Ugu District Municipality

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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 Management 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

Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets. Ugu District Municipality should use assets to affect efficient and effective service delivery to the community within the Ugu District.

The purpose of the Asset Management Policy is to govern the management of assets owned by Ugu District Municipality (both operationally and financially) to ensure that they are managed, controlled, safeguarded, and used in an efficient and effective manner.

2. DEFINITIONS

Accounting Standards Board	means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of Generally Recognised

Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa

Assets — are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

Asset Manager — is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality's assets in accordance with the council's standards, policies, procedures, and guidelines.

Infrastructure — means assets that 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 of infrastructure assets include road networks, sewer systems, water
- and power supply systems and communication networks

Investment properties — are defined as properties that are acquired for economic and capital gains. Examples are leased office buildings and underdeveloped land acquired for the purpose of resale in future years.

Attractive items — are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.

Capitalization — is the recognition of expenditure as an Asset in the Financial Asset Register.

Minimum amount to capitalize asset	is R5 000. Any asset value under R5 000 should be depreciated over one year. This means that it will be classed as an expense in the statement of financial performance.
Carrying amount	is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon. is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses
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 acquisition	is all the costs incurred in bring an item of plant, property or equipment to the required condition and location for its intended use.
Component	is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part should be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts
Depreciation	is the systematic allocation of the depreciable amount of an asset over its useful life.
Depreciable amount	is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statements, less its residual value.
Economic Life	is either: the period over which an asset is expected to yield economic benefits or service potential to one or more users, or the number of production or similar units expected to be obtained from the asset by one or more users

Enhancement/Rehabilitation	is an improvement or augmentation of an existing asset (including Separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality
Fair value	is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
Financial asset register	is the controlled register recording the financial and other key details for all municipal assets recognized in accordance with this policy.is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.
Financially Sustainable	in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—the initial capital expenditure required for the service; operating the service; and maintaining, repairing and replacing the physical assets used in the provision of the service 6
Property, plant, and equipment	are tangible assets that: *Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose, and are expected to be used during more than one period.*
Recoverable amount	is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.is the higher of a cash-generating assets or units net selling price and its value in use.

Recognition	is the process by which expenditure is included in the Financial Asset Register as an asset.
Recognition	is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an element (of financial statements) and satisfies the criteria for recognition, namely: • It is probable that any future economic benefit or service potential associated with the item will flow to or from the entity and • The item has a cost or value that can be measured reliably
Refurbishment/Maintenance	to an asset will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved
Residual value	is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.is the estimated amount that an entity 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
Remaining Useful Life	is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness
Service Potential	is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life
Stewardship	is the act of taking care of and managing property, plant or equipment on behalf of another.
Useful life	is either:

- The estimated period over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality, or
- The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.

3. POLICY OBJECTIVES

3.1. To ensure the effective and efficient control, utilization, safeguarding and management of Ugu District Municipality's property, plant, and equipment.

3.2. To ensure General Managers are aware of their responsibilities in regards of infrastructure assets.

3.3. To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.

3.4. To specify the process required before expenditure on property, plant and equipment occurs.

3.5. To prescribe the accounting treatment for property, plant and equipment in Ugu District Municipality including:

3.5.1. The criteria to be met before expenditure can be capitalised as an item of property, plant, and equipment,

3.5.2. The criteria for determining the initial cost of the different items of property, plant, and equipment,

3.5.3. The method of calculating depreciation for different items of property, plant, and equipment,

3.5.4. The criteria for capitalising subsequent expenditure on property, plant, and equipment,

3.5.5. The policy for scrapping and disposal of property, plant, and equipment,

3.5.6. The classification of property, plant, and equipment

4. PRESCRIPTIVE/LEGAL FRAMEWORK

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

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 Disposal 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

4.2.8. Water Services Operations Asset Management Policy.

4.3. This policy is informed by the four Standards of Generally Recognised Accounting Practice (GRAP), the following standards are components of fixed assets i.e.

4.3.1. Property, Plant and Equipment, GRAP 17

4.3.2. Inventories, GRAP 12

4.3.3. Investment Property, GRAP 16 and

4.3.4. Impairment of non-cash generating assets, GRAP 21

4.4. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation, or regulations

5. POLICY APPLICATION

5.1. This policy applies to all Ugu District Municipality's permanent and temporary employees: internal or external contractors (hereafter referred to as "Users" and "Third Parties") who utilise the Municipality's assets.

6. POLICY PRINCIPLES: ASSET MANAGEMENT

6.1. Pre-Acquisition Planning for Capital Projects:

6.1.1. Before a capital project is included in the budget for approval, the General Manager of the relevant department must demonstrate that they have considered:

6.1.2. The projected cost over all the financial years until the project is operational;

6.1.3. The future operational costs and revenue on the project, including tax and tariff implications;

6.1.4. The financial sustainability of the project over its life including revenue generation and

6.1.5. The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal, and rehabilitation;

6.1.6. The inclusion of this capital project in the integrated development plan and future budgets:

6.1.7. The chief financial officer is accountable to ensure the General Manager of the relevant department receives all reasonable assistance, guidance, and explanation to enable them to achieve their planning requirements.

6.2. Approval to Acquire Property Plant and Equipment:

6.2.1. Asset Management Section must be included in the acquisition process of assets.

6.2.2. Funds can only be spent on a capital project if:

6.2.2.1. The money has been appropriated in the capital budget,

6.2.2.2. The project, including the total cost, has been approved by the council,

6.2.2.3. The CFO confirms that funding is available for that specific project, and

6.2.2.4. Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed.

6.2.2.5. Acquisition of the Assets will then follow the normal process of the Supply Chain Management Policy and Procedures

6.3. Funding of capital projects

6.3.1. Within the municipality's on-going financial, legislative, or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the Integrated Development Plan.

