

UGU DISTRICT MUNICIPALITY



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Assets Disposal Policy

Contents

PREAMBLE	3
1. INTRODUCTION.....	3
2. DEFINITIONS.....	3
3. POLICY OBJECTIVES	4
4. PRESCRIPTIVE/LEGAL FRAMEWORK	4
5. POLICY APPLICATION.....	5
6. POLICY PRINCIPLES.....	5
7. ROLES AND RESPONSIBILITIES	8
8. MONITORING AND EVALUATION	10
9. COMMENCEMENT OF THE POLICY.....	10
10. AMENDMENT AND/OR ABOLITION	10
11. COMPLIANCE AND ENFORCEMENT.....	10
12. POLICY REVIEW	10
13. APPEAL PROCESS/ GRIEVANCE PROCEDURE.....	10
Records of Approval	11



Assets Disposal Policy

PREAMBLE

Policies are formulated at all three spheres of government – national, provincial and local and speak broadly of goals and desirable outcomes.

Given the fact that the Municipality is a big organisation, comprised of a number of Units which are managed by different individuals, it is essential that we strive to do things in a way that we all can understand, and that uniformity is maintained.

Based on this rationale, the Asset Disposal Policy has been developed in order to ensure that necessary consultation and protocol are adhered to in all the policies within the Municipality. The document will ensure collective ownership and effective implementation of all the policies within the Municipality.

Policies are not documents to be tucked away in cabinets; but are intended to guide our daily activities. They give a directive for each programme, establish its goals, measures and targets, and assigns responsibilities. They are used as the basis for protecting municipal information and guiding employee behaviours.

A policy does not guarantee a good outcome but in the absence of a policy, the Municipality is in high risk of a breach of security, poor standards, loss of competitive advantage, and loss of customer confidence.

1. INTRODUCTION

- 1.1. The purpose of the Asset Disposal Policy is to provide a framework for the disposal of the municipality's assets that are not needed to provide the minimum level of basic municipal services and that are surplus to the municipality's requirements.
- 1.2. Section 14 of the Municipal Finance Management Act (Act No. 56, 2003) states: "A municipality may not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of any capital asset needed to provide a minimum level of basic municipal services.
- 1.3. A municipality may transfer ownership or otherwise dispose of an asset, other than an asset mentioned above, only after the disposal committee meeting:
 - 1.3.1. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
 - 1.3.2. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

2. DEFINITIONS

- 2.1. **Asset** means any resource controlled by the municipality, from which the municipality expects to derive economic benefits or use for service delivery to the general public over a period extending beyond one financial year.
- 2.2. **Basic municipal service** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.
- 2.3. **Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.



Assets Disposal Policy

- 2.4. Council** means the Municipal Council of the Ugu District Municipality, its legal successors in title.
- 2.5. Disposal** means the alienation of an asset no longer needed by the municipality by means of a sale, a lease or a donation.
- 2.6. Disposal Committee** means a committee as appointed by the Management Committee of the municipality to facilitate and recommend to council the disposal of all municipal assets.
- 2.7. Fair value** of an asset is the amount obtainable from the sale of the asset in an arm's length transaction between willing parties less the selling costs.
- 2.8. Proceeds** are the sales value, trade-in value or proceeds received from _____ insurance if the asset was damaged or stolen.
- 2.9. Profit on disposal:** when an asset is disposed for an amount higher than its carrying amount at the date of disposal.
- 2.10. Loss on disposal:** when an asset is disposed for an amount lower than its carrying amount at the date of disposal.
- 2.11. Obsolete or redundant assets** will mean and include :
 - 2.11.1. assets which are not envisaged by the municipality to be required for the delivery of municipal Services;
 - 2.11.2. assets which have become uneconomical to repair, maintain, or operate excluding assets of symbolic importance or cultural significance;
 - 2.11.3. assets that have a negative impact on service delivery of the municipality, the environment, or the community,
 - 2.11.4. assets that no longer support a directorate's service objective due to a change in type of service being delivered or the delivery method
 - 2.11.5. assets where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.
 - 2.11.6. assets where the technology has been outdated and which can no longer be used for the purpose originally intended.

