



# **FIXED ASSET MANAGEMENT POLICY**

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## ABBREVIATIONS

|       |                                                               |
|-------|---------------------------------------------------------------|
| AM    | Asset Management                                              |
| AMIS  | Asset Management Informational System                         |
| AMP   | Asset Management Plan                                         |
| AMS   | Asset Management System                                       |
| AMO   | Asset Management Office                                       |
| AR    | Asset Register                                                |
| CFO   | Chief Financial Officer                                       |
| COGTA | Department of Co-operative Governance and Traditional Affairs |
| DCM   | Deputy City Manager                                           |
| FAR   | Financial Asset Register                                      |
| GIS   | Geographical Information System                               |
| GRAP  | Standards of Generally Recognised Accounting Practice         |
| IAM   | Immovable Asset Management                                    |
| IAS   | International Accounting Standards                            |
| IDP   | Integrated Development Plan                                   |
| KPI   | Key Performance Indicator                                     |
| MFMA  | Municipal Finance Management Act                              |
| mSCOA | Municipal Standard Chart of Accounts                          |
| SAMP  | Strategic Asset Management Plan                               |
| OHSA  | Occupational Health and Safety Act                            |
| O&M   | Operation and Maintenance                                     |
| PPE   | Property, Plant and Equipment                                 |
| R     | Rand                                                          |
| SDBIP | Service Delivery and Budget Implementation Plan               |
| SCM   | Supply Chain Management                                       |
| TAR   | Technical Asset Register                                      |

## 1. DEFINITIONS

*Definitions have been established through legislation, standards, and other guidance on Asset Management, hence reference has been made to sources. Where definitions do not exist, terminology has been defined for the purposes of this Policy.*

**Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. (GRAP 1)

**Asset Custodian** is an incumbent in any position or level in the organisation entrusted with the safeguarding and use as well as the condition monitoring of a specific asset.

**Asset Life-Cycle** is the cycle of activities that an asset goes through – including planning, design, initial acquisition or construction, cycles of operation and maintenance and capital renewal, and finally disposal.

**Asset Management** is a broad function and includes a structured process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximise their service delivery potential and benefits, and to minimise their related risks and costs over their entire lives.

**Asset Management Plan** is a plan developed for the management of infrastructure asset portfolios that combines multi-disciplinary management techniques (including technical and financial) over the lifecycle of the assets in the most cost-effective manner to provide a specified level and standard of service, including a short, medium- and long-term cash flow projection.

**Asset Manager** is an 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 entity's standards, policies, procedures and relevant guidelines.

**Asset Register** is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirement/s.

**Capital assets** are all assets with a life cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc.), intangible assets, and investment property. The words capital assets in this Policy are synonymously used with the words fixed assets.

**Carrying Amount** is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. (GRAP 17)

**Class of immovable PPE** is defined as a group of assets of a similar nature or function in the entity's operations.

**Community assets** are any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

**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 de-recognition purposes. It is also referred to as separately depreciable parts.

**Control** an item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset is able to deny or regulate access of others to that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

**Cost of an Asset** is the amount of cash or cash equivalent/s paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. The cost of acquisition will include all expenditure needed to bring the asset to the condition and position for its intended use which usually includes:

- Purchase cost (less any discounts given)
- Delivery cost
- Installation cost
- Professional fees, e.g. engineering fees
- Site development fees

**Current Replacement Cost** is the cost of replacing an existing asset with a modern asset of equivalent capacity. (DPLG Guidelines)

**Depreciable Amount** is the cost of an asset, or other amount substituted for cost, less its residual value. (GRAP 17)

**Depreciated Replacement Cost** is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition of date (based on the fraction of remaining useful life/expected useful life).

**Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life. (GRAP 17)

**Deputy City Manager** is a manager referred to in section 56 of the Municipal Systems Act (MSA) as someone reporting directly to the City manager. (MFMA paragraph 1)

**Directly attributable costs** are defined as:

- cost of employee benefits arising directly from the construction or acquisition of the item;
- costs of site preparation;
- initial delivery and handling costs;
- installation and assembly costs, cost of testing whether the immovable PPE, or
- associated intangible asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to that location and condition;
- commissioning (cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling any item produced while bringing the asset to its current condition and location);
- professional fees (for example associated with design fees, supervision, and environmental impact assessments) (in the case of all asset classes);
- Proper transfer taxes (in the case of all asset classes).

**Disposal** is the action or process of getting rid of something, the sale of shares, property, or other assets,

**Discontinued operation** is a component of an entity that has been disposed of and: (a) represents a distinguishable activity, group of activities or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or (c) is a controlled entity acquired exclusively with a view to resale

**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. (GRAP 13)

**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.

**Economic benefits** Economic benefits are derived from immovable PPE that generate net cash inflows.

**Fair Value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. (GRAP 17)

**Financial fixed assets register** is the register controlled by the Chief Financial Officer specifically used for the administration of assets as prescribed by various GRAP standards.

**Fixed asset** is an asset defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

**Heritage assets** are ones of cultural, historic or environmental significance, such as monuments, nature reserves, and works of art. A heritage asset shall be recognised as an asset if it is probable that future economic benefits or service potential with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. Examples are works of art, historical buildings and statues.