6.4. Disposal of property plant and equipment

6.4.1. The municipality may dispose of an asset in line with the Asset Disposal Policy

6.5. Establishment and Management of the Financial Asset Register

6.5.1. The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition. Asset Manager are responsible for establishing and maintaining any additional register or database required to demonstrate their physically management of their assets.

6.5.2. The Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition all assets in the registers.

6.6. Contents of the Financial Asset Register

6.6.1. The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of Generally Recognised Accounting Practice (GRAP) and any other accounting requirements which may be prescribed.

6.6.2. The fixed asset register shall reflect at least the following information:

6.6.2.1. A brief but identifiable description of each asset

6.6.2.2. classification of each asset

6.6.2.3. the date on which the asset was acquired for use

6.6.2.4. the location of the asset

6.6.2.5. the departments within which the assets will be utilized

6.6.2.6. the responsible person for this asset

6.6.2.7. the title deed number, in the case of fixed property

6.6.2.8. the stand number, in the case of fixed property

6.6.2.9. a unique identification number

6.6.2.10. the original cost or fair value if no costs are available

6.6.2.11. the (last) effective date of revaluation of the fixed assets subject to revaluation

6.6.2.12. the revalued value of such fixed assets

6.6.2.13. the valuer who did the (last) revaluation

6.6.2.14. accumulated depreciation to date

6.6.2.15. the carrying value of the asset

6.6.2.16. whether this is a cash or non-cash generating asset

6.6.2.17. the method and, where applicable, the rate of depreciation

6.6.2.18. impairment losses

6.6.2.19. impairment recovery

6.6.2.20. the source of financing

6.6.2.21. whether the asset is required to perform basic municipal services;

6.6.2.22. the date on which the asset is disposed of

6.6.2.23. the disposal proceeds

6.6.2.24. the date on which the asset is retired from active use, and held for disposal

6.6.2.25. the residual value of each asset

6.6.2.26. measurement model

6.6.3. An asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. 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 an asset.

6.6.4. An asset shall remain in the fixed assets 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.

6.7. Physical Verification of all assets

6.7.1. The Asset Management Section shall conduct a physical verification quarterly for movable assets and annually for immovable assets.

6.7.2. The cooperation of all Municipal personnel shall be required in accomplishing the physical Verification task in attempt to minimize the time demanded of them.

6.7.3. The designated officials in the different Departments within municipality must execute the functions listed below:

6.7.3.1. 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

6.7.3.2. Complete the asset movement form when transfers occur and forward the completed original form to Asset Management Section.

6.7.3.3. Ensure that a completed asset disposal form is submitted when an asset item is disposed of after the necessary approval has been obtained.

6.8. Bar-coding and Physical Verification

6.8.1. Bar coding means to place a control number on a piece of equipment or property.

6.8.2. All movable assets must be bar code if probable.

6.8.3. The primary purpose of bar coding is to maintain a positive identification of assets.

6.8.4. Bar coding is important to:

6.8.4.1. Provide an accurate method of identifying individual assets

6.8.4.2. Aid in the annual physical inventory

6.8.4.3. Control the location of all physical assets

6.8.4.4. Aid in maintenance of fixed assets

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

6.8.5.1. Buildings (record legal description in asset record),

6.8.5.2. Land (record legal description in asset record),

6.8.5.3. Infrastructural assets.

6.8.6. 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.

6.9. Handling unverified assets during physical verification

6.9.1. An asset shall be considered **unverified** if it is recorded in the municipal Asset Register but cannot be physically located or confirmed during the asset verification process.

6.9.2. If an asset is unverified, the following steps shall be taken:

6.9.2.1. **Reconciliation and Investigation** – The Asset Management Section must investigate the reason for the asset's absence, including checking historical disposal records, transfer documentation, and maintenance logs.

6.9.2.2. **Departmental Confirmation** – The responsible department must confirm whether the asset has been relocated, disposed of, or lost.

6.9.2.3. T**emporary Classification** – The asset will be marked as **"Under Investigation"** in the Asset Register, with a reference to the ongoing verification**.**

6.9.2.4. **Timeframe for Resolution** – A maximum period of **12 months** shall be allowed to conclude the investigation. If unresolved after this period, the asset will be treated as potentially missing or disposed of.

6.9.2.5. **Adjustments and Write-offs** – If an asset is confirmed to be missing or disposed of without proper documentation, it must be reported to the Chief Financial Officer (CFO) and subjected to the prescribed write-off procedures, in line with the **Asset Disposal Policy** and **MFMA regulations**.

6.9.3. **Reporting and Accountability:**

6.9.3.1. The Asset Management Section shall prepare a quarterly report on unverified movable assets, including the number of cases resolved and those still under investigation.

6.9.3.2. The Asset Management Section shall prepare an annual report on unverified immovable assets, including the number of cases resolved and those still under investigation.

6.9.3.3. All cases of unverified or assets must be escalated to the Municipal Manager and CFO for oversight and decision-making

6.9.3.4. Any discrepancies identified due to negligence, fraud, or mismanagement shall be subject to internal audit review and potential disciplinary action in accordance with **MFMA Section 171** and municipal disciplinary procedures.

6.10. Handling newly found assets during physical verification

6.10.1. If an asset is **physically identified** during verification but is **not recorded** in the Asset Register, the following steps shall be followed:

6.10.1.1. **Preliminary Identification** – The asset must be checked for serial numbers, barcodes, or any unique identifying features to determine its origin and whether it was previously recorded but not captured correctly.

6.10.1.2. **Temporary Recording** – The asset shall be provisionally recorded in a **Newly Identified Asset Register** while ownership, classification, and valuation are determined.

6.10.1.3. **Ownership Confirmation** – The relevant department must confirm whether the asset belongs to the municipality and provide supporting documentation.