3. POLICY OBJECTIVES

- 3.1.** The objectives of the Asset Disposal Policy are to:
- 3.1.1. Ensure that only assets that do not provide the minimum level of basic municipal services are disposed of.
 - 3.1.2. Ensure that assets are not disposed when the disposal of the asset or the terms of the disposal of the asset could disadvantage the municipality or community financially or otherwise.
 - 3.1.3. Ensure that all disposals are, in terms of section 14 (5) of the Municipal Finance Management Act (Act No. 56, 2003), fair, equitable transparent, competitive, and consistent with the Supply Chain Management Policy of the municipality.

4. PRESCRIPTIVE/LEGAL FRAMEWORK

- 4.1.** This policy must comply with all relevant legislative requirements including:



Assets Disposal Policy

- 4.1.1. The constitution of the Republic of South Africa, 1996
- 4.1.2. Municipal Systems Act 32 of 2000
- 4.1.3. Municipal Finance Management Act 56 of 2003

4.2. This policy does not overrule the requirements to comply with other policies such as:

- 4.2.1. Supply Chain Management Policy
- 4.2.2. Asset Management Policy
- 4.2.3. Fleet Management Policy
- 4.2.4. Insurance Policy
- 4.2.5. Security Policy
- 4.2.6. Facilities Management Policy
- 4.2.7. Human Resources Development Plan and Strategy

5. POLICY APPLICATION

- 5.1.** This policy applies to all Ugu District Municipality's permanent and temporary employees: internal or external contractors who utilise the municipality's assets.

6. POLICY PRINCIPLES

6.1. PLANNING FOR AND IDENTIFICATION OF ASSETS TO BE DISPOSED

- 6.1.1. The Asset Management unit within the Budget Treasury Office (in consultation with the user departments) are responsible for the strategic planning for the disposal of **surplus, redundant, or obsolete assets** that hinders the municipality from delivering services efficiently and effectively
- 6.1.2. Planning for disposals must be conducted by the assets unit within the Budget Treasury Office on an annual basis and revised on quarterly basis. The planning should involve a detailed assessment of assets identified as **surplus, redundant, or obsolete** by the assets unit within the Budget Treasury Office.
- 6.1.3. Planning for disposals of **surplus, redundant, or obsolete** by the assets unit within the Budget Treasury Office the means ensures that disruption to their service delivery is minimised and the returns from the assets is maximised by selecting the appropriate time in the assets life cycle to dispose.

6.2. ASSESSING ASSETS FOR DISPOSALS

- 6.2.1. The Disposal Committee is responsible for assessing the disposals proposed by the assets unit within the Budget Treasury Office. The Disposal Committee shall also consider the following factors:
 - 6.2.1.1. Whether there are net disposal benefits, either in financial or other forms.
 - 6.2.1.2. Whether there are secondary service obligations associated with the asset which dictates its retention.
 - 6.2.1.3. Whether a disposal can be carried out without adverse impacts on the physical environment.
- 6.2.2. In assessing the benefits of disposal, the advantages and disadvantages for the whole municipality must be considered.



Assets Disposal Policy

- 6.2.3. Assets that have been identified as surplus may need to be retained due to heritage, social, environmental considerations, or any other requirements.
- 6.2.4. The symbolic importance and the cultural significance of assets should also be considered when assessing the disposal of the asset.
- 6.2.5. The Disposal Committee should consider the advantages of engaging experts where necessary.
- 6.2.6. When disposing of the asset, consideration must be given to the costs of continued ownership. Examples of cost of continued ownership include:
 - 6.2.6.1. Insurance
 - 6.2.6.2. Maintenance
 - 6.2.6.3. Storage costs
 - 6.2.6.4. Operating costs
 - 6.2.6.5. Staffing costs
- 6.2.7. Disposals need not always be for a financial gain. Other opportunities and gains should also be taken into consideration, for example:
 - 6.2.7.1. Swapping one asset for another
 - 6.2.7.2. Construction of a facility for the municipality in return for the asset.