**Immovable assets** are fixed structures such as buildings and civil structures. Plant that is built-in to the fixed structure and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

**Impairment** is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation

**Investment property** is defined as property (land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks, shopping centres or housing financed and managed by an entity (or jointly with other parties). There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

**Intangible assets** are defined as identifiable non-monetary assets, without physical substance. Examples are licenses/ rights (such as water licenses) and servitudes.

An asset meets the criterion of being identifiable in the definition of an intangible asset when it:

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

**Infrastructure assets** means assets that usually display some or all of the following characteristics

- (a) they are part of a system or network;
- (b) they are specialised in nature and do not have alternative uses;
- (c) they are immovable; and
- (d) they may be subject to constraints on disposal. (GRAP 17)

Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks. Movable assets such as vehicles that are directly used in the delivery of the service (such as waste removal trucks can also be included as part of infrastructure).

**Leased assets:** A lease is an agreement whereby the lessor conveys to the lessee (in this case, the entity) the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are categorised into finance and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the immovable PPE are substantially transferred to the entity, the lease is regarded as a finance lease and the asset recognised by the entity as immovable PPE. Where there is no substantial transfer of risks and rewards of ownership to the entity, the lease is considered an operating lease and payments are expensed in the income statement on a systematic basis (straight line basis over the lease term).

**Major inspections:** Major inspections are ones that are considered essential to the ongoing use of an item. A condition of continuing to operate an item of PPE may be to perform regular major inspections for faults regardless of whether parts of the item are replaced (for example, Occupational Health and Safety Act no. 85 of 1993 requires lifting equipment to be inspected once a year). When each major inspection is performed, its cost is recognised in the carrying amount of the item of PPE as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

**Maintenance/Refurbishment** 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.

**Minor Asset** is an asset, other than a capital asset, which is fully depreciated in the year of acquisition. Minor assets need to be managed and safeguarded and recorded in a register ("Tool Box Register")

**Movable Asset** is an asset that is not a fixed structure and is easily moved from one location to another. Movable Assets are not subject to constraint on disposal

**City Manager** is the person defined as the Accounting Officer of a municipality (MFMA S60).

**Property, plant and equipment (PPE)** are tangible assets that are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes; and are expected to be used during more than one period.

**Recoverable Amount** is the higher of a cash-generating asset's or unit's net selling price and its value in use.

**Recoverable Service Amount** is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. (GRAP 17)

**Refurbishment** 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.

**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.

**Renewal** is the work required to replace/enhance/rehabilitate an asset. Expenses on renewal works are considered capital expenditure.

**Residual Value** of an asset 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. (GRAP 17)

**Spares and materials** used on a regular basis in the ordinary course of operations are usually carried as inventory (i.e. they are not usually considered fixed assets) and are expensed when consumed. Spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE immediately that they are available for use and in a location and condition necessary for it to be capable of operating in a manner intended by management.

**Service level** measures the performance of an infrastructure system. Certain goals are defined and the service level gives the percentage to which those goals should be achieved.

**Service Potential** An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of

an objective of the entity, such as the provision of services. 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.

**Strategic Asset Management Plan** The high-level, long-term approach to asset management indicating the alignment between organisational objectives and asset management objectives, the role of the asset management system (or framework) including asset management action plans and objectives for managing the assets.

**System** in this Policy refers to either an information technology programme or a manual business process, but normally refers to both simultaneously.

**Upgrade/Enhancement** 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.

**Useful life** is defined as the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity. Useful Life is:

- the period over which an asset is expected to be available for use by an entity, or
- the number or production of similar units expected to be obtained from the asset by an entity. (GRAP 17)

## 2 POLICY OBJECTIVES AND SCOPE

This Policy refers to the policy of the City of uMhlathuze (CoU) in response to the management of its assets from a financial and physical management perspective. The scope includes all movable and immovable assets, tangible and intangible assets.

This policy document supersedes all previous Fixed Asset Management Policy instructions that have been issued. This policy does not supersede, but only complements all other Municipal policies directly and indirectly related to Fixed Asset Management, such as municipal land valuations (Municipal Rates Policy), Fleet Management Policy, ICT Policy and the Supply Chain Management Policy.

The objectives of this Policy are to ensure that the Municipality:

- applies asset management practice in a consistent and cost-effective manner, in accordance with MFMA, mSCOA and other related legislation recognised good practice, and in alignment with the Municipality's operational context;
- manages all assets used to support services delivered by the Municipality in a sustainable manner, at a level of service determined by Council, and responsive to the short, medium- and long-term needs of the broader community and stakeholders;

- provides a strategic framework within which these assets are managed; and
- implements asset accounting in compliance with prevailing accounting standards (GRAP).
- Outlines accountability roles in the safeguarding and management of assets.

To support the achievement of these objectives, the Municipality has adopted the following key business strategies:

- improved organisational efficiency through the adoption of standardised processes, systems, data models and data across all sector departments;
- more effective service delivery through more structured, holistic and informed infrastructure lifecycle planning and decision making;
- more efficient service delivery through optimised infrastructure lifecycle implementation;
- more robust financial asset management through the adoption of systems and processes aligned to an appropriately structured technical asset register that is updated on an ongoing basis;
- establishing and maintaining a system for the planned maintenance of assets;
- clear allocation of responsibility and accountability for the various elements of the asset management process;
- effective and accurate reporting on municipal assets; and
- regular review and ongoing improvement of asset management practice.