6.10.1.4. **Valuation and Classification** – If ownership is confirmed, the asset shall be classified according to the appropriate asset category and assigned a fair value based on historical records, purchase price estimates, or professional valuation if necessary.

6.10.1.5. **Asset Barcoding and Recording** – Once verified, the asset shall be assigned a municipal asset number, barcoded, and formally included in the municipal Asset Register

6.10.1.6. **Financial Adjustment** – If the asset was previously expensed instead of capitalized, the necessary financial adjustments must be made in compliance with **GRAP standards** and **MFMA regulations**.

6.10.2. Any newly found assets that are **deemed obsolete, damaged, or not required** must be reported for appropriate disposal or reassignment as per the **Asset Disposal Policy**.

6.10.3. **Reporting and Accountability:**

6.10.3.1. The Asset Management Section shall prepare a quarterly report on newly found movable assets, including the number of cases resolved and those still under investigation.

6.10.3.2. The Asset Management Section shall prepare an annual report on newly found immovable assets, including the number of cases resolved and those still under investigation.

6.10.3.3. All cases of newly found assets must be escalated to the Municipal Manager and CFO for oversight and decision-making

6.10.3.4. Any discrepancies identified due to negligence, fraud, or mismanagement shall be subject to internal audit review and potential disciplinary action in accordance with **MFMA Section 171** and municipal disciplinary procedures.

6.11. Classification, aggregations & components

6.11.1. Classification of Assets

6.11.1.1. Assets that meet the definition and the recognition criteria shall be capitalized in the fixed assets register and be classified as follows

6.11.1.2. Property Plant and equipment if its meet the definition of property plant and equipment as per GRAP 17,

6.11.1.3. Intangibles assets if its meet the definition of an intangible assets as GRAP 102,

6.11.1.4. Investment properties if it's the definition of the investment properties as per GRAP 16

6.11.2. Major Component

6.11.2.1. The Asset Manager may, with agreement of the Chief Financial Officer, treat specified major Components of an item of property plant or equipment as a separate asset for the purposes of this Policy.

6.11.2.2. These major components may be defined by its physical parameters or its financial parameters.

6.11.2.3. In agreeing to these treatments, the CFO must be satisfied that these components:

6.11.2.3.1. Have significantly a different useful life or usage pattern to the main asset,

6.11.2.3.2. Align with the asset management plans,

6.11.2.3.3. The benefits justify the costs of separate identification,

6.11.2.3.4. It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,

6.11.2.3.5. The cost of the asset to the municipality can be measured reliably,

6.11.2.3.6. The municipality has gained control over the asset,

6.11.2.3.7. The asset is expected to be used during more than one financial year.

6.11.2.4. Once a major component is recognized as a separate asset, it may be acquired, depreciated, and disposed of as if it were a separate asset.

6.11.2.5. All other replacements, renewals of refurbishments of components will be expensed.

6.12. Contents of a strategic asset management plan

6.12.1. General Managers need to manage assets under their control to provide the required level of service Or economic benefit at the lowest possible long-term cost. To achieve this, Asset Manager will need to develop strategic asset management plans that cover:

6.12.1.1. Alignment with the Integrated Development Plan

6.12.1.2. Operational guidelines,

6.12.1.3. Performance monitoring,

6.12.1.4. Maintenance programs,

6.12.1.5. Renewal, refurbishment and replacement plans,

6.12.1.6. Disposal and Rehabilitation plans,

6.12.1.7. Operational, financial and capital support requirements, and

6.12.1.8. Risk mitigation plans including insurance strategies

6.13. Asset Management Section must be notified by the relevant Department of any of the following possible movements:

6.13.1. Donations

6.13.2. Additions / Improvements

6.13.3. Departmentally constructed items

6.13.4. Loss or damage

6.13.5. Transfers

6.13.6. Terminations

6.13.7. Land Sales

7. POLICY PRINCIPLES: PROPERTY, PLANT AND EQUIPMENT

7.1. Recognition of Assets

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

7.1.1. it is probable that future economic benefits or service potential associated with the item will flow to the entity, and

7.1.2. the cost or fair value of the item can be measured reliably

7.2. Measurement at recognition.

7.2.1. An item of assets that qualifies for recognition as an asset shall be measured at its cost.

7.2.2. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

7.3. Elements of cost

The cost of an item of property, plant and equipment comprises:

7.3.1. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

7.3.2. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

7.3.3. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

7.3.4. Examples of directly attributable costs are:

7.3.4.1. Costs of employee benefits (as defined in the Standard of Generally Recognised Accounting Practice on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant, and equipment,

7.3.4.2. costs of site preparation,

7.3.4.3. initial delivery and handling costs,

7.3.4.4. installation and assembly costs,

7.3.4.5. costs of testing whether the asset is functioning properly, after deducting tenet proceeds from selling any items produced while bringing the asset to that location and condition

7.3.4.6. Professional fees.

7.4. Measurement after recognition

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

7.4.1. Each part of an item of property, plant, and equipment with a cost that insignificant in relation to the total cost of the item shall be depreciated separately

7.4.2. The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

7.4.3. Depreciation of an asset begins when it 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.

7.4.4. Depreciation of an asset ceases when the asset is derecognised.

7.4.5. Therefore, depreciation does not cease when the asset become sidle or is retired from active use held for disposal unless the asset is fully depreciated.

7.4.6. The depreciable amount of an asset is determined after deducting its residual value.

7.4.7. The residual value for infrastructure assets, Heritage assets, community assets and intangible assets shall be zero at initial measurement.