6.3. RECOMMEND ASSETS FOR DISPOSAL

- 6.3.1. Disposal Committee shall be responsible to meet as and when necessary to assess and consider disposal lists/items submitted by proposed by the assets unit within the Budget Treasury Office.
- 6.3.2. Disposal Committee shall make recommendation for disposal, inclusive of disposal method, to Council for approval.

6.4. OBTAIN APPROVAL FOR DISPOSAL

- 6.4.1. The recommended by the Disposal Committee shall be presented to Council
- 6.4.2. Council upon consideration of the recommendation shall approve the disposal of the assets in the manner as recommended.
- 6.4.3. The final approval of the disposal shall be conducted at a meeting in terms of the Municipal Finance Management Act (Act No. 56, 2003) and decisions taken shall be documented for future reference by the assets unit within the Budget Treasury Office.

6.5. METHODS TO DISPOSE OF THE ASSET

- 6.5.1. Disposal of an asset should be performed in a manner which satisfies the following objectives:
 - 6.5.1.1.1. The disposal, where being effected, through a sale, should take place on an equitable basis. There should be an equal opportunity for all to purchase the asset. The best possible return for the municipality must be achieved.
 - 6.5.1.1.2. Any adverse environmental impacts should be avoided.
 - 6.5.1.1.3. Movable assets are to be sold either by way of written price quotations, competitive bidding process, and auction or at market related prices, whichever is the most advantages.
 - 6.5.1.1.4. Immovable property is to be sold at market related prices except when public interest or the plight of the poor demand otherwise.
- 6.5.2. The following methods of disposal could be used to achieve the objectives mentioned above:



Assets Disposal Policy

6.5.2.1. **AUCTION**

6.5.2.1.1. The benefits of an auction are as follows:

- 6.5.2.1.1.1. Process is more straightforward.
- 6.5.2.1.1.2. Process is open to public scrutiny.
- 6.5.2.1.1.3. In some circumstances an auction may generate a higher price

6.5.2.2. **DIRECT NEGOTIATIONS**

6.5.2.2.1. Disposal of assets by direct negotiations with one possible interested party should be the exception rather than the rule.

6.5.2.2.2. When the sale by auction has failed due to lack of demand or unacceptable offers being received; and it has been established that further efforts to dispose of the asset by auction are unlikely to succeed, direct possible negotiations with one possible interested party shall be allowed.

6.5.2.3. **DONATION**

6.5.2.3.1. The following types of organisations shall be considered for municipal assets to be donated to:

- 6.5.2.3.1.1. Registered welfare or Charitable Organisations
- 6.5.2.3.1.2. Schools catering for learners who are handicapped, or disabled, or are learners with special needs.
- 6.5.2.3.1.3. Schools within the jurisdiction of the District, as identified by the Office of the Mayor

6.5.2.3.2. Donation of municipal assets shall be applicable to the following assets:

- 6.5.2.3.2.1. Obsolete furniture and redundant equipment
- 6.5.2.3.2.2. Computer equipment
- 6.5.2.3.2.3. Motor vehicles

6.5.2.4. **THEFT/LOSS/DAMAGE**

6.5.2.4.1. Involuntary disposal of an assets may take place such as theft, loss or damage.

6.5.2.4.2. All stolen/lost/damaged asset shall be regarded as disposed and shall be reported to the disposal committee for consideration.

6.5.2.4.3. In the event of a stolen/lost/damaged asset, the affected staff member should, in accordance with the insurance policy, report the incident to the insurance unit within the assets unit.

6.5.2.4.4. Any insurance pay-outs pertaining to the stolen/lost/damaged shall be treated as proceeds

6.5.2.5. **DESTRUCTION**

6.5.2.5.1. Assets which cannot be disposed in any other method as stated above may be destroyed in any environmentally friendly method.

6.5.2.6. **TRANSFER TO ANOTHER ORGAN OF STATE**

6.5.2.6.1. An asset may be transferred to another state organ as a result of newly established municipal boundaries as per the Municipal Demarcation Act 27 of 1998. The demarcation process can result in assets of the municipality no longer being within the newly set boundaries of the municipality thus necessitating transfer.

6.5.2.6.2. A decision endorsed by council may be taken to transfer an asset to another organ of state to assist it in executing its duty to deliver services to the public.

6.5.2.7. **OTHER METHOD OF DISPOSAL**



Assets Disposal Policy

- 6.5.2.7.1. Any other proposed method of disposal shall be communicated to the assets unit in the Budget Treasury Office for submission to the disposal committee for approval.

6.6. ACCOUNTING FOR THE DISPOSED ASSET

- 6.6.1. When an asset is disposed of the cost of the asset and the accumulated depreciation recorded in the statement of financial position need to be reversed to the statement of financial performance a profit and loss on disposal of asset account. This will result in a debit in the statement of financial performance equal to the asset's carrying value.
- 6.6.2. The total proceeds to be received from the disposal of the asset need to be credited to the profit and loss on disposal of asset account. The account will now reflect a debit or credit amount in the statement of financial performance equal to the profit and loss on disposal equal to the result of the calculation.
- 6.6.3. Note that depreciation will need to be calculated up to the date of disposal. If the disposal date is during a financial year, the depreciation needs to be calculated on a pro rata basis based on completed months of ownership or use. No depreciation is calculated for the asset after the disposal date.
- 6.6.4. At the disposal date the asset being disposed of needs to be derecognised from the fixed asset register of the municipality.
- 6.6.5. Other accounting and disclosure matters discussed in the Asset Management Policy Document of the municipality also need to be adhered to.

6.7. CALCULATION OF THE PROFIT AND LOSS ON DISPOSAL

- 6.7.1. Profits and losses on the sale of property, plant and equipment are calculated as follows, and are disclosed in total in the financial statements:
- 6.7.1.1. **PROCEEDS** less **CARRYING VALUE** equals **PROFIT** (If proceeds greater than carrying value), or **LOSS** (If proceeds less than carrying value)

7. ROLES AND RESPONSIBILITIES

7.1. ACCOUNTING OFFICER

- 7.1.1. Shall ensure that the municipality has and maintains a system of internal control of assets regarding the disposal of municipal assets; and
- 7.1.2. Shall ensure that the General Managers and their departments comply with this policy
- 7.1.3. Shall ensure that all items of property plant and equipment are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

7.2. GENERAL MANAGER (DEPARTMENTS)

- 7.2.1. Shall ensure that employees in their departments adhere to the approved Asset Disposal Policy.
- 7.2.2. Shall ensure that the Asset Manager is notified of all assets needing disposal in writing.
- 7.2.3. Shall ensure that employees who contravenes the operational procedure or who use the municipal assets negligence and for their personal gain are disciplined accordingly.
- 7.2.4. shall be directly responsible for the physical safekeeping of any asset controlled or used by the Department in question.



Assets Disposal Policy

- 7.2.5. In exercising this responsibility, shall adhere to any written directives issued by the Municipal Manager to the Department in question, or generally to all Departments, regarding the disposal of the Municipality's assets.

7.3. ASSET MANAGER

- 7.3.1. Shall ensure that quarterly physical verification for movable assets are conducted where assets in need of disposal identified.
- 7.3.2. Shall ensure that annual physical verification for immovable assets are conducted where assets in need of disposal identified.
- 7.3.3. Shall liaise with user departments constantly regarding assets that needs to be disposed.
- 7.3.4. Shall ensure that the disposal committee is notified in writing of all the assets that needs to be considered for disposal
- 7.3.5. Shall be responsible for facilitating the disposal of the assets upon approval by council.

7.4. DISPOSAL COMMITTEE

- 7.4.1. The primary duties of the Committee include but are not limited to the following: -
 - 7.4.1.1. Assessing the disposals proposed by assets unit in the Budget Treasury Office. The Assets Disposal Committee shall consider the following factors in conducting its assessments:
 - 7.4.1.1.1. Whether the capital asset may be required for the municipality's own use at a later stage.
 - 7.4.1.1.2. Whether there are net disposal benefits, either in financial or other form.
 - 7.4.1.1.3. Whether there is secondary service obligations associated with the asset which dictates its retention.
 - 7.4.1.1.4. Whether a disposal can be carried out without adverse impacts on the physical environment.
 - 7.4.1.1.5. Whether any conditions/ limitations are attached to the asset and the consequences of non-compliance with those conditions.
 - 7.4.1.1.6. Consideration of the fair market value of the asset and the economic and community value.
 - 7.4.2. Objectively evaluate the assets submitted for disposals and weigh disposal alternatives as per disposal procedure.
 - 7.4.3. Review of the municipality's asset disposal process by
 - 7.4.3.1. Monitoring asset disposal decisions to verify compliance with procedures;
 - 7.4.3.2. Monitoring the implementation of asset disposal decisions
 - 7.4.3.3. Making recommendations to Policy Review Committee on amendments to Asset Management and Asset Disposal Committee.

7.5. ALL MUNICIPAL PERSONNEL:

- 7.5.1. Shall ensure that assets assigned to them are utilized effectively, efficiently, economically, and transparently
- 7.5.2. Shall notify the assets coordinators and assets management section of all obsolete, damaged, and stolen assets, without delay.
- 7.5.3. Shall make available the assets under their possession for verification by the assets management unit quarterly and annually.
- 7.5.4. Shall ensure that they comply with the operational procedures.



Assets Disposal Policy

8. MONITORING AND EVALUATION

- 8.1.** This Policy shall be monitored and evaluated by the General Manager: Budget Treasury Office and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee, and Full Council Meetings

9. COMMENCEMENT OF THE POLICY

- 9.1.** This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

10. AMENDMENT AND/OR ABOLITION

- 10.1.** This policy may be amended or repealed by the Municipality through a Council Resolution.

11. COMPLIANCE AND ENFORCEMENT

- 11.1.** Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

12. POLICY REVIEW

- 12.1.** This Policy will be reviewed annually to ensure applicability and relevance.

13. APPEAL PROCESS/ GRIEVANCE PROCEDURE

- 13.1.** All appeals or grievances should be addressed to the Manager: Assets for them to be addressed swiftly. Should the matter require the application of consequence management the Manager: Assets will then escalate the matter to Human Resource Section.



Assets Disposal Policy

Records of Approval

Meeting	Date	Resolution
Review 2021/2022		
Policy Review Committee	20 January 2022	Recommended to MANCO
MANCO	24 January 2022	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	03 February 2022	Recommended to EXCO
EXCO	06 March 2022	Recommended to Council
Council	26 May 2022	Approved

Review 2022/2023		
Policy Review Committee	10 February 2023	Recommended to MANCO
MANCO	24 April 2023	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	16 May 2023	Recommended to EXCO
EXCO	17 May 2023	Recommended to Council
Council	25 May 2023	Approved

Review 2023/2024		
Policy Review Committee	14 February 2024	Recommended to MANCO
MANCO	11 March 2024	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	14 March 2024	Recommended to EXCO
EXCO	20 March 2024	Recommended to Council
Council	28 March 2024	Approved



Assets Disposal Policy

Review 2024/2025		
Policy Review Committee	18 February 2025	Recommended to MANCO
MANCO	10 March 2025	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	13 March 2025	Recommended to EXCO
EXCO	19 March 2025	Recommended to Council
Council	29 May 2025	Approved