### **3 STATUTORY AND REGULATORY FRAMEWORK**

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objectives:

- provide democratic and accountable government for local communities;
- ensure the provision of services to communities in a sustainable manner;
- promote social and economic development;
- promote a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in matters of local government.

The manner in which the Municipality manages its fixed assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable.

The Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal fixed assets with the City Manager, as the Accounting Officer.

National Treasury in 2008 issued Local Government Capital Asset Management Guidelines, and then, in 2017 regulated the Municipal Standard Chart of Accounts (mSCOA) that is aligned to the Cities Infrastructure Development and Management System (CIDMS) regarding asset reporting and structure.

The Occupational Health and Safety Act (OHSA) requires municipalities to provide and maintain a safe and healthy working environment, and, in particular, to safeguard its fixed assets.

CoGTA issued guidelines in 2006 in line with emerging international practice recommending that an Infrastructure Asset Management Plan (IAMP) to be prepared for each sector (such as potable water etc.). Also, that these plans should be used as inputs into a Strategic Asset Management Plan (SAMP) that presents an integrated plan covering all infrastructure sectors. The arrangements outlined in the CoGTA guidelines were further strengthened in 2008 by National Treasury's Local Government Capital Asset Management Guidelines, and then, in 2014, by the South African National Standard (SANS) 55000 series (in line with an international standard) indicating the requirements for asset management systems.

Accordingly, this Asset Management Policy addresses the need not only for financial compliance in accounting for assets, but also good practice in the physical management of assets in the pursuit of the municipality's mandated responsibilities for service delivery, and, importantly, it addresses the fundamental linkage between these activities.

## **4 Background and Context**

### **4.1 Physical Management of Assets**

Effective management of infrastructure is central to the Municipality being able to provide an affordable and acceptable standard of services to the community. The Municipality is required to be effective at a strategic and tactical level, and also at an operational level – the manner in which the Municipality discharges its responsibilities as a public entity is also important. The Municipality is required to demonstrate sound stewardship over the significant inter-generational investment that has been made in infrastructure, as well as custodianship to appropriately care for current users. The processes adopted must be efficient, sustainable, and effectively communicated to internal and external stakeholders.

Therefore, the Municipality is mandated to operate in accordance with Legislation entrenched from the Integrated Development Plan (IDP) as the principal strategic planning mechanism for local government. The IDP provides a framework for development within the municipality however, it cannot be compiled in isolation. Therefore, in order for National related objectives to be achieved, the Municipality's IDP needs are informed by robust, relevant and holistic information relating to the management of the Municipality's infrastructure assets.

Thus, the Municipality's Limited resources are directed to address the most critical needs that is required to achieve a balance between maintaining and renewing existing

infrastructure whilst also addressing backlogs in basic services and accommodating on-going changes in demand. To achieve effective decision-making in this regard, the Municipality strives to ensure effective integration of inputs provided by officials from a number of departments, including the departments responsible for infrastructure-based service delivery as well as those responsible for corporate, financial, development and specialised services.

## **5.2 Operational context**

The Municipality has adopted a robust policy as a result of its improved asset management practice over the recent years. The Municipality has built on its sound performance in financial asset management to establish, in particular, improved physical asset management (that focusses on infrastructure-based service delivery), and in line with recognised good industry practice, the integration of these two domains. The Municipality has implemented on the following key performance areas:

- Implementation of an asset management system;
- Implementation of an integrated asset management information system;
- Implementation of an integrated Asset Maintenance Management system
- Standardised asset data model aligned to infrastructure, maintenance and accounting;
- Preventative models and asset strategies;
- Immovable AM Procedures Manual;
- Asset Management Plans;

The Municipality ensures effective management of assets through the following practice:

- Accurate recording of essential asset information and asset movements;
- Executing of planned maintenance schedules;
- Exercising strict physical controls over all assets;
- Reporting the assets correctly in the Municipality's financial statements;
- Providing accurate and meaningful management information;
- Compliance with Council's accounting policies and with Generally Recognised Accounting Practices;
- Adequate insurance of assets;
- Ensuring that managers are aware of their responsibilities with regards to assets; and
- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss.

The Municipality's approach towards physical management of assets are in line with the requirements of the Municipal Finance Management Act (MFMA) and other relevant legislation governing municipalities, and industry standards, in particular the South African National Standard 55001 indicating requirements for AM systems that were published in 2014. Therefore, the Municipality's asset management framework comprises of the following core elements:

- Asset Management Policy;
- Asset Management Procedures Manuals;

- Strategic Asset Management Plan; and
- Asset Management Plans per sector.

### **5.3 Asset Data Management**

In view of the importance of the integrity of data to report accurately and facilitate good management decisions relating to service delivery, the Municipality has adopted the following data management principles:

- ONE aligned data set employed to meet the needs for effective financial, technical and corporate management that accounts for past transactions, reporting holistically on the current status, and providing a robust platform for future planning - catering for all failure modes (condition, capacity, performance, and cost of operation), measuring risk exposure, and enabling effective integration of these parameters across all departments and sections;
- Data is established at a level of detail that effectively informs strategic and operational decision-making, facilitates effective updating, be manageable (in line with the available systems architecture) and cost effective (prioritised according to its value and criticality);
- In addition to the application of the Historic Cost Basis of asset accounting, fair value data is established and maintained – for infrastructure, in the form of Current Replacement Cost (CRC) and Depreciated Replacement Cost (DRC) data – as a critical foundation for effective planning (forecasting, benchmarking, prioritising, and optimisation);
- Robust information management procedures are adopted and documented to keep relevant data up to-date and sufficiently accurate (to minimise costly re-establishment of data) to support decision making consistent with the Municipality's objectives; and
- The integrated asset management information system (AMIS) has been employed to effectively provides financial, technical and corporate management with relevant data to support the achievement of their respective and collective responsibilities with respect to assets.