7.5. Initial determination useful life

7.5.1. The asset management unit needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

7.5.1.1.1. The operational, maintenance, renewal and disposal program that will optimize the expect long term costs of owning that asset,

7.5.1.1.2. economic obsolescence because it is too expensive to maintain,

7.5.1.1.3. functional obsolescence because it no longer meets the municipalities needs,

7.5.1.1.4. technological obsolescence,

7.5.1.1.5. social obsolescence due to changing demographics, and

7.5.1.1.6. Legal obsolescence due to statutory constraints

7.6. Rate of depreciation

7.6.1. The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the Municipality's fixed asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives of assets set out in this Policy document. ***Refer to Annexure A: Assets Useful Lives***

7.6.2. In the case of an asset which is not listed in useful lives of assets, the Chief Financial Officer shall determine a useful operating life, if necessary, in consultation with the Head of Department who shall control or use the asset in question and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

7.7. Review of useful life, depreciation method and the residual value

7.7.1. The useful life, depreciation method and the residual value applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method, useful life and residual value shall be changed to reflect the changed pattern.

7.7.2. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors

7.8. *Review of depreciation method*

7.8.1. The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates, and Errors.

7.9. Alternative methods of depreciation in specific instances

7.9.1. The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of assets which are physically wasted in providing economic benefits or delivering services.

7.9.2. The Chief Financial Officer shall only employ this method of depreciation if the Head of Department controlling or using the asset in question gives a written undertaking to the Municipal Manager to provide:

7.9.2.1. estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and

7.9.2.2. actual statistical information, for each financial year.

7.9.3. The Head of Department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

7.9.4. Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the Municipality of the decision in question.

7.10. *Subsequent expenditure on property plant and equipment*

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

7.10.1.1. **Enhancements / Rehabilitation:**

7.10.1.1.1. 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.

7.10.1.1.2. 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.

7.10.1.1.3. Disbursements of this nature relating to an asset, which has already been recognized 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.

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

7.10.1.1.4.1. Modification of an item or plant to extend its useful life, including an increase in its capacity;

7.10.1.1.4.2. Upgrading machine parts to achieve a substantial improvement in the quality of output;

7.10.1.1.4.2.1. Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;

7.10.1.1.4.2.2. Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;

7.10.1.1.4.3. Improve the performance of the asset

7.10.1.1.5. 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.

7.10.1.1.6. 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.

7.10.1.2.***Maintenance / Refurbishments***

7.10.1.2.1. 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.

7.10.1.2.2. 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.

7.11. IMPAIRMENT OF ASSETS

7.11.1. The Municipality shall assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality shall estimate the recoverable service amount of the asset

7.11.2. Irrespective of whether there is any indication of impairment, the Municipality shall also test an intangible asset with an indefinite life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

7.11.3. In assessing whether there is any indication that an asset may be impaired the Municipality shall consider as a minimum the following indications:

7.11.4. **External indicators**

7.11.4.1. Cessation or near cessation of the demand or need for services provided by the asset

7.11.4.2. Significant long term changes with an adverse effect on the on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment which the Municipality operates.

7.11.5. **Internal indicators**

7.11.5.1. Evidence is available of physical damage of an asset

7.11.5.2. Significant long term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future in the extent to which or manner in which the asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs or plans to disposes of an asset before the previously expected date

7.11.5.3. A decision to halt the construction of the asset before it is complete or in a usable condition

7.11.5.4. Evidence is available from internal reporting that indicates that the service performance of an asset is or will be significantly worse than expected

7.11.6. The Chief Financial Officer shall amend the useful operating life assigned to any asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

7.11.7. If the value 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 asset shall be fully depreciated in the financial year in which such diminution in value occurs.

7.11.8. Similarly, if an item of property, plant and equipment has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the asset has physically ceased to exist, it shall be written off the fixed asset register.

7.11.9. Every General Manager shall ensure that any incident of loss, theft, destruction, or material impairment of any asset controlled or used by the Department in question is promptly reported in writing to the Chief Financial Officer, to the Internal Auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

7.11.10. In all the foregoing instances, the additional depreciation expenses shall be debited to the Department or Vote controlling or using the asset in question.

7.12. Derecognition Of Assets

7.12.1. 23.1 The carrying amount of an item of property plant and equipment shall be derecognised:

7.12.1.1. a) On disposal, or

7.12.1.2. b) When no future economic benefits or service potential are expected from its use or disposal

7.12.2. The gain or loss arising from the derecognition of an item of property plant and equipment shall be included in surplus or deficit when the item is derecognised

7.12.3. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds if any and the carrying amount of an item.

7.12.4. Every Head of Department shall report in writing to the Manager: Assets all assets controlled or used by the Department concerned which such Head of Department wishes to alienate by public auction. The Manager: Assets shall thereafter consolidate the requests received from the various Departments, and shall promptly report such consolidated information to the Disposal Committee of the Municipality, refer to Disposal Policy.

7.12.5. Once the item of property, plant, and equipment is disposed, the Chief Financial Officer shall delete the relevant records from the fixed asset register.

7.12.6. Transfer of assets to other Municipalities, Municipal Entities (whether or not under the Municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

7.13. Other write-offs of assets

7.13.1. The item of property, plant, and equipment 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 approval of the Council of the Municipality.

7.13.2. Every General Manager shall report to The Manager: Assets any items of property, plant, and equipment which such General Manager wishes to have written off, stating in full the reason for such recommendation. The Manager: Assets shall consolidate all such reports, and shall promptly submit a recommendation to the disposal committee on the assets to be written off.

7.13.3. The only reasons for writing off property, plant and equipment other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the asset in question.

7.13.4. In every instance where a not fully depreciated asset is written off, the Chief Financial Officer shall immediately debit to such Department or Vote, as additional depreciation expenses, the full carrying value of the asset concerned

7.14. *Financial Disclosure*

The financial statements shall disclose, for each class of property, plant, and equipment recognised in the financial statements:

7.14.1. the measurement bases used for determining the gross carrying amount,

7.14.2. the depreciation methods used,

7.14.3. the useful lives or the depreciation rates used,

7.14.4. the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period, and

7.14.5. a reconciliation of the carrying amount at the beginning and end of the period showing:

7.14.5.1. additions,

7.14.5.2. disposals,

7.14.5.3. acquisitions through business combinations, 7.14.5.4. increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in net assets under the Standard of GRAP on Impairment of Assets, impairment losses recognised in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,

7.14.5.5. impairment losses reversed in surplus or deficit in accordance with the Standard of GRAP on Impairment of Assets,

7.14.5.6. depreciation,

7.15. The financial statements shall also disclose for each class of property, plant, and equipment recognised in the financial statements:

7.15.1. the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities,

7.15.2. the amount of expenditures recognised in the carrying amount of an item of property, plant, and equipment in the course of its construction,

7.15.3. the amount of contractual commitments for the acquisition of property, plant, and equipment, and

7.15.4. If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.

7.15.5. If items of property, plant and equipment are stated at revalue amounts, the following shall be disclosed:

7.15.5.1. the effective date of the revaluation,

7.15.5.2. whether an independent valour was involved,

7.15.5.3. the methods and significant assumptions applied in estimating the items' fair values,

7.15.5.4. the extent to which the items' fair values were determined directly by

7.15.5.4.1. reference to observable prices in an active market or recent market

7.15.5.4.2. transactions on arm's length terms or were estimated using other

7.15.5.4.3. valuation techniques,

7.15.5.4.4. for each revalue class of property, plant, and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model, and

7.15.5.4.5. The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.

7.15.6. Financial statements shall also disclose the following for each class of property, plant, and equipment:

7.15.6.1. The carrying amount of temporarily idle property, plant, and equipment,

7.15.6.2. The gross carrying amount of any fully depreciated property, plant and equipment that is still in use, and

7.15.6.3. The carrying amount of property, plant and equipment retired from active use and held for disposal.

7.15.7. The financial statement shall disclose the following for each class of intangible assets, distinguishing between the internally generated intangible assets and other intangibles assets:

7.15.7.1. Whether the useful lives are indefinite or finite and, if finite, the useful

7.15.7.2. Lives or the amortisation rates used.

7.15.7.3. The amortisation methods used for intangible assets with finite useful lives.

7.15.7.4. The gross carrying amount and any accumulated amortisation

7.15.7.5. (Aggregated with accumulated impairment losses) at the beginning and end of the period.

7.15.7.6. The line item(s) of the statement of financial performance in which any amortisation of intangible assets is included.

7.15.7.7. A reconciliation of the carrying amount at the beginning and end of the period showing:

7.15.7.7.1. additions, indicating separately those from internal development and those acquired separately;

7.15.7.7.2. disposals;

7.15.7.7.3. assets classified as held for sale or included in a disposal group classified as held for sale in accordance with the Standard of GRAP on Non-Current Assets Held for Sale and Discontinued Operations;

7.15.7.7.4. increases or decreases during the period resulting from revaluations under paragraphs .78, .88 and .89 and from impairment losses recognised or reversed directly in net assets in accordance (if any) with the Standards of GRAP on Impairment of Assets;

7.15.7.7.5. impairment losses recognised in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets;

7.15.7.7.6. impairment losses reversed in surplus or deficit during the period in accordance (if any) with the Standards of GRAP on Impairment of Assets);

7.15.7.7.7. any amortisation recognised during the period; net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and

7.15.7.7.8. Other changes in the carrying amount during the period.

8. POLICY PRINCIPLES: INTANGIBLE ASSETS

8.1. Definition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs.

8.2. Initial Recognition

8.2.1. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

8.2.2. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised and only is recognised as an expense when it is incurred in the Statement of Financial Performance. The development expenditure is only capitalised to the extent that:

8.2.2.1. The municipality intends to complete the intangible asset for use or sale;

8.2.2.2. It is technically feasible to complete the intangible asset;

8.2.2.3. The municipality has the resources to complete the project; and

8.2.2.4. It is probable that the municipality will receive future economic benefits or service potential;

8.2.2.5. The municipality has the ability to measure reliably the expenditure during development.

8.2.2.6. Intangible assets are initially recognised at cost.

8.2.2.7. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

8.2.3. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

8.3. Subsequent measurement

8.3.1. Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

8.3.2. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

8.3.3. **Amortisation**

Intangible assets with finite useful life:

8.3.3.1. The cost of an intangible asset is amortised over their estimated useful life. The municipality test intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Intangible assets with indefinite useful life

8.3.3.2. Amortisation is not provided for intangible assets with indefinite useful life, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential to the municipality.

8.4. Derecognition

8.4.1. Intangible assets are derecognised when asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

8.4.2. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8.5. Disclosure

8.5.1. Intangible assets shall be disclosed in line with GRAP 31, Intangible assets disclosure requirements.

9. POLICY PRINCIPLES: INVESTMENT PROPERTY

9.1. Definition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both. Investment property excludes owner-occupied property that is used in the production or supply of goods or services or for administrative purposes, or property held for sale in the ordinary course of the municipality's operations.

9.2. Initial Recognition

9.2.1. Investment property is 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.

9.2.2. Investment property is initially measured at cost.

9.2.3. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

9.2.4. Transaction costs are included in the initial measurement.

9.2.5. Where investment property is acquired through a non-exchange transaction, it is initially measured at their fair value as at the date of acquisition.

9.3. Subsequent Measurement

9.3.1. The Subsequent measurement of investment property is carried at fair value (Fair Value Model).

9.3.2. Investment properties shall not be depreciated but shall be annually valued to determine their fair (market) value. The gains or losses arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

9.4. Transfers

9.4.1. Where the municipality over time changes its use of the property, the classification of the property may need to change. This means that the property may need to be transferred to or from investment property depending on the nature of the change. Transfers to or from investment property should only be made when there is a change in use.

9.5. Derecognition

9.5.1. An investment property is derecognised upon disposal or when it is permanently withdrawn from use, and when no future economic benefits or service potential are expected from its disposal. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

9.5.2. Any gain or loss arising from the retirement or disposal of investment property is included in the surplus or deficit in the period of such retirement or disposal.

9.6. Disclosure

9.6.1. Investment Property shall be disclosed in line with GRAP 16, Investment Property disclosure requirements.

10. ROLES AND RESPONSIBILITIES

10.1. The Municipal Manager

10.1.1. is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

10.1.2. Shall ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;

10.1.3. Shall ensure that the municipality's assets are valued in accordance with standards of generally recognized accounting practice

10.1.4. Shall ensure that the municipality has and maintains a system of internal control of assets, including an asset register; and

10.1.5. Shall ensure that the General Managers and their departments comply with this policy

10.1.6. 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.

10.1.7. Shall recommend to the Council of the Municipality, after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of asset: either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the Municipality.

10.2. The Chief Financial Officer.

10.2.1. The CFO shall be the custodian of the fixed asset register of the Municipality;

10.2.2. No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

10.2.3. Appropriate systems system of financial management and internal control are established and carried out diligently around asset management;

10.2.4. Shall ensure that the financial and other resources of the municipality are utilized effectively, efficiently, economically, and transparently;

10.2.5. Shall ensure that any unauthorized, irregular, or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;

10.2.6. Shall 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.

10.2.7. Shall ensure that financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.

10.2.8. Shall ensure that the municipal manager is appropriated advised on the exercise of powers and duties pertaining to the financial administration of assets;

10.2.9. Shall ensure that this policy and any supporting procedures or guidelines are established, maintained, and effectively communicated

10.3. Asset Manager:

10.3.1. Shall ensure that complete asset registers kept, verified, and balanced regularly.

10.3.2. Shall ensure that all movable and immovable assets are properly bar coded and accounted for.

10.3.3. Shall ensure that quarterly physical verification for movable assets are conducted

10.3.4. Shall ensure that annual physical verification for immovable assets are conducted.

10.3.5. Shall ensure that adequate bar codes and equipment to exercise the function relating to asset management is available at all times.

10.3.6. Shall ensure that all assets are insured in accordance with the Insurance Policy.

10.3.7. Shall ensure that the Fixed Asset Register is balanced quarterly and annually with the general ledger and the Trial balance/financial statements.

10.3.8. Shall ensure that the relevant information relating to the calculation of depreciation is obtained from the departments and provided to the Budget Treasury Office department in the prescribed format.

10.3.9. Shall ensure that asset acquisitions are allocated to the correct asset code.

10.3.10. Shall ensure that, before accepting an obsolete or damaged asset, a completed asset disposal form, counter signed by the Asset Management Section, is presented.

10.3.11. Shall ensure that a verifiable record is kept of all obsolete, damaged, and unused asset or asset inventory items received from all the departments.

10.3.12. shall issue an asset control sheet which shall serve as a control register for all moveable assets of the Municipality. The responsible official shall sign the asset control sheet to confirm the receipt and custody of the list of assets in their offices.

10.3.13. Shall compile a list of the items to be auctioned in accordance with the Supply Chain Management (SCM) Policy.

10.3.14. Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.

10.3.15. Shall ensure that the SCM unit is notified of any auctioning or disposing of written-off asset.

10.4. General Managers

10.4.1. Shall ensure that employees in their departments adhere to the approved Asset Management Policy.

10.4.2. Shall ensure that an assets champion 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 General Manager.

10.4.3. Shall ensure that employees who contravenes the operational procedure or who use the municipal assets negligently and for their personal gain are disciplined accordingly.

10.4.4. Shall be directly responsible for the physical safekeeping of any asset controlled or used by the Department in question.

10.4.5. 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, in regard to the control of or safekeeping of the Municipality’s fixed assets.

10.5. General Manager responsible for Infrastructure Assets.

10.5.1. Shall ensure that a maintenance policy is approved and properly implemented.

10.5.2. Shall develop a maintenance plan for the infrastructure assets for their section.

10.5.3. Shall ensure that their departments implement operational procedures.

10.5.4. Shall ensure that assets are properly maintained in accordance with the Water Services Operations Asset Management Policy.

10.5.5. Shall ensure that the assets of the council are not used for private gain.

10.5.6. Shall ensure that all their movable assets as reflected on the Fixed Asset Register and are bar coded where possible.

10.5.7. Shall ensure that the Asset Management Section is notified of any changes in the status of the assets under the department's control.

10.5.8. Shall certify in writing that they have assessed and identified impairment losses on all assets at year end.

10.5.9. 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 within 3 three working days. Please refer to **Annexure B – Asset Disposal Form**

10.5.10. Shall ensure that the correct cost element and description are being used before authorizing any requisitions.

10.5.11. Shall assist with delegating the relevant project managers to work with the Asset management team during the annual physical verification of infrastructure assets including the land and building.

10.5.12. Shall develop an infrastructure assets management plan for their department such as Water supply, Sanitation, and other Properties.

10.5.13. Shall unbundle or componentize and assign estimated useful lives to each component of all completed projects during the financial year and submit the componentized list to the Asset Management Unit for updating the asset register.

10.5.14. Shall sign and date declarations stating that the list of componentized assets for their departments is complete & accurate except for the discrepancies as reported to Asset Management Unit.

10.6. All Municipal Personnel

10.6.1. Shall ensure that assets assigned to them are utilized effectively, efficiently, economically, and transparently

10.6.2. Shall ensure that the assets of the municipal are not used for private gain

10.6.3. Shall notify the assets coordinators and assets management section of all obsolete, damaged, and stolen assets, without delay.

10.6.4. Shall make available the movable and immovable assets under their possession for verification by the assets management unit quarterly and annually respectively.

10.6.5. Shall ensure that all assets under their possession are properly bar-coded.

10.6.6. Shall ensure that on termination of service they returned the assets to their supervisors and complete a asset transfer form, transferring the assets to their supervisor. **Annexure C – Asset Transfer Form**

10.6.7. Shall notify the asset coordinators and assets management unit of the movement and transfer of assets assigned to them by completing an assets transfer form. Please refer to **Annexure C– Asset Transfer Form**

10.6.8. Shall ensure that they comply with the operational procedures.

11. MONITORING AND EVALUATION

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

12. COMMENCEMENT OF THE POLICY

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

13. AMENDMENT AND/OR ABOLITION

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

14. COMPLIANCE AND ENFORCEMENT

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

15. POLICY REVIEWAL

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

16. APPEAL PROCESS/ GRIEVANCE PROCEDURE

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

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

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

Review 2025/2026		
Policy Review Committee	24 February 2026	Recommended to MANCO
MANCO	04 May 2026	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	12 May 2026	Recommended to EXCO
EXCO	20 May 2026	Recommended to Council
Council	28 May 2026	Approved

ANNEXURE A: ASSET USEFUL LIVES

1. INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

1.1. WATER

1.1.1. Mains (15)-(100)

1.1.2. Supply and reticulation networks (15)-(100)

1.1.3. Reservoirs and storage tanks (15)-(100)

1.1.4. Rights (that is, the right to draw water from a particular source belonging to another party (5)-(100)

1.1.5. Buildings Structure (Treatment buildings, pump stations, Guard house, etc) (10)-(50)

1.1.6. Valves – underground and above ground valves (all types) (12)-(25)

1.1.7. Motors, gearboxes, and chain blocks (15)-(40)

1.1.8. Pumps (15)-(40)

1.1.9. Control Panels, Telemetry, and electric panels (15)-(20)

1.1.10. Water meters and flow meters (15)-(20)

1.1.11. Dams and natural water structures (50)-(100)

1.1.12. Transformers and generators (15)-(30)

1.2. SEWERAGE

1.2.1. Sewer mains (7)-(60)

1.2.2. Outfall sewers (7)-(60)

1.2.3. Sewage purification works (7)-(60)

1.2.4. Sewerage pumps (7)-(60)

1.2.5. Sludge machines (7)-(60)

1.2.6. Buildings Structure (Treatment buildings, pump stations, Guard house, etc) (10)-(50)

1.2.7. Valves – underground and above ground valves (all types) (12)-(25)

1.2.8. Motors (15)-(40)

1.2.9. Pumps (15)-(40)

1.2.10. Control Panels, Telemetry, and electric panels (15)-(20)

1.2.11. Water meters and flow meters (15)-(20)

1.3. PEDESTRIAN MALLS

1.3.1. Footways (20)

1.3.2. Kerbing (20)

1.3.3. Paving (20)

1.4. **SECURITY MEASURES**

1.4.1. Access control systems (3)-(15)

1.4.2. Security systems (3)-(15)

1.4.3. Security fencing (3)-(15)

2. INVESTMENT ASSETS

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

2.1.1. Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties) (30)

2.1.2. Shopping centres (again developed along similar lines) (30)

2.1.3. Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit) (30)

3. BUILDINGS

3.1. The following is a list of buildings assets, again showing the estimated useful life in years in brackets:

3.1.1. Abattoirs (30)-(50)

3.1.2. Asphalt plant (30)-(50)

3.1.3. Cable stations (30)-(50)

3.1.4. Caravan parks (30)-(50)

3.1.5. Compacting stations (30)-(50)

3.1.6. Hostels used to accommodate the public

	or tourists	(30)-(50)
3.1.7.	Hostels for municipal employees	(30)-(50)
3.1.8.	Housing schemes	(30)-(50)
3.1.9.	Kilns	(30)-(50)
3.1.10.	Laboratories	(30)-(50)
3.1.11.	Fresh produce and other markets	(30)-(50)
3.1.12.	Nurseries	(30)-(50)
3.1.13.	Office buildings	(30)-(50)
3.1.14.	Old age homes	(30)-(50)
3.1.15.	Quarries	(30)-(50)
3.1.16.	Tip sites	(30)-(50)
3.1.17.	Training centres	(30)-(50)
3.1.18.	Transport facilities	(30)-(50)
3.1.19.	Workshops and depots	(30)-(50)

4. <u>OTHER ASSETS</u>

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

4.1.1. **OFFICE EQUIPMENT**

4.1.1.1.	Computer hardware	(3)-(15)
4.1.1.2.	Computer software	(3)-(15)
4.1.1.3.	Office machines	(3)-(15)
4.1.1.4.	Air conditioners	(3)-(15)

4.1.2. **FURNITURE AND FITTINGS**

4.1.2.1.	Chairs	(3)-(15)
4.1.2.2.	Tables and desks	(3)-(15)
4.1.2.3.	Cabinets and cupboards	(3)-(15)
4.1.2.4.	Bins and containers Household refuse bins	(3)-(15)
4.1.2.5.	Bulk refuse container	(3)-(15)
4.1.2.6.	Emergency equipment Fire hoses	(3)-(15)
4.1.2.7.	Other fire-fighting equipment	(3)-(15)
4.1.2.8.	Emergency lights	(3)-(15)

4.1.3. **MOTOR VEHICLES**

4.1.3.1. Ambulances (10)-(15)

4.1.3.2. Fire engines (10)-(15)

4.1.3.3. Buses (10)-(15)

4.1.3.4. Trucks and light delivery vehicles (10)-(15)

4.1.3.5. Ordinary motor vehicles (10)-(15)

4.1.3.6. Motorcycles (10)-(15)

4.1.4. **PLANT AND EQUIPMENT**

4.1.4.1. Graders (10-15)

4.1.4.2. Tractors (10-15)

4.1.4.3. Mechanical horses (10-15)

4.1.4.4. Farm equipment

(10-15)

4.1.4.5. Lawn mowers (2)

4.1.4.6. Compressors (5)

4.1.4.7. Laboratory equipment (5)

4.1.4.8. Radio equipment (5)

4.1.4.9. Firearms (5)

4.1.4.10. Telecommunication equipment (5)

4.1.4.11. Cable cars (10-15)

4.1.4.12. Irrigation systems (10-15)

4.1.4.13. Cremators (10-15)

4.1.4.14. Lathes (10-15)

4.1.4.15. Filling equipment (10-15)

4.1.4.16. Conveyors (10-15)

4.1.4.17. Feeders (10-15)

4.1.4.18. Tippers (10-15)

4.1.4.19. Pulverising mills (10-15)

4.1.5. **OTHER**

4.1.5.1. Aircraft (10-15)

4.1.5.2. Watercraft (10-15)

4.1.6. INTANGINGLE ASSETS

4.1.6.1. Computer Software	(1-5)
4.1.6.2. Servitudes	Infinite

4.1.7. JOJO TANKS

The risks and rewards of Jojo tanks lie with the community as the Jojo tanks are installed and handed over to the community. The handover is officiated by the relevant protocol heads. Jojo tanks are semi-moveable assets that the community move from one point to the other for their own needs and requirements as a community with the locks kept at designated homesteads known to the community. With this nature in hand the municipality is not informed of such movements, and it is solely responsible for the supply of water when required/requested by the community when there are water shortages. The nature of these assets results in the physical management and oversight of assets difficult which would only logically be meaningful and manageable if such assets are noted as donations to the community. The value of Jojo tanks is not a major cost element to the Fixed Asset Register but has a very high physical management aspect relative to cost of asset therefore should be kept in a separate operations register for service delivery purposes and not maintenance purposes. The assets should be expensed in the financial records but documented correctly for service delivery needs.

4.1.8. Handpumps boreholes

Handpumps are fixed in nature but have a finite useful life and cannot be replaced at the same installation site. The key asset of hand pumps is the natural water underground but not the above ground asset. Once the underground water is depleted the asset cannot be maintained/repaired or replaced. The risks and rewards are given to the community as it a self-sustaining asset. The asset should be treated as Jojo tanks above. The treatment would be to keep and operations list/register of the boreholes in case of major service or damage to the boreholes such that water can no longer be withdrawn from. The register will be used for service provision.

4.1.9. Standpipes

Standpipes will be rolled back-up to form part of the pipelines as they are numerous in nature and form part of a very small cost portion of the asset. A similar approach has been adopted by the municipality for valves along the pipeline as well as manholes for sewer reticulation. A similar approach has should be utilized for standpipes as they form part of the water reticulation manifold. The cost of verifying each standpipe is significantly higher than the benefit of a GIS shapefile assessment upon installation of assets. An operations list of standpipes may be kept separately for maintenance purposes but not recognized as a stand-alone asset.

The standpipes have not been included in the asset policy before as a stand-alone asset and they should be kept as such but rolled up to the relevant pipelines.

4.1.10. Revised Remaining Useful Life

The infrastructure assets of the municipality are measured at cost as per asset policy. The assets are depreciated on a straight-line depreciation method which is dependent on the estimated/economic useful life (EUL) of an asset. However, the useful life is based on an estimate which means the asset may deteriorate at a faster rate or at a slower rate than expected which then brings about the need for impairment and revised remaining useful lives in assets. To determine the nature/quantification of the impairment and the revised remaining useful life of the specialized infrastructure assets a condition assessment based on physical condition is required. Specifically, for the revision and impairment of assets the condition assessment which has condition grading scales from Very Poor to Very Good, they will follow a parabolic curve based on the EUL of an asset. The condition assessment grading that is utilised for the revised remaining useful lives is adopted from the Department of Provisional and Local Government: Guidelines for Infrastructure Asset Management in Local Government 2006 -2009 under Chapter 6 item 6.1.6 pages 6-12 to 6-14.

ANNEXURE B: ASSET DISPOSAL FORM

P O Box 33
Portshepstone
4240

96 Marine Drive
Oslo Beach
Portshepstone

Tel : 039-688 5808
Fax : 039- 688 3510
E-Mail: zandile.maphumulo@ugu.org.za

ASSET DISPOSAL FORM

Date Requested	
Department	
Unit/Section	
Asset Description:	
Asset location(full address):	
Classification of asset:	
Suggestion method of disposal:	
Condition of asset:	
Reason for request for disposal:	
Requesting official: Name & Surname: Signature:	
Approval (Signatures) GM:..Date:.................... MM:..Date:.................... CFO:..Date..................... Asset :..Date:....................	

AM Stamp:

ANNEXURE C: ASSET TRANSFER FORM

P O Box 33
Portshepstone
4240

96 Marine Drive
Oslo Beach
Portshepstone

Tel : 039-688 5808
Fax : 039- 688 3510
E-Mail: zandile.maphumulo@ugu.org.za

ASSET TRANSFER FORM

Date Requested		
Asset barcode		
Department		
Asset Description:		
Classification of asset:		
Condition of asset:		
Reason for transfer:		
Requesting official: Name & Surname: Signature:		

CURRENT LOCATION: (Approval for the transfer of Asset)	NEW LOCATION (Asset is received and the above details are verified)
Department:	Department:
Unit:	Unit:
Transferring official:	Receiving official:
Transferring official signature:	
GM Name & Surname	GM Name & Surname
GM Signature:	GM Signature:
Date transferred:	Date received:

AM STAMP