movements or transfers.

4.3 ALL DEPARTMENTS

Head of Departments:

- Shall ensure that employees in their departments adhere to the approved Asset Management Policy.
- Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset management Section must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the head of departments.
- Shall ensure that all assets under their control are adequately safeguarded and insured
- Shall ensure that assets are properly maintained in accordance with the maintenance policy.
- Shall ensure that the assets of the council are not used for private gain.
- Shall ensure that all their movable assets as reflected on the Fixed Asset Register and are bar coded where possible.
- Shall ensure that the Asset Management Section is notified of any changes in the status of the assets under the department's control.
- Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.
- Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Management Section without delay.
- Shall ensure that the correct cost element and description are being used before authorizing any requisitions.
- The detailed assets as created in the financial system must be categorized and clearly identified as follows:
- Immovable Assets:
 - Infrastructure assets
 - Buildings
 - Land
 - Community assets
 - Recreational Facilities
 - Asset under construction (Only an asset after completion)
 - Town Development
 - Investment Properties
 - Intangible assets
 - Movable Assets
 - Bins and Containers
 - Emergency Equipment
 - Emergency Vehicles
 - Furniture and Fittings
 - Motor Vehicles
 - Office Equipment
 - Plant and Equipment
 - Other

SECTION 5

DEFINITION OF AN ASSET

5.1 DEFINITION OF AN ASSET

An asset is a resource controlled by Council as a result of past events and from which future economic benefits or service potential is expected to flow to Council.

The definition has three components, which must all be satisfied in order to be classified asset. They are relevant to all forms of assets:

- Council has the capacity to control the service potential or future economic benefits of the asset, that it is control of the economic benefits or service potential of the asset rather than 'physical' control;
- The service potential or future economic benefits arose from past transactions or events existing on reporting date. and
- The asset has future service potential or economic benefit for Council. The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to Council. The potential may be a productive one that is part of the operating activities of Council. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative process lowers the costs of providing a service.
- Service potential is thus the capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of Council.
- An asset held under a finance lease, if it meets the definition of an asset, shall be recognized, as Council's asset.

SECTION 6

FORMAT OF THE FIXED ASSET REGISTER

6.1 FORMAT

The fixed asset register shall be maintained in the format determined by the CFO, which format shall comply with the requirements of any accounting requirements which may be prescribed.

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the fixed asset register shall reflect at least the following information:

- a brief but identifiable description of each asset
- classification of each asset
- the date on which the asset was acquired for use
- the location of the asset
- the departments within which the assets will be utilised
- the responsible person for this asset
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- a unique identification number
- the original cost or fair value if no costs are available
- the (last) effective date of revaluation of the fixed assets subject to revaluation

- the revalued value of such fixed assets
- the valuer who did the (last) revaluation
- accumulated depreciation to date
- the carrying value of the asset
- whether this is a cash or non-cash generating asset
- the method and, where applicable, the rate of depreciation
- impairment losses
- impairment recovery
- the source of financing
- whether the asset is required to perform basic municipal services;
- the date on which the asset is disposed of
- the disposal proceeds
- the date on which the asset is retired from active use, and held for disposal
- the residual value of each asset
- measurement model

Head of department under whose control any fixed asset falls shall promptly provide the CFO in writing of any information required to compile the fixed asset register and shall promptly advise the CFO in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed asset register, as soon as it is available for use. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed asset register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

6.2 DIFFERENT CATEGORIES WITHIN FAR

The following is an outline of the requirements relating to the various types of asset categories that the Council will maintain

Immovable Assets:

- Infrastructure assets:
 - Water networks and related assets
 - Waste water networks and related assets
 - Roads, bridges and Storm water
- Land and Buildings
- Investment properties
- Community assets
- Intangible assets
- Other assets

Movable Assets:

- Office Equipment

- Furniture and Fittings
- Bins and Containers
- Emergency Equipment
- Motor Vehicles
- Plant and Equipment
- Capital work-in-progress. Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is available for use.

SECTION 7

CLASSIFICATION AND IDENTIFICATION OF PROPERTY, PLANT AND EQUIPMENT (FIXED ASSETS)

7.1 CLASSIFICATION

In compliance with the requirements of National Treasury and accounting standards the CFO shall ensure that all fixed assets are classified under the following headings and Head of departments shall provide the CFO with such information and assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

- Land (not held as investment assets);
- Buildings, excluding buildings classified as investment assets, buildings classified as Heritage assets and buildings utilised in contributing to the community's well-being (Clinics, libraries etc.).
- Infrastructure assets are defined as any asset that is part of a network of similar assets. these assets usually display some or all of the following characteristics:
 - They are part of a system or network,
 - They are specialised in nature and do not have alternative uses,
 - They are immovable, and
 - They may be subject to constraints on disposal.

Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks. Infrastructure can be considered as a single asset or more usefully as a collection of different assets. Each individual asset shall be measured at its own cost and own lifespan, which will influence the depreciation of such an asset.

- Community assets are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.
- Heritage assets are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
- Capital Finance Lease assets are defined as assets financed by a Finance Lease if it is identified as such in terms of the requirements of GRAP 13.
- Agricultural assets are defined as biological assets which are living animals or plants and agricultural produce which is the harvested product of the biological assets.
- Other assets are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

ASSETS HELD FOR SALE

- Assets owned or acquired by Council with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by Council with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as non-current assets held for sale, and not included in either property, plant and equipment or investment property in Council's statement of financial position.
- Such assets shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

INVESTMENT PROPERTY

Investment properties are defined as properties that are acquired/held for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

The CFO shall adhere to the classifications indicated in the annexure on fixed asset lives (see Annexure A below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

7.2 IDENTIFICATION

The Municipal Manager shall ensure that Council maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the Municipal Manager, acting in consultation with the CFO and other Head of departments, and shall comply with any legal prescriptions, as well as any requirements of the Auditor-General, and shall be decided upon within the context of the Council's budget. Head of the department shall ensure that the asset identification system approved by Council is scrupulously implemented in respect of all fixed and movable assets controlled or used by the department.

7.3 VERIFICATION

The Asset Management Section shall at least once during every financial year provide all Head of Departments with a comprehensive list of assets which is registered under their control.

Head of departments shall be responsible for verifying this list with the assets under their control and investigate any discrepancies arising out of the asset verification exercise.

Head of departments will be required to sign and date a declaration stating that the list of assets verified for his/her department is complete & accurate except for the discrepancies as reported to the Asset Management Section.

7.4 SAFEKEEPING

Section 63 of the Municipal Financial Management Act (Act no 56 2003) determines that the accounting officer of the Council is responsible for the management of the assets of the Council, including the safeguarding and the maintenance of those assets.

Section 78 of the Municipal Financial Management Act (Act no 56 2003) determines each senior manager of Council and each official of the Council exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of Council are managed effectively and that assets are safeguarded and maintained to the extent necessary.

Every Head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by his/her department.

SECTION 8

DONATED ASSETS

8.1 DEFINITION

An item donated to the Council or acquired by means of an exchange of assets between the Council and one or more other parties shall be recorded in the fixed asset register only if it the definition and recognition criteria of an asset.

8.2 DISCLOSURE OF DONATED ASSETS

Donated assets will be disclosed in the Statement of Financial Position at fair value less accumulated depreciation at date of acquirement. Fair value being what the asset would cost in the open market at the date of acquirement. If there is no open market for such assets the depreciated replacement value will be applied to determine fair value.

The transaction of acquirement will reflect on the Statement of Changes to Net Assets as "Assets Donated"

SECTION 9

INTANGIBLE ASSETS

9.1 DEFINITION

Items belonging to the category 'intangible' do not have a physical form and meets the identification criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from Council and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- Arises from contractual or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Council or from other rights and obligations.

Examples of intangible items are:

- Mineral exploration rights
- Computer software (not operational software)
- Licensing rights.
- Servitudes

9.2 RECOGNITION AND MEASUREMENT

Intangible items are initially recorded at their cost price. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at date of acquisition.

After initial recognition, the Council shall adopt cost model as accounting policy.

COST MODEL

An intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

9.3 USEFUL LIFE

The Council shall assess whether the useful life or service potential of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential for the entity.

An intangible asset with a finite useful life is amortised over its estimated useful life.

9.4 RETIREMENTS AND DISPOSALS

An intangible asset shall be de-recognised:

- on disposal; or
- when no more future economic benefits or service potential are expected from its use or disposal.

9.5 REVIEW OF USEFUL LIFE ASSESSMENT

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

SECTION 10

CAPITALISATION CRITERIA

10.1 ALL ASSET ACQUISITIONS THAT COMPLIES WITH THE DEFINITION OF PPE.

All items of PPE acquired that comply with the fixed asset definition and exceed the capitalisation threshold of R300, must be capitalised in the FAR at cost and be provided for on the capital budget. Items below the capitalisation threshold can be expensed. This is based on the materiality principle as items below the capitalisation threshold are deemed too immaterial to capitalize. Capitalised items will be bar- coded (when moveable).

SECTION 11

CALCULATION OF CAPITALISATION COST OF ASSETS

11.1 INITIAL COST

An item of property, plant and equipment that qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are:

- The cost of site preparation,
- Initial delivery and handling costs,
- Installation and assembly costs, and
- Professional fees such as for architects and engineers that is directly applicable to the project;
- Feasibility studies will only be capitalised as cost if the capital project, for which this study was applied, will be executed. Up to the starting time of this capital project the cost of this study will be carried as work in progress. If no capital project will flow from this study the cost will be adjusted to the accumulated surplus account.
- The initial estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent that it is recognised as a provision.

- Administrative and other general overhead costs are only a component of cost if it can be directly attributed to the acquisition or construction of the asset without which the asset could not have been brought to working condition.
- Interest on external loans that are directly attributable to the acquisition, construction or production of a qualifying asset are that interest that would have been avoided if the expenditure on the qualifying asset had not been made.

11.2 COSTS INCURRED ON EXISTING PPE SUBSEQUENT TO THE INITIAL RECORDING OF THE COST PRICE

Assets are often modified during their life. There are two main types of modification:

ENHANCEMENTS / REHABILITATION:

This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.

Disbursements of this nature relating to an asset, which has already been recognised in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the Council over the remaining life of the asset.

To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

- Modification of an item or plant to extend its useful life, including an increase in its capacity;
- Upgrading machine parts to achieve a substantial improvement in the quality of output;
- Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;
- Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
- Improve the performance of the asset;

MAINTENANCE / REFURBISHMENT:

Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

Refurbishment of works does not extend functionality or the life of the asset but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

Thus, if the improved performance or extended life of an asset is not beyond what has originally been estimated for the asset and the expenditure is only to bring performance back to the level that is normally expected for the asset the expenditure will be considered an operating expense.

SECTION 12

RESIDUAL VALUES

12.1 DEFINITION

The residual value of an asset is the estimated amount that Council would currently obtain from disposal of the asset, after deducting the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life.

12.2 DETERMINE RESIDUAL VALUE

Residual value will be determined on PPE where practicable in terms of the definition as stated above.

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

The residual value and an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

SECTION 13

DEPRECIATION OF ASSETS

13.1 DEFINITION

Depreciation is the accounting process used to allocate the cost to particular accounting periods of 'using up' the service potential of the asset over its useful life.

13.2 WHICH ASSETS MUST BE DEPRECIATED

All assets, except land, heritage assets and biological assets, shall be depreciated - or amortised in the case of intangible assets.

Although typically disclosed together, land and buildings are separable assets and because land normally has unlimited life it is not depreciated whilst buildings are. Heritage assets such as works of art, historical buildings and statues are also not normally depreciated. The reason is that these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.

13.3 DETERMINING USEFUL LIVES OF ASSETS

The CFO shall assign a useful operating life to each depreciable asset recorded on the Council's Fixed Asset Register. In determining such a useful life, the CFO shall adhere to the useful lives set out in the annexure to this document (refer Annexure A).

The useful lives in Annexure A were determined considering all the following factors and the Local Government Capital Asset Management Guideline from the National Treasury:

- Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
- Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.

- Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.
- The recommendation of the head of department involved.

In the case of a fixed asset which is not listed in this annexure, the CFO shall determine a useful operating life, if necessary in consultation with the Head of department who shall control or use the fixed asset in question and shall be guided in determining such useful life either by the useful lives assigned in the annexure to the fixed asset most closely comparable to the asset in question or by any appropriate statement of generally recognised accounting practice (GRAP).

The useful life of an asset shall be reviewed at least at each reporting date. The amortisation period for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly.

The CFO shall amend the useful operating life assigned to any asset –after recommendation from the affected Department - if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life cycle will not be attained.

If the value of an item of property, plant and equipment has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

The additional depreciation expenses shall be debited to the Department's expense vote controlling or using the fixed asset in question.

13.4 DEPRECIATION CALCULATION

TANGIBLE ASSETS

Depreciation is calculated on the straight-line method over the useful of the assets.

Depreciation is an expense both calculated and debited on a monthly basis against the appropriate line item in the Department or vote in which the item of property, plant and equipment is used or consumed and should be recognised as such.

Depreciation shall be charged from the calendar month following the month in which an item of property, plant and equipment is available for use and will continue until the accumulated depreciation equals the cost or valuation amount of the respective item of property, plant and equipment or the item is disposed or written off.

When depreciation is calculated, a corresponding accumulated depreciation account is created. The accumulated depreciation account is a statement of financial position item (it is an asset provision). This account balance reflects the depreciation charge that has been expensed or capitalised since the asset was available for use. The balance on the accumulated depreciation account can never exceed the cost or valuation of the specific item of property, plant and equipment to which it relates.

INTANGIBLE ASSETS

Amortisation period and amortisation method

FINITE USEFUL LIFE

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that

the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Council. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in profit or loss unless another Standard permits or requires it to be included in the carrying amount of another asset.

INFINITE USEFUL LIFE

No amortisation will take place.

- The amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern.

13.5 BUDGET REQUIREMENT

Each Head of Department, acting in consultation with the CFO shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing three financial years.

In calculating this provision, the following must be taken into consideration:

Assets in commission with useful life that will span the budget period or a portion thereof:

- full 12 months per budget year unless fully depreciated before the final budget year;
- Expected assets that will be commissioned in the current year of operations:
 - full 12 months per budget year unless fully depreciated before the final budget year;
 - Expected assets that will be commissioned in the ensuing three years:
 - Pro rata for commission year and full 12 months for ensuing years on commission year.
 - For ensuing years 1 January of each year will be regarded as date of commissioning.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of property, plant and equipment.

13.6 OFFSET DEPRECIATION

ASSETS FINANCED BY GOVERNMENT GRANTS OR PUBLIC CONTRIBUTIONS

The principle of government grant and public contribution funded assets is that there should be no capital cost included in tariffs from using this source of financing.

Funding from Government Grants and Public Contributions, equal to the amount used to finance the asset are directly transferred to the operating account as revenue. This transfer will reflect in the accumulated surplus as offset of depreciation against future depreciation charges on these assets.

ASSETS RE-VALUED

An amount equal to the annual depreciation portion of the re-valued assets should be transferred from the Revaluation reserve to the Accumulated surplus or deficit.

13.7 DISCLOSURE REQUIREMENTS

In the accounting policy notes

- The depreciation methods used and the depreciation rates or useful lives.

On the Statement of Financial Position

- The depreciation is part of the Net Property, Plant and Equipment amount.

On the Statement of Financial Performance

- The depreciation charged in arriving at the net surplus or deficit disclosed in the income statement.

In the notes to the statements

- The gross carrying amount and the accumulated depreciation at the beginning and end of the period in respect of each class of property, plant and equipment, together with all the other movements on the asset accounts.

In Annexure B and C to the financial statements

- These Annexure disclose a more detailed analysis of the various classes of assets (Annexure B) as well as a detailed analysis on the allocation of assets to the various departments and functions (Annexure C). These Annexure must show a reconciliation of the carrying amount at the beginning and end of the period showing:
 - Additions
 - Disposals
 - Acquisitions through business combinations
 - Increases or decreases resulting from revaluations
 - Reductions in carrying amount (impairment losses)
 - Depreciation
 - Other movements

When property, plant and equipment is disposed of whether by selling or destroyed the asset values must be offset against the proceeds, if any, resulting in a profit or loss on the particular item of property, plant and equipment. If this item was previously revalued and there is still a balance left regarding this item on the Revaluation reserve, this balance must then be transferred to the Accumulated Surplus/Deficit account.

SECTION 14

DISPOSAL OF ASSETS

14.1 DISPOSAL

In compliance with the principles and prescriptions of the Municipal Finance Management Act the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with Council's supply chain management policy.

Head of Department shall report in writing to the CFO annually on all fixed assets controlled or used by the department concerned which such General.

Head of Department wishes to dispose of such assets by public auction or public tender within the period up to 30 June of the next financial year. The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Disposal Committee prior to being reported to Council or the Municipal Manager, as the case may be, recommending the process of disposal to be adopted.

Any items declared obsolete or damaged will be handed in to the Asset Management Section for safekeeping. No items will be received by the Asset Management Section without a completed asset disposal form counter signed by the Asset management Section, describing the status of the item and the reason for writing-off the item.

Each Department must take the necessary steps to ensure that all their obsolete or damaged assets are disposed of in the correct and approved manner. It is the responsibility of each Department to ensure that all such assets to be disposed of are delivered to and received at the Asset Management Section.

The Council shall ensure that the disposal of any fixed asset takes place in compliance with Section 14 of the Municipal Finance Management Act 2004 and the Supply Chain Management Policy.

Every Head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the Department in question is promptly reported in writing to the Insurance Section, the Asset Management Section, and, in cases of suspected theft or malicious damage, also to the internal auditors, South African Police Services. Once the fixed assets are disposed of, the CFO shall remove the relevant records from the fixed asset register.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under Council's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of disposal shall be by private treaty.

All assets to be disposed of in the next financial period is to be transferred to the Non- current assets held for sale account, revalued to the lower of cost and expected selling price and to be disclosed on the Statement of Financial Position as Non-current assets held for sale under Current assets and not as Property, plant and equipment under Non- current assets.

14.2 OTHER WRITE OFFS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the Head of department controlling or using the asset concerned, and with the final approval of Council.

Every Head of a department shall annually report to the CFO on any fixed assets which such director of a department wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports and shall promptly submit a recommendation to the Council on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the disposal of such fixed assets, shall be the loss, theft, destruction, incorrect capitalisations or material impairment of the fixed asset in question.

14.3 PROCEEDS / GAIN OR LOSS ON DISPOSAL OF ASSETS

When assets are disposed of whether by disposal or written off the asset values needs to be readjusted and offset against the proceeds. If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the vote of the Department concerned. If the proceeds of the disposal, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the vote of the Department concerned.

If this asset has an outstanding balance on the Revaluation Reserve this balance must be transferred to the Accumulated Surplus.

14.4 DISCLOSURE OF ASSETS DISPOSED OF

The carrying value of the asset disposed of is removed from the records and will not reflect on the Statement of Financial Position as part of the balance on Property, Plant and Equipment under Non - Current assets

The gain or loss will be reflected in the Statement of Financial Performance as a gain under Revenue or as a loss under Expenditure.

SECTION 15

RECOGNITION OF ASSETS IN THE FINANCIAL STATEMENTS

Recognition is the process of incorporating in the Statement of Financial Position or Statement of Financial Performance, an item that meets the definition and satisfies the criteria for recognition.

Assets are classified into categories as set out in section 7 (Classification of Assets) and the information for each category summarised in a table format is disclosed as:

- a note to the financial statements;
- with a detailed disclosure as an annexure reflecting the movements for the financial year by category and subcategory;
- movements are also reflected on an annexure per Department;
- the net value (carrying value at year-end), for all categories is added together and reflected as a single line item in the statement of financial position.

The failure to recognise such items is not rectified by disclosure of the accounting policies used, or by notes or explanatory material.

To be able to assess the utilisation of assets all assets should be listed once the recognition criteria are met.

An asset item should be recognised in the financial statements if it meets the:

- Probability criteria (it is probable that any future economic benefits or service potential associated with the asset will flow to the Council);
- Measurement criteria (the asset has a cost or value that can be measured with reliability).

In many cases, cost or value must be estimated; the use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made, the item is not recognised in the Statement of Financial Position or Statement of Financial Performance.

An item that possesses the essential characteristics of an asset but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of the Council by the users of financial statements.

No asset is recognised in the Statement of Financial Position for expenditure incurred where it is improbable that economic benefit or service potential will flow to the Council beyond the current financial year. Where the probability is low, such a transaction will result in the recognition of an expense in the Statement of Financial Performance.

Where the expenditure has been incurred in connection with an asset already recognised, consideration should be given to the probability that the expense will result in an extension of the asset's estimated useful life. If the probability is high the expense will be added to the value of the asset in the Statement of Financial Position and written off by way of depreciation over the remaining life of the asset.

Expenditure incurred on an existing asset that will not extend the useful life or the functionality of the asset, will be reflected in the Statement of Financial Performance as an expense (maintenance).

Assets may be acquired for safety or environmental reasons. The acquisition of such assets, while not directly increasing the future economic benefits or service potential of any particular existing asset, may be necessary in order for the Council to obtain the future economic benefits or service potential from its other assets. When this is the case, such acquisitions of assets qualify for recognition as assets, in that they enable future economic benefits or service potential from related assets to be derived by the Council in excess of what it could derive if they had not been acquired. However, such assets are only recognised to the extent that the resulting carrying amount of such an asset and related assets does not exceed the total economic benefits or service potential that Council expects to recover from their continued use and ultimate disposal.

SECTION 16

FUNDING SOURCES

The main sources of finance utilised to acquire assets are:

- Government and other conditional grants.
- Finance leases
- Conditional grants, Subsidies and Public Contributions and Donations
- Cash surplus.

The sources of finance that may be utilised to finance assets are utilised in accordance with the provisions of Section 19 of the Municipal Finance Management Act.

16.1 GOVERNMENT AND OTHER CONDITIONAL GRANTS

Whenever a conditional government or other grant for the acquisition of an asset is received a grant liability is created on receipt of the funds. Once the asset is bought, an amount equal to the cost of the asset is transferred from the unspent grant liability to the Statement of Financial Performance as revenue.

Unspent conditional grants are reflected on the Statement of Financial Position under current liabilities as Unspent Conditional Grants. These funds always have to be backed by cash. The following conditions are set for the creation and utilisation of these funds:

- The cash which backs up the grant is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If the conditions are silent on investment interest it is recognized as interest earned in the Statement of Financial Performance and might be allocated, through the Statement of Changes in Net Assets, in part or fully to the unspent portion of the grant if it is so stated in the accounting policy.
- Whenever an asset is acquired from a conditional grant an amount equal to the cost of the asset is transferred from the Unspent grant creditor to the Statement of Financial Performance as revenue.
- The amount spent from this grant, meeting the condition, is transferred to an operational revenue account and reflected on the Statement of Financial Performance. It will then increase the surplus for the year and the accumulated surplus representing an offset depreciation surplus.

Once the asset is available for use, it is included in the FAR and depreciation is calculated based on the relevant useful life of the asset. Depreciation on the asset is then charged to the Statement of Financial Performance as an expense.

16.2 FINANCE LEASES

A lease is classified as a finance lease if it meets the recognition requirements as per GRAP 13 (Annexure C)

At the commencement of the lease term, the Council shall recognise finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum

lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit to the lease, if this is practicable to determine; if not, the Council's incremental borrowing rate shall be used. Any initial direct costs of the Council are added to the amount recognised as an asset.

16.3 DONATIONS

The fair value of donated assets must be determined and at receipt or transfer of the assets be allocated to the accumulated surplus account.

Once the asset is available for use, it is included in the FAR and depreciation is calculated based on the relevant useful life of the asset. Depreciation on the asset is then charged to the Statement of Financial Performance as an expense.

16.4 SURPLUS CASH

If there is sufficient surplus cash available, assets can be financed directly by allocating this cash for the acquisition of assets. Depreciation charges on these assets will not be offset.

SECTION 17

IMPAIRMENT LOSSES

17.1 IMPAIRMENT

The carrying amount (book value) of an item or a group of identical items of property, plant and equipment should be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

Recoverable amount is the amount that the Council expects to recover from the future use of an asset, including its residual value on disposal.

When such a decline has occurred, the carrying amount should be reduced to the recoverable amount. The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation on properties in which case it should be charged to the Revaluation Reserve.

The recoverable amount of individual assets, or groups of identical assets, is determined separately and the carrying amount reduced to recoverable amount on an individual asset, or group of identical assets, basis. However, there may be circumstances when it may not be possible to assess the recoverable amount of an asset on this basis, for example when all of the plant and equipment in a sewerage purification work is used for the same purpose. In such circumstances, the carrying amount of each of the related assets is reduced in proportion to the overall decline in recoverable amount of the smallest grouping of assets for which it is possible to make an assessment of recoverable amount.

The following may be indicators that an asset has become impaired:

- The item has been damaged.
- The item has become technologically obsolete.
- The item remains idle for a considerable period either prior to it being put into use or during its useful life.
- Land is purchased at market value and is to be utilised for subsidized housing developments, where the subsidy is less than the purchase price.

17.2 DISCLOSURE OF IMPAIRMENT LOSSES

All impairment losses must reflect on the Statement of Financial Performance.

The financial statements should also disclose, in the reconciliation of the carrying amount at the beginning and end of the period for each class of property, plant and equipment recognised in the financial statements any impairment losses recognised in the statement of financial performance during the period and impairment losses reversed in the statement of financial performance during the period.

Material impairment losses need to be disclosed in the notes to the income statement as a separately disclosable item.

17.3 REVERSAL OF AN IMPAIRMENT LOSS

- The same procedures as for the identification of impaired assets are followed as to whether there is an indication that impairment may have decreased. If so, the recoverable amount must be added to the carrying value of the asset.
- The life cycle must be adjusted.
- The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.
- Reversal of an impairment loss is recognised as income in the income statement.
- Depreciation must be adjusted for the remaining life cycle.

SECTION 18

INVESTMENT PROPERTY

18.1 DEFINITION OF INVESTMENT PROPERTY

Investment Property is defined as:

Property (land or a building — or part of a building — or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- Use in the production or supply of goods or services or for administrative purposes; or
- Sale in the ordinary course of operations.
- Investment Property generates cash flows largely independently of the other assets of the Council.
- Investment property is held to earn rentals or for capital appreciation or both. The following are examples of investment property:
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use. (If the Council has not determined that it will use the land for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation);
- A building owned by the Council (or held by the Council under a finance lease) and leased out under one or more operating leases on a commercial basis; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following are examples of items that are not investment property:

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;

- Property being constructed or developed on behalf of third parties;
- Own-occupied property, including (among other things) property held for future use as own-occupied property, property held for future development and subsequent use as own-occupied property, property occupied by employees such as housing (whether or not the employees pay rent at market rates) and own-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property. GRAP 17 applies to such property until construction or development is complete, at which time the property becomes investment property. However, existing investment property that is being redeveloped for continued future use as investment property remains investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows. For example, a housing department may hold a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an “investment property” and would be accounted for in accordance with GRAP 17; and
- Property held for strategic purposes which would be accounted for in accordance with GRAP 17.
- Where a property is utilised partly in the ordinary course of operations and partly to generate rentals or for capital appreciation it will only be classified as investment property if a significant portion is utilised to generate investment income.

18.2 INITIAL MEASUREMENT OF INVESTMENT PROPERTY

- Investment property is measured initially at its cost (including transaction costs). Where an investment property is acquired at no cost (for example donated assets), or for a nominal cost, its cost is its fair value as at the date of acquisition.
- The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure, such as, professional fees for legal services, property transfer taxes and other transaction costs.
- The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Municipality applies the GRAP standard on accounting for PPE (GRAP 17). At the completion date, the property becomes investment property and the Standard on investment property applies (GRAP 16).
- Investment property is only recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality and the cost or fair value of the investment property can be measured reliably.

18.3 MEASUREMENT OF INVESTMENT PROPERTY SUBSEQUENT TO INITIAL MEASUREMENT

- Subsequent expenditure relating to an investment property that has already been recognised should be added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of performance of the existing investment property, will flow to the Council. All other subsequent expenditure should be recognized as an expense in the period in which it is incurred.

18.4 TRANSFERS AND DISPOSALS OF INVESTMENT PROPERTIES

TRANSFERS

Transfers to, or from, investment property should be made when, and only when, there is a change in use, evidenced by:

- Commencement of own-occupation, for a transfer from investment property to own-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;

- End of own-occupation, for a transfer from other classified property to investment property;
- Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; or
- End of construction or development, for a transfer from property in the course of construction or development to investment property.

For a transfer from investment property carried at fair value to own-occupied property or inventories, the property's cost for subsequent accounting under the relevant GRAP on PPE (GRAP 17) or inventories should be its fair value at the date of change in use.

If an own-occupied property becomes an investment property that will be carried at fair value, a municipality should apply GRAP 17 up to the date of change in use. The council should treat any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation under GRAP 17 by crediting a reserve.

For a transfer from inventory to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognized in net surplus/deficit for the period.

When the Council completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognized in net surplus/deficit for the period.

DISPOSALS

On disposal or permanent withdrawal from use of investment property:

- An investment property should be eliminated from the Statement of Financial Position;
- Gains or losses arising from the retirement or disposal of investment property should be determined as the difference between the net disposal proceeds and the carrying amount of the asset. For the purposes of display in the financial statements, the gain or loss should be included in the Statement of Financial Performance as an item of revenue or expense.

18.5 BUDGET IMPLICATIONS RELATING TO INVESTMENT PROPERTY.

The following amounts will have to be budgeted for in the operating budget relating to investment properties:

- Gains on the disposal of investment properties that are intended to be sold during the next financial year.
- Fair value gains that are expected to be obtained on investment properties that will be held during the next financial year.
- Depreciation on investment properties that are intended to be transferred to own-occupied properties during the next financial year.
- The effect of reduced depreciation on own-occupied properties that are intended to be transferred to investment properties during the next financial year.
- Revenue through operating lease income; and
- Fair value gains where the intention to sell a building (inventory) is changed and the inventory is held as an investment property on which rental income and capital appreciation will be earned by the Council in the next financial year.

18.6 DISCLOSURE

The disclosure requirements adhered disclosing information on investment property is to be done in accordance with the requirements as per the relevant GRAP statement.

SECTION 19

REPLACEMENT STRATEGY

The Municipal Manager, in consultation with the CFO and other Head of Department shall formulate strategies and standards for the replacement of all operational property, plant and equipment. Such strategies and standards shall be incorporated in a formal policy, which shall be submitted to the Council for approval. This policy shall cover the replacement of infrastructure and operational movable vehicles and equipment.

This strategy should take into consideration:

- The nature of the asset
- The usage of the asset
- Priorities
- Available funding
- Operational and maintenance costs
- Operational skills
- Future expected developments
- Technology
- Outsourcing
- Private sector partnerships

SECTION 20

ASSET RISK MANAGEMENT

20.1 INSURANCE

Departments are responsible for managing the risks associated with their activities.

This decision will depend on the amount of excess the Council are prepared to carry, the types of risks they insure against, taking due cognisance of the budgetary constraints of the Council.

Complete property, plant and equipment identification and valuation may prevent the Council from being over or under insured. Specific supportable insurable values are defined in the insurance policy in effect and should be reviewed regularly. In some instances, an in-house estimate of cost or insurable value may not be sufficient to substantiate the amount of a loss. Rather, an appraisal by an independent third party may be required.

20.2 OTHER RISK REDUCING METHODS

Department regulations or "operating policies" can also reduce risks. Head of Unit should investigate their operations and set operating policies as to how personnel should operate and use property, plant and equipment to minimize risk.

Examples are as follows:

- Only authorised personnel should be allowed in areas where expensive equipment is kept;
- Only authorised personnel should be allowed to operate plant or vehicles;
- The keys for office vehicles should be controlled in a central office during the day, and employees should sign when they take the keys;
- Ensure that drivers or operators have the necessary qualifications and licenses;
- It should be part of service conditions that employees incur personal liability if they drive while under the influence of alcohol, drugs, medication, and so forth; or if they leave the vehicle unattended and unlocked;

- Physical access to buildings, or areas within buildings, should be restricted, especially after hours.

SECTION 21

MAINTENANCE AND MANAGEMENT OF ASSETS

21.1 MAINTENANCE AND ASSET MANAGEMENT PLANS (AMPS)

Regular maintenance can prevent unplanned and expensive breakdowns. Maintenance plans must therefore be drawn up to ensure minimum maintenance standards and execution to achieve the optimum use of assets as planned

Every Head of Department shall ensure that a maintenance and asset management plan (AMP) in respect of infrastructural asset is prepared and submitted to Council for approval.

If so directed by the Municipal Manager, the maintenance and asset management plan (AMP) shall be submitted to Council prior to any approval being granted for the acquisition or construction of new infrastructural assets.

The Head of Department controlling or using the infrastructure assets in question, shall budget for the executing of the approved plan and will annually report to Council of the extent to which the relevant maintenance and asset management plan (AMP) has been complied with, and of the likely effect which any non-compliance and / or budgetary constraints may have on the useful operating life of the asset concerned.

21.2 DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructural asset (see 18 above), the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Head of Department controlling or using such asset shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the Asset Management Section, and the Asset Management Section shall recalculate the annual depreciation expenses accordingly.

21.3 GENERAL MAINTENANCE

Every Head of Department shall be directly responsible for ensuring that all assets that are in his/her care are properly maintained and, in a manner, which will ensure that such assets attain their useful operating lives as well as the compilation and annual update of the relevant maintenance and asset management plans (AMPs)

SECTION 22

GENERAL REQUIREMENTS

22.1 BAR CODING

Bar coding means to place a control number on a piece of equipment or property. All movable assets must be bar code if probable.

The primary purpose of bar coding is to maintain a positive identification of assets. Bar coding is important to:

- Provide an accurate method of identifying individual assets
- Aid in the annual physical inventory
- Control the location of all physical assets

- Aid in maintenance of fixed assets

Fixed property and plant is not bar coded; such as:

- Buildings (record legal description in asset record),
- Land (record legal description in asset record),
- Infrastructural assets.

Consistently place asset bar codes in the same location on each similar type asset. If possible, the bar codes shall be accessible for viewing. Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will aid in taking inventory.

22.2 PHYSICAL INVENTORY OF ALL MOVABLE ASSETS

The Asset Management Section will conduct a physical inventory of movable assets annually. They will require the cooperation of departmental personnel in accomplishing the physical inventory task and will attempt to minimize the time demanded of them.

The designated officials in the different Departments within Council must execute the functions listed below.

- Ensure that the bar code number and location number are reflected on the asset movement form by the relevant official on the receipt of the asset. Where applicable, the serial number or registration number should be included.
- Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Section.
- Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.
- Asset Management Section must be notified by the relevant Department of any of the following possible movements:
 - Donations
 - Additions / Improvements
 - Departmentally manufactured items
 - Loss or damage
 - Transfers
 - Terminations
 - Land Sales

22.3 ACQUISITION

Acquisition - In making the decision to acquire an asset the following fundamental principles should be carefully considered:

- The purpose for which the fixed asset is required is in keeping with the objectives of Council and will provide significant, direct and tangible benefit to it.
- The fixed asset has been budgeted for.
- The purchase is absolutely necessary as there is no alternative municipality asset that could be upgraded or adapted.
- The fixed asset is appropriate to the task or requirement and is cost effective over the life of the asset.

- The fixed asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources.
- Space and other necessary facilities to accommodate the asset are in place.
- The most suitable and appropriate type, brand, and model etc. has been selected.

22.4 ASSET MANAGEMENT RESPONSIBILITIES

- Utilisation - All assets should be used for the purposes they were acquired.
- Asset performance should be regularly reviewed to identify under-utilised and under-performing assets. The reasons for this should be critically examined and appropriate action taken.
- Disciplinary action must be taken against individuals if there is misuse of the Council's assets.

22.5 ADDITIONS / IMPROVEMENTS

Depending upon the type of addition or improvement to a specific asset the responsible official in the Department must notify the Asset Management Section of the change in status. The asset master record will be amended on receipt of the required asset acquisition form from the responsible Department.

When capital expenditure is incurred for any enhancement/improvement of an asset, the Department shall complete the necessary asset acquisition form and forward it to the Asset Control Section.

When any changes to vacant land or land and buildings are affected such as subdivision, transfer to another Department, extent or holders title, the current owner must complete the relevant asset movement form and forward it to the Asset Management Section.

22.6 TERMINATION OF EMPLOYEE'S SERVICE

At the termination of an employee's service, the applicable Department representative must complete the asset clearance form and forward the original to the Asset Management Section. This form is a statement that the inventory and assets entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary. A copy of this form is forwarded to the HR Business Section concerned or its relevant Department for further investigation in the case of missing assets.

22.7 TRANSFER OF ASSETS

When a Department transfers an asset or inventory item within the Department, the asset movement form must be completed and forwarded to the Asset Management Section. The copy of this form must be forwarded to the party receiving the asset or inventory item.

When a Department transfers an asset or inventory item to another Department, the transferring Department must approve the transfer. After approval has been granted the asset movement form must be completed and forwarded to the Asset Management Section.

2.8 DISPOSAL OF ASSETS

All Departments must submit the properly completed asset disposal forms together with copies of all relevant approvals for the disposal of assets to the Asset Management Section.

CONDITION GRADING SCALES

Grade	Description	Detailed Description	Indicative RUL
1	Very good	Sound structure, well maintained. Only normal maintenance required.	71 - 100% EUL
2	Good	Serves needs but minor deterioration (< 5%). Minor maintenance required.	46 - 70% EUL
3	Fair	Marginal, clearly evident deterioration (10-20%). Significant maintenance required.	26 - 45 % EUL
4	Poor	Significant deterioration of structure and/or appearance and impairment of functionality (20-40%). Significant renewal/upgrade required.	11 - 25% EUL
5	Very poor	Unsound, failed needs reconstruction/ replacement (> 50% needs replacement)	0 - 10% EUL

ASSET USEFUL LIVES GUIDE

GRAP 17: Infrastructure Assets

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Auto recloser			30	5%
Auxiliary equipment	HV substation control infrastructure (AC, DC, cabling etc)		60	0%
Auxiliary equipment	Prepaid vending master stations		10	0%
Auxiliary equipment	Prepaid Vending stations		10	0%
Auxiliary equipment			20	0%
Baler			15	0%
Ballast			80	50%
Battery charger			10	0%
Bowling green			20	0%
Box culvert			50	0%
Carports	Parking - Shade net		7	0%
Carports	Parking - Sheet metal		30	0%
Cattle grid			50	0%
Channel	Lined open (lined area)		30	0%
Channel	Unlined open		5	10%
Chemical Toilet			10	0%
Circuit breaker panel	Bus-section/coupler panel		50	0%
Circuit breaker panel	Feeder panel		50	0%
Circuit breaker panel	Indoor switch in switchboard		45	0%
Circuit breaker panel	Incomer panel		50	0%
Communal standpipe	Base, tap and pipework		10	0%
Commuter shelters			15	0%
Compressor	Workshop type - fixed		10	0%
Concrete structure	Above ground structure		50	0%
Concrete structure	Below ground structure		50	0%
Concrete structure	Mass concrete		50	0%
Concrete structure	Shuttered RC eng structure - water retaining		50	0%
Concrete structure	Shuttered RC eng structure		80	0%
Control cable			50	0%
Control panel			50	0%
Cricket field	Cricket		30	0%
Current transformer			45	10%
Cut-off drain	Galvanized grid		20	10%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Doser			15	0%
Earth structure			50	0%
Electrical installation	Standard building reticulation		30	0%
Electrical service connection	LV Overhead		50	0%
Electrical service connection	LV Underground		45	0%
Electricity meter	Credit meter		20	0%
Electricity meter	Pre-pay meters		10	0%
Electricity meter	Remote meters		10	0%
Engine	Diesel		15	0%
Erosion protection	Gabions		50	0%
Erosion protection	Rip Rap		20	0%
External furniture			20	0%
External lighting	Bollard-type		45	0%
External lighting	Floodlights		30	0%
External lighting	Streetlight with own network		45	0%
External lighting	Stadium lights		20	0%
Fabricated steel	Galvanised steel		20	0%
Fabricated steel	Mild steel	Aggressive exposure	10	0%
Fabricated steel	Mild steel	Mild exposure	20	0%
Fabricated steel	Stainless steel	Aggressive exposure	20	0%
Fabricated Steel	Stainless steel	Mild exposure	40	0%
FF & E (finishes, fixtures and equipment)			15	0%
Fibre			50	0%
Filter			15	0%
Fire protection			20	0%
Floors			50	0%
Foundation / formation	Flat terrain	Construction platform	100	50%
Foundation / formation	Flat terrain	Channels	100	50%
Foundation / formation	Flat terrain	Gravel road	50	50%
Foundation / formation	Flat terrain	UA/UB Road	50	50%
Foundation / formation	Flat terrain	UC/UD Road	100	50%
Foundation / formation	Flat terrain	Ground rehabilitation provision	20	0%
Foundation / formation	Rolling terrain	Construction platform	100	50%
Foundation / formation	Rolling terrain	Channels	100	50%
Foundation / formation	Rolling terrain	Gravel road	50	50%
Foundation / formation	Rolling terrain	UA/UB Road	50	50%
Foundation / formation	Rolling terrain	UC/UD Road	100	50%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Foundation / formation	Mountainous terrain	Gravel road	50	50%
Foundation / formation	Mountainous terrain	UA/UB Road	50	50%
Foundation / formation	Mountainous terrain	UC/UD Road	100	50%
Foundation / formation	Mountainous terrain	Channels	100	50%
Foundation / formation	Mountainous terrain	Construction platform	100	50%
Fuel dispenser pump	Standard		20	0%
Fuse			5	0%
Generator			20	0%
Golf course			50	0%
Grid Inlet			30	0%
Guard-rail	Steel		20	0%
Guard-rail	Wood		15	0%
Heating, ventilation and air conditioning			5	0%
High mast			45	0%
HV Busbar indoor	Copper bar		60	0%
HV Busbar indoor	GIS bus ducting		50	0%
HV Busbar outdoor	Strung conductor (m)		60	0%
HV Cable			50	0%
HV Control panel			50	0%
HV Overhead line conductor			50	0%
HV Overhead line insulators			50	0%
HV Overhead line support structure			50	0%
HV Power transformer			50	0%
HV Switchgear - Circuit breaker			50	0%
HV Switchgear - Isolating link			50	0%
Hydrant			20	0%
Irrigation systems			10	0%
Kerb inlet			20	0%
Kerbing	Barrier kerb	UA/UB Roads	20	0%
Kerbing	Barrier kerb	UC/UD Roads	50	0%
Kerbing	General kerbing	Paved areas	20	0%
Kerbing	Mountable kerb	UA/UB Roads	20	0%
Kerbing	Mountable kerb	UC/UD Roads	50	0%
Land			NA	NA
Landscaped areas	Flower beds, shrubs & trees		30	0%
Landscaped areas	Lawns		50	0%
Lifts	Passenger lift		30	0%
Line link			30	5%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Lining - landfill			50	0%
Load control set			20	0%
Load shed relay	Load control Controllers		20	0%
Local transformer			45	0%
Low water bridge	Deck with concrete culverts / pipes		50	0%
LV Cable			60	0%
LV Overhead line			45	0%
LV Overhead line	LV Airdac OH service connection (per 30m service)		45	0%
LV Overhead line	LV Airdac OH service connection (per 30m service)		60	0%
Masonry structure			50	0%
Mini traffic circle			20	0%
Mini-Sub			45	0%
Mini-Sub foundation structure	Above ground structure		50	0%
Mini-Sub ring main unit (RMU)			45	0%
Mini-Sub control panel	Equipment control panel		50	0%
Mini-Sub transformer	Substation transformer		45	0%
Motor			15	0%
MV Busbar indoor	Copper bar		60	0%
MV Busbar outdoor	Strung conductor (m)		60	0%
MV Busbar outdoor	Tubular Conductor		50	0%
MV Cable			50	0%
MV Overhead line			45	0%
MV Power transformer			45	0%
MV Switchgear - Circuit breaker			45	0%
MV Switchgear - Isolating link			30	0%
Netball / basketball / volleyball court	Netball / basketball / volleyball		15	0%
Paving	Asphalt		50	0%
Paving	Block paving		20	0%
Paving	Concrete surface		50	0%
Paving	Imported gravel / stones		50	0%
Paving	Seal paving		20	0%
Paving	Unpaved (earthworks only)		10	0%
Pedestrian bridge - Over road			100	0%
Pedestrian bridge - Under road			100	0%
Perimeter protection	1.2m Wire mesh fence		15	0%
Perimeter protection	1.8m Brick wall		30	0%
Perimeter protection	1.8m Wire mesh fence		15	0%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Perimeter protection	Concrete palisade fence		30	0%
Perimeter protection	Precast concrete wall		30	0%
Perimeter protection	Razor mesh fence		15	0%
Perimeter protection	Steel palisade fence		30	0%
Perimeter protection	Vibrocrete fence		20	0%
Perimeter protection	Wooden fence		15	0%
Pipe - sewer (excl manholes)	AC		40	0%
Pipe - sewer (excl manholes)	Concrete		40	0%
Pipe - sewer (excl manholes)	Steel		40	0%
Pipe - sewer (excl manholes)	uPVC		80	0%
Pipe - sewer (excl manholes)	Vitrified Clay Pipe (VCP)		100	0%
Pipe - sewer (incl manholes)	AC		40	0%
Pipe - sewer (incl manholes)	Concrete		40	0%
Pipe - sewer (incl manholes)	Steel		40	0%
Pipe - sewer (incl manholes)	uPVC		80	0%
Pipe - sewer (incl manholes)	Vitrified Clay Pipe (VCP)		100	0%
Pipe - stormwater	Concrete		50	0%
Pipe - water (excl valves, hydrants & meters)	AC		40	0%
Pipe - water (excl valves, hydrants & meters)	HDPE		80	0%
Pipe - water (excl valves, hydrants & meters)	Steel		80	0%
Pipe - water (excl valves, hydrants & meters)	uPVC		80	0%
Pipe - water (excl valves, hydrants & meters)	GRP		80	0%
Pipe - water (excl valves, hydrants & meters)	Unknown (assumed HDPE)		80	0%
Pipe - water (excl valves, hydrants & meters)	Unknown (assumed steel)		80	0%
Pipe - water (excl valves, hydrants & meters)	Unknown (assumed uPVC)		80	0%
Pipe - water (incl valves & hydrants, excl meters)	AC		40	0%
Pipe - water (incl valves & hydrants, excl meters)	HDPE		80	0%
Pipe - water (incl valves & hydrants, excl meters)	Steel		80	0%
Pipe - water (incl valves & hydrants, excl meters)	Unknown (assumed HDPE)		80	0%
Pipe - water (incl valves & hydrants, excl meters)	Unknown (assumed uPVC)		80	0%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Pipe - water (incl valves & hydrants, excl meters)	uPVC		80	0%
Pipe - water (incl valves & hydrants, excl meters)	Unknown (assumed steel)		80	0%
Plumbing	Standard installation		20	0%
Points (rail)			15	0%
Pole transformer	Pole transformer		45	0%
Power factor equipment	Capacitor bank		50	0%
Power factor equipment	Single phase, 20 min battery back-up		30	0%
Public lighting	12m Public light		45	0%
Pump - booster	Low volume / pressure - complete assembly		15	0%
Pump - borehole	Submersible pump - deep well		15	0%
Pump - hand			15	0%
Pump - sewer			15	0%
Pump - submersible			12	0%
Pump - water			15	0%
Reactor			10	0%
Retaining wall			50	0%
Ring main unit (RMU)			45	0%
Road bridge - Over rail			100	0%
Road bridge - Over river			100	0%
Road bridge - Over road (Main)			100	0%
Road bridge - Over road (Minor)			100	0%
Road bridge - Over road (National)			100	0%
Road reserve			NA	NA
Road signs	General - large		10	0%
Road signs	General - standard		10	0%
Road signs	General - very large		10	0%
Road signs	Overhead gantry cantilever		50	0%
Road signs	Overhead gantry portal		50	0%
Road signs	Regulatory - large		7	10%
Road signs	Regulatory - standard		7	10%
Road structural layers		UA Road	30	0%
Road structural layers		UB Road	50	0%
Road structural layers		UC Road	80	0%
Road structural layers		UD Road	80	0%
Road surface	Asphalt		12	0%
Road surface	Block paving		15	0%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Road surface	Concrete		20	0%
Road surface	Gravel		5	20%
Road surface	Seal		9	0%
Roofing systems	Flat concrete (170mm thick)		40	0%
Roofing systems	Sheet metal		30	0%
Roofing systems	Thatch		40	0%
Roofing systems	Tiled		40	0%
Rubbish bin	Concrete		15	0%
Rubbish bin	Metal		10	0%
Rubbish bin	Plastic		5	10%
Rugby / soccer field			30	0%
Sectionalizer			30	5%
Secure distribution pillars			45	0%
Security systems	Security and access control		7	0%
Security systems	Alarm & sensors		10	0%
Septic Tank	Complete assembly		40	0%
Servitude			NA	NA
Sidewalk			30	0%
Sign - general			15	0%
Small building / enclosure	Brick, block walls & concrete roof slab		50	0%
Small building / enclosure	Brick, block walls & other roof		50	0%
Small building / enclosure	Container 6m : Furbished and serviced - office use		30	0%
Small building / enclosure	Steel cage		20	0%
Small building / enclosure	Steel shed		20	0%
Speed humps			50	0%
Squash court	Regulation size - indoor		15	0%
Stadium			50	0%
Steel fuel tank	Above ground		50	0%
Steel fuel tank	Below ground		20	0%
Street light	Streetlight shared with LV network		45	0%
Street light	Streetlight with own network		45	0%
Sub-soil drain	Dewatering sub-soil drain		50	0%
Swimming pool			20	0%
Tank			15	0%
Telemetry			15	0%
Tennis court			15	0%
Timber structure			15	0%

Component Type	Component Descriptor	Descriptor Class	EUL (yrs)	Residual Value (%)
Traffic island			40	0%
Traffic signals			10	0%
Transformer NEC			45	0%
Transformer NER			45	0%
Valve	Air release		15	0%
Valve	Butterfly		20	0%
Valve	Non-return		15	0%
Valve	Pressure Reducing		15	0%
Valve	Resilient seal		20	0%
Vending station			15	0%
Voltage transformer			45	0%
Walls	Complete building (internal and external)		60	0%
Walls	Face brick		60	0%
Walls	Fibre cement board, timber frame, plaster board		60	0%
Walls	Metal sheet, plaster board		30	0%
Walls	Plastered brick		60	0%
Walls	Semi-face brick		60	0%
Water meter	Mechanical		20	0%
Water meter	Mag-flow		20	0%
Water meter	Pre-pay meters		20	0%
Weigh bridge			30	0%
Well			30	0%
Windmill			30	0%

Investment Assets

It is not possible to adopt an exhaustive list of investment assets, as the actual list will depend very much on local circumstances. However, the following will be amongst the most frequently encountered:

Component Type	Average EUL (yrs)
Office parks	30
Housing developments (that is developments)	30

Other Assets

The following is a list of other assets, again showing the estimated useful life in years:

Component Type	Average EUL (yrs)	Residual Value (%)
Computer software	3	0%

Component Type	Average EUL (yrs)	Residual Value (%)
Office equipment		
Computer hardware	4	10%
Computer software	3	0%
Office machines	5	0%
Air conditioners	5	10%
Furniture and fittings		
Chairs	7	0%
Tables and desks General	7	0%
Cabinets and cupboards	7	0%
Other Furniture and fittings	7	0%
Bins and containers		
Household refuse bins	7	0%
Bulk refuse containers	10	0%
Emergency equipment		
Fire hoses	5	0%
Other fire-fighting equipment	15	0%
Emergency lights	5	0%
Motor vehicles		
Bakkies and LDV's	7	10%
Compactor	10	10%
Forklift	10	10%
Grader	10	10%
Grit roller	10	10%
Trailers	7	10%
Tractor	10	10%
Buses	10	10%
Trucks and light delivery vehicles	10	10%
Ordinary motor vehicles	7	10%
Motor cycles	3	10%
Plant and equipment		
Bomag Roller	10	0%
Brick Maker	7	0%
Electronic Equipment	5	0%
Brush Cutter	4	0%
Chain saw	4	0%
General	4	0%
Generators	7	0%
Compressor	7	0%
Concrete Mixer	7	0%

Component Type	Average EUL (yrs)	Residual Value (%)
Crane	7	0%
Fuel Browser	7	0%
Mobile Pumps	7	0%
Other Fire Fighting Equipment	5	0%
Pumps	7	%
Hydraulics Power tools	7	0%
Mechanical horses	4	0%
Farm equipment	5	0%
Lawn mowers	7	0%
Line Marker	10	0%
Laboratory Equipment	5	0%
Radio Equipment	7	0%
Firearms	5	0%
Telecommunication equipment	7	0%
Irrigation systems	5	0%
TAR Sprayer	10	0%
TAR Roller Trailer	10	0%
Slasher	7	0%
Pressure Washer	7	0%
Scaffolding	7	0%
Spike Roller	7	0%
Conveyors	7	0%
Water Testing Equipment	7	0%
Workshop Equipment	7	0%

Summary of useful lives

The following is condensed version of the useful lives detailed above.

Category for Asset	Range (yrs)
Land	Indefinite
Buildings	5 - 50
Furniture and fixtures	4 - 10
Motor vehicles	5 - 15
IT equipment	3 – 8
Community assets	3 - 25
Tools and loose gear	5 – 15
Infrastructure Assets	3 - 100

PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2004

A municipality may not dispose of any capital asset required to provide a minimum level of basic municipal services.

A municipality may dispose of any other capital asset, provided that:

- Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

GRAP 13 DEFINITIONS OF FINANCE LEASES

A lease must meet one of the following criteria to be classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term,
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
- the lease term is for the major part of the economic life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset,
- the leased assets are of a such a specialised nature that only the lessee can use them without major modifications, and
- the leased assets cannot easily be replaced by another asset.
- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee,
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease), and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

DOCUMENT VERSION CONTROL

Version	Author	Date	Pages/Sections affected	Remarks