### **5.4 References**

The following references were observed in the compilation of this policy:

- Asset Management Framework, National Treasury, 2004
- Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- Municipal Finance Management Act, 2003
- Disaster Management Act, 2002
- Municipal Systems Act, 2000
- Municipal Structures Act, 1998
- Accounting Standards Board
- MFMA Circular 18 & 44
- Local Government Capital Asset Management Guidelines, National Treasury, 2008
- Government Gazettes (30013 & 31021)
- Generally, Recognised Accounting Practice as issued by the Accounting Standards Board (1-14, 16, 17, 19, 21, 23-27 and 100-104).

- Interpretations of the standards of GRAP issued by the Accounting Standards Board (ASB) (IGRAP 1- 17);
- Municipal transfer and disposal regulations, Government Gazette no.31346;
- Government Gazette, 30 May 2005, No. 27636 on disposal;
- Directives issued by the Accounting Standards Board (ASB);
- Accounting guideline issued by National Treasury relating to intangible assets;
- National Treasury Standard Chart of Accounts Project Summary Report. 2013
- ISO 550000, ISO 550001, ISO 550002 (Requirements for Asset Management Systems)
- International Infrastructure Management Manual (IIMM) 2015

## **5.6 Related Policies**

This policy needs to be read in conjunction with other relevant adopted policies of the entity, including the following:

- Delegation of Powers
- Supply chain management Policy
- Risk Management Policy
- Land sale Policy
- Budget Policy
- Maintenance Policy
- Land Disposal Policy
- Roads AM Policy

The policy is approved to be effective for the financial year ending 30 June 2023 and for subsequent financial years until a new policy is adopted.

## **6 ROLES, RESPONSIBILITIES AND DELEGATIONS**

The following are key roles and responsibilities relating to this policy:

### **6.1 Council**

Council is responsible to:

- Note the Municipality's AM Policy approved by the City Manager;
- Exercise oversight and effective stewardship over the Municipality's assets;
- Approve sector Asset Management Plans (AMPs) and Strategic AM Plans (SAMP)s;
- Approve funding and ensure appropriate resources are made available for approved AM activities; and Integrate the AM Policy and the respective AM Plans into the corporate governance framework.

### **6.2 City Manager**

As the Accounting Officer of the Municipality in terms of the Municipal Finance Management Act (MFMA), the City Manager is the principal custodian of all the Municipality's fixed assets and accountable for ensuring that the AM Policy is diligently applied and adhered to. For the purposes of this Policy, the Accounting Officer has

delegated the responsibilities placed on him to the Deputy Municipal Managers of the respective departments as indicated in this Policy. The City Manager is also responsible for approving the AM Policy and provides to Council for information and noting purposes.

### **6.3 Deputy City Manager: Infrastructure Services**

The Deputy City Manager: Infrastructure Services (DMM IS) as per the Accounting Officer's delegation shall be responsible for the establishment and oversight of the Physical Asset Management Function iro Immovable assets by ensuring the provision of dedicated resources are made available through the Asset Management Unit in order to support the overall function.

Therefore, the DCM IS must ensure that:

- Asset Management Monthly meetings with all sectors, chaired by the Asset Manager are in place to, drive, oversee, coordinate and report on implementation of this policy and the overall Asset Management function; and
- An Immovable Asset Management Procedures Manual is adopted by the DCM in consultation with the management of the Monthly meetings, setting out agreed processes, data models, roles and responsibilities for the effective management of immovable assets in line with this Policy.

The DCM IS may delegate or otherwise assign responsibility for performing specific elements of these functions, subject to written approval by the CM, but will remain accountable for ensuring that these activities are successfully performed and effectively coordinated.

### **6.4 Chief Financial Officer (CFO)**

The CFO, as per the Accounting Officer's delegation, shall ensure that:

- The Municipality maintains the management, accounting and information system that accounts for the assets of the municipality;
- The Municipality's assets are valued in accordance with standards of generally recognised accounting practice;
- The Municipality has and maintains a system of internal control of assets, including a financial asset register;
- The financial asset register of the Municipality is accurate and up-to-date; and Assets are verified on an annual basis based on an indicator approach and in line with an agreed verification strategy and plan and a detailed outcomes report is submitted to Council within two months of the completed asset verification exercise each financial year.

### **6.5 Senior Management**

In accordance with the delegation by the CM, Departmental "DCMs" as members of the Senior Leadership Team, shall, within their respective domains, be responsible to:

- Contribute towards the periodic review of the AM Policy and AM Procedures Manual;

- Actively participate in the Monthly Sectorial Asset Management meetings to oversee the application of this Policy;
- Monitor the performance of management staff implementing and maintaining infrastructure asset management;
- Actively participate in the preparation of the respective sector AM Plan prepared by the Asset Management Unit;
- Ensure that community and key stakeholders' inputs are addressed in the respective sector AM Plans;
- Ensure that accurate, up to date and reliable information is available and presented to the Senior Leadership Team and Council to inform decision-making;
- Establish and implement appropriate systems of management and control of all assets;
- Ensure that the Municipality's resources assigned to departments are utilised effectively, efficiently, economically and transparently;
- Ensure that proper accounting processes and procedures are implemented in conformity with the Municipality's financial policies and the MFMA to produce reliable data for inclusion in the Municipality's asset register;
- Prevent any unauthorised, irregular, fruitless or wasteful utilisation and/ or losses resulting from criminal or negligent conduct;
- Ensure that the asset management systems, processes and controls provide an accurate, reliable and up-to-date account of assets under their control and in line with agreed procedures;
- Plan and manage the life cycle of assets and budgets to optimally achieve the Municipality's strategic objectives;
- Manage asset life-cycle transactions to ensure that they comply with the policies and plans adopted by the Municipality and legislative requirements; and
- In complying with the above, cooperate and liaise with the Immovable Asset Management Unit.

## **6.6 Asset Management Office**

The Municipality has established an Asset Management Unit in the Infrastructure Services Department. The Unit's key role provides a cross-cutting function and supports asset intensive departments in the management of all stages of the assets life-cycle. The Manager Asset Management heads the Asset Management unit and is responsible, in consultation with the Monthly Sectorial Asset Management meetings, in respect to immovable assets, each financial year to:

- Updating of the Municipality's Immovable Asset Register;
- Updating of the Municipality's Assets under Construction Register;
- Updating of the Municipality's Asset Management system;
- Verify and Condition assess Immovable assets as per Policy and procedures;
- Review the Integrated AM Framework to identify improvement needs;
- Review the adequacy of the resources and competencies required across the Municipality to effectively implement the AM Framework, recommend appropriate action plans, and oversee implementation;
- Review and recommend updates to the AM Policy and Immovable AM Procedures Manual and implement on approval;
- Conduct infrastructure AM practices assessments, and develop a rolling 3-year Improvement Plan, indicating the resource requirements and priorities;

- Prepare annual AM Plans (AMPs) and Strategic AM Plan (SAMP) with a minimum of a 10-year planning horizon, in consultation with the respective departments and sections responsible for implementation of projects, operations and maintenance;
- Review Maintenance and renewal strategies on critical related assets
- Coordinate with the Service Departments to ensure that the IDP process is informed by the approved AMPs and SAMP;
- Review the data accuracy, and the processes for updating of spatial and alpha-numeric data in the AMIS to meet immovable and financial asset management needs;
- Manage the performance of the implementation of all departments and sections in providing the data required to update the AM-related information systems, in line with the Immoveable AM Procedures Manual and appropriate IT protocols;
- Prepare infrastructure-related asset data for upload to the AMIS together with the required working papers and support documentation to facilitate reporting on immovable assets, in consultation with the respective sections responsible for implementation of projects and O&M, in line with the requirements of CFO (and stated in the Immoveable AM Procedures Manual);
- Prepare monthly reports on asset and AM performance;
- Each month, review and update asset and AM Framework risk exposure, in line with the Municipality's risk models, recommend mitigation actions, and monitor implementation;
- Convene and administer Monthly Sectorial Asset Management meetings;
- Prepare monthly reports, in consultation with other departments relating on the implementation of approved AMPs, SAMP, and Immoveable AM Procedures Manual;
- Assess AM capability in all respective areas of the organisation, and, in consultation with the respective departments, identify improvement needs, monitor and report on implementation;
- Champion effective AM understanding, collaboration, and practice improvement across the Municipality;
- Annually review change needs, determine and recommend change methodologies, prepare change plans iro the management and execution of the approved AM Change Programme; and
- Identify the need for external support and recommend the approach and manage appointed external service providers.

The Manager Asset Management is responsible for submission of documentation on the status relating to the above activities, and, where applicable, the associated recommendations, to Monthly Sectorial Asset Management meetings for notice, consideration and feedback.

## **7. ASSET CLASSIFICATION**

### **General**

When accounting for assets, the municipality applies various standards of GRAP relating to the assets. An item is recognised in the statement of financial position as an asset if it satisfies the definition and the criteria for recognition of assets. The first step

in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Assets are classified into the following categories for financial reporting purposes:

- a) Property, Plant and Equipment (GRAP 17)
  - Land and Buildings (land and buildings not held as investment)
  - Infrastructure Assets (immovable assets that are used to provide basic services)
  - Housing Assets (rental stock or housing stock not held for capital gain)
  - Other Assets (ordinary operational resources)
- b) Intangible Assets (GRAP 31)
  - Intangible Assets (assets without physical substance held for ordinary operational resources)
- c) Heritage Assets (GRAP 103)
  - Heritage Assets (culturally significant resources)
- d) Investment Property (GRAP 16)
  - Investment Assets (resources held for capital or operational gain)
- e) Discontinued Operations (GRAP 100)
  - Assets Held-for-Sale (assets identified to be sold in the next 12 months and **that is not** reclassified as Inventory)
- f) Land Inventories (GRAP 12)
  - Land Inventories (land or buildings owned or acquired with the intention of selling such property in the ordinary course of business)

Further asset classification has been defined in GRAP. The classifications used for infrastructure are limited and do not represent all asset types. However, these classifications are used for financial reporting consistency and should be used.

To facilitate the practical management of infrastructure assets and Asset Register data, infrastructure assets have been further classified in with the CIDMS hierarchy.

## **7.2 Asset Hierarchy**

The Municipality has adopted an asset hierarchy for assets that enables separate accounting of parts (or “components”) of the asset that are considered significant in terms of replacement value, critical to service operations, and aligned with the strategy adopted by the Municipality for asset renewal (and, in the case of immovable assets, are documented as component life-cycle strategies in the Immoveable AM Procedures Manual). In addition, the Municipality has grouped relatively low value and criticality items that have similar life, and would typically be replaced at the same time, to be considered as one component in the hierarchy. The structure of the hierarchy for the

assets recognises the functional relationship of the respective assets and components and is indicated in the annexures to this Policy.

### **7.3 PPE: Servitudes**

When the Municipality establishes servitudes as part of the registration of a township, the associated rights are granted in statute and are specifically excluded from the standard on intangible assets. Such servitudes cannot be sold, transferred, rented or exchanged freely and are not separable from the entity. Consequently, such servitudes are not recognised in the asset register. However, servitudes that are created through acquisition (including by way of expropriation or agreement) can be recognised as an intangible asset at cost. There is also another treatment for servitudes, the entity may include the cost of the servitude in the cost of the PPE if it is essential to the construction or operation of the asset (such as in the case of pipes).

### **7.4 Heritage Assets**

When heritage assets have more than a single purpose, for example a historical building where in meeting the definition of a heritage asset, portion of the building is used for the purpose of office accommodation. The Municipality will use its judgement to assess whether the asset is accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset is accounted for in accordance with the Standard of GRAP on PPE.

### **7.5 Discontinued Operations (GRAP 100)**

A non-current asset shall be classified as Asset Held for sale if it is carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

## **8 ASSET IDENTIFICATION**

The Municipality applies an asset identification system to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. In practice, every individual asset shall have a unique identification number. Immovable assets are generally identified by means of an accurate description of their Facility name.

## **9 ASSET REGISTER**

The Municipality's Asset Register is in an electronic system. The Financial Asset Register (FAR) provides data required by the

Municipality to effectively apply the applicable accounting standards and is linked to a physical ('Technical') asset register (TAR) to support its Immovable Asset Management practice. The Financial asset register is updated and reconciled to the general ledger on a monthly basis. The Financial and Technical Asset Registers are configured to inform each other.

The Financial Asset Register shall reflect, as a minimum for each of the assets all the fields contained in the MFMA-Local Government Capital Asset Management Guideline section 5.1.1. as per Annexure C.

The Technical Asset Register shall reflect the following information, as a minimum, for each of the assets:

1. a link to the respective item and data in the FAR
2. spatial representation (point, line of polygon, as applicable to the asset type)
3. the Current Replacement Cost
4. the Depreciated Replacement Cost
5. the failure mode status (condition, utilisation, performance, cost of operation)
6. the criticality
7. the expected useful life and remaining useful life (in line with the FAR)
8. maintenance budget needs
9. maintenance budget allocated

### **10.1 Updating the Financial Asset Register**

All DCMs under whose control any fixed asset falls shall promptly provide the CFO in writing with any relevant information when so required, to compile the fixed asset register, and shall promptly advise the CFO in writing of any material change that may occur in respect of such information.

A fixed asset shall be capitalized, that is, recorded in the financial asset 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 capitalized as a fixed asset.

A fixed asset shall remain in the financial 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.

Manager AFS, Assets and Reporting shall ensure that reconciliations are performed on a monthly basis between the general ledger values and the asset values.

**The Manager AFS, Assets and Reporting shall allocate depreciation rates and methods to each asset class and component type and ensure that depreciation calculations are correctly applied and posted in the general ledger.**

### **10.2 Updating the Technical Asset Register**

DCMs that are responsible for immovable assets shall update data in the Technical Asset Register (TAR) in accordance with the Immovable AM Procedures Manual

approved by the CM. Relevant data from the TAR shall inform the updating of the Financial Asset Register.

The Manager Asset Management must ensure that the Technical Asset Register and the Assets under Construction Register is updated in accordance with the relevant data and that all asset records are deemed compliant.

The Manager Asset Management must ensure that the Technical Asset Register through its systems approval process replicates Assets data records to the Financial system, i.e. the Financial Asset Register.

The Manager Asset Management must ensure that a Full reconciliation is done between the Technical Asset Register to the Financial Asset Register and such reconciliation is signed off by the DCM IS.

## **11 CAPITALISATION AND MEASUREMENT CRITERIA**

### **11.1 Acquisitions**

All assets are only acquired in terms of the Municipality's Supply Chain Management Policy and in terms of the budgetary provisions. The responsibility for the purchase of assets are delegated in terms of Council's Delegation Framework and Supply Chain Management Policy. Depending on the cost and lifespan of the asset to be purchased, the following refers to the procedure for purchasing an asset:

- a) Funds can only be spent on a capital project if:
  - i) The capital and related operating expenses have been identified and recorded in the Municipality's Integrated Development Plan.
  - ii) Evidence of planning is evident; and
  - iii) It is confirmed that funding is available for that specific project (and not simply a budget appropriation). The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;
  - iv) The capital and related operating expenses have been appropriated in the Municipality's MTREF;
  - v) The asset fits the definition of an asset (as defined in GRAP 16, GRAP 17, GRAP 27, GRAP 31 and GRAP 103)
  - vi) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
  - vii) The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
  - viii) The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.
  - ix) The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
  - x) Space and other necessary facilities to accommodate the asset are in place; and
  - xi) Acquisition of assets must be in accordance with the Immovable Procedures Manual, Section 6;

- xii) Once delivered the asset must be labelled/bar-coded by the Financial Services Department before such asset is put into use;
- xiii) Project Control system (PCS) must be updated by all procuring departments to ensure that all related acquisition documentation is uploaded into the system for safeguarding.

## **11.2 Reinstatement, Maintenance and Other Expenses**

Only expenses incurred in the enhancement of an asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of an asset is capitalized.

Expenses incurred in the maintenance or reinstatement of an asset is considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalized, irrespective of the quantum of the expenses concerned.

Expenses, that are reasonably ancillary to the bringing into operation of an asset, may be capitalized as part of such asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

## **11.3 Property, Plant and Equipment**

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an 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. Where an item of property, plant and equipment 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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment. If the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of

operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at fair value as at the date of acquisition.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

The cost of a statutory inspection that is required for the entity to continue to operate immovable PPE is recognised at the time the cost is incurred, and any previous statutory inspection cost is derecognised. The period to the next inspection is the expected life.

If there is a change in a provision for which the asset relates, and the change results in addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the related asset is tested for impairment by estimating its recoverable amount or recoverable service amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets or non-cash generating assets.

If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the

statement of financial performance unless it is included in the carrying amount of another asset.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in accordance with the Standard of GRAP on accounting policies, changes in accounting estimates and errors and in accordance with the Municipality's Immovable Procedures Manual. Reviewing the useful life of an asset on an annual basis does not require the Municipality to amend the previous estimate unless expectations differ from the previous estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Financial Performance. \

### **Rules**

1. Where respective unbundling documentation for a constructed or renewed asset are not available, Capitalisation Certification in accordance with the Immovable Asset Management Procedures Manual must be signed off by respective DCM and submitted to the Asset Management office.

## **11.4 Investment Property**

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when it is probable that 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.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Transfers to or from, investment property shall be made when there is a change in use evidenced by commencement or ending of owner occupation, commencement of operating lease to another party and development with a view to sale.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when compensation becomes receivable.

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

#### **Rules:**

1. The Asset Management Office must review annually the Municipalities Investment Property in consultation with the user department City Development to ensure a true reflection of Assets held for Investment purposes reflected in the Asset Register;
2. The Asset Management Office must receive signoff annually from the DCM City Development on such alignment.

### **11.5 Intangible Assets**

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.
- the expenditure attributable to the intangible asset during its development can be reliably measured by the Municipality.

Intangible assets are initially recognised at cost. 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. 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date. If the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude remains in force as the Municipality exercises its rights under such servitudes. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

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

#### **Rules:**

1. It is the responsibility of the DCM Corporate Services to ensure that all licenced computer software other than operating software are accounted for.

### **11.6 Heritage Assets**

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the cost or fair value can be measured reliably.

If the Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset shall be disclosed in the notes to the financial statements.

The Municipality uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on Borrowing costs.

Heritage assets are subsequently measured using the cost model which is cost less accumulated impairment losses subsequent to initial recognition. Heritage assets are not depreciated due its nature, however the Municipality assesses at each reporting date whether there are indications of impairment and, if any, impairment exists, the Municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

Transfers from heritage assets is made when a particular asset no longer meets the definition of a heritage asset and transfers to heritage assets is made when the asset meets the definition of a heritage asset.

The heritage asset is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in the Statement of Financial Performance when the heritage asset is derecognised.

### **11.7 Donated Assets**

Where an asset is donated to the Municipality, or an asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned is recorded in the asset register at its fair value.

### **11.8 Assets under Construction (WIP)**

If the asset is constructed over a period of time, it is recorded in the Assets under Construction Register (WIP) until it is available for use, where after it shall be appropriately unbundled and capitalized as a non-current asset.

The Municipality through the Infrastructure Asset Management Unit reviews and updates its Assets under Construction register periodically to ensure that completed assets are removed. The Unit also updates the Assets under Construction register whereby it reviews the Municipality's Capital budget to identify assets constructed or renewed.

### **Rules**

The Manager Asset Management must receive sectorial signoff of infrastructure projects that will remain in WIP for the financial year.

## **12 SUBSEQUENT MEASUREMENT**

### **12.1 Cost Model**

Municipality has elected to apply the cost model, therefore PPE and Investment Property assets are carried after recognition at cost less any accumulated depreciation and any accumulated impairment losses. Heritage assets are carried at cost less any accumulated impairment losses. Statutory inspections shall be carried at the cost of the inspection less accumulated depreciation.

### **12.2 Expenses to be Capitalised**

Expenses incurred in the enhancement of immovable PPE (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of immovable PPE are capitalised. Such expenses are recognised once the entity has beneficial use of the asset (be it new, upgraded, and/or renewed) – prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of immovable PPE that ensures that the useful operating life of the asset is attained, are considered as operating expenses and are not capitalised, irrespective of the quantum of the expenses concerned.

### **12.3 Capital Spares**

The location of capital spares shall be amended once they are placed in service, or moved, to another place of service, and re-classified to the applicable immovable PPE asset sub-category.

## **13 DEPRECIATION**

Depreciation is the systematic allocation of the depreciable amount of an asset over its remaining useful life. The amortisation of intangible assets is identical. Land is considered to have unlimited life; therefore, it is not depreciated. Heritage assets are also not depreciated.

### **13.1 Depreciation Method**

Depreciation of assets is applied at the component level. The depreciation method is selected to model the consumption of service potential or economic benefit (The default treatment for depreciable assets in service is the straight-line method).

### **13.2 Remaining Useful Life**

The remaining useful life of a depreciable asset is the time remaining until an asset ceases to provide the required standard of performance or economic usefulness. The remaining useful life of all depreciable assets at initial recognition is the same as the Expected Useful Life indicated in the annexures to this policy. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions, and operating conditions), the life-cycle strategy of the Municipality, potential technical obsolescence, and any legal limits on the use of the assets.

### **13.3 Annual Review of Remaining Useful Life**

The remaining useful lives of depreciable assets are reviewed every year at the reporting date. The indefinite useful life of intangible assets is also reviewed at each reporting date. Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments. Depreciation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

### **13.4 Depreciation Charge**

Depreciation starts once an asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases when it is de-recognised. Depreciation is initially calculated from the day when an asset is acquired or – in the case of construction works and plant and machinery – the day in which the asset is available for use. Depreciation charges are calculated monthly.

### **13.5 Capital Spares**

The depreciation of capital spares commences immediately once the asset is available and, in the location, and condition necessary for it to be capable of operating in the manner intended by management. The depreciation continues once they are placed in service, or subsequently removed from service. When held in stores, capital spares are not depreciated.

### **13.6 Major Inspections**

Major inspections are capitalised as part of the asset's cost price.

### **13.7 Finance Lease**

Depreciable assets financed through a finance lease give rise to a depreciation expense and finance cost for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with the Standard on PPE GRAP 17. If there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. If there is certainty that the entity will obtain ownership by the end of the lease term, the asset will be fully depreciated over the asset's useful life.

## **14 IMPAIRMENT**

### **14.1 Indications of Impairment**

The Municipality reviews its assets for impairment when one of the indicators below occurs and at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, the Municipality considers, as a minimum, the following indicators:

a) External sources of information:

- decline or cessation in demand;
- changes in the technological, legal or government policy environment;

- the carrying amount of the net assets of the entity is more than its market capitalisation; or
- market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- a halt in construction could indicate an impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.

b) Internal sources of information:

- evidence of physical damage;
- evidence of obsolescence;
- significant 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 a manner in which, an asset is used or is expected to be used, including an asset becoming idle, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- the actual net cash flow or operating profit or loss flowing from an asset are significantly worse than those budgeted;
- a significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss, flowing from the asset; or
- Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

c) Other indications, such as loss of market value.

## 14.2 Impairment Reviews

The impairment review procedures are conducted in accordance with the Asset Management Procedures Manuals, Section 6 and 7.

## 14.3 Impairment of Projects under Construction

In assessing whether a halt in construction would trigger an impairment test, the Municipality through the Asset Management Unit considers whether construction has simply been delayed or postponed, whether there is an intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postponed to a specific future date, the project may be treated as work in progress and is not considered as halted.

### **Rule:**

The Manager Asset Management at each reporting date must receive signed off Asset Impairment Questionnaire from respective sectorial departments

#### **14.4 Intangible Assets**

The Municipality shall test all intangible assets associated with asset in use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period provided it is performed at the same time every year.

#### **14.5 Significant and Enduring Nature**

The Municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the entity must estimate the recoverable service amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

#### **14.6 Impairment Loss**

An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (smallest group of assets that generate cash inflows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

#### **14.7 Non-Cash Generating Units**

Non-cash-generating units are those assets (or group of assets) that are not held with the objective of generating a commercial return. This would apply to assets providing goods or services for community or social benefit. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use. If there are no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that the Municipality could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash generating assets that are held on an ongoing basis to provide specialised services or public goods to the community, the value in use of the assets is considered likely to be greater than the fair value less cost to sell. In such cases the Municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit/asset is the present value of the asset's remaining service potential.

This can be determined using any of the following approaches:

- the Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciated Replacement Cost (ODRC) approach may be used);
- the restoration cost approach (the Depreciated Replacement Cost less cost of restoration) – usually used in cases where there has been physical damage; or
- the service units' approach (which could be used where a production units' model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired – this will normally be the case unless there has been a significant and enduring event as indicated above.

#### **14.8 Cash Generating Units**

Cash-generating units are those assets held by the Municipality with the objective of generating a commercial return. An asset is considered to generate a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a "commercial return" indicates that the Municipality intends to generate positive cash inflows from the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. Since the Municipality has adopted the cost model, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and net cash flows to be received or (paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

#### **14.9 Judgement**

The extent to which an asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be a non-cash-generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases, it may not be clear whether the objective of holding an asset is to generate a commercial return. In such cases it is necessary for the Municipality to evaluate the significance of the cash flows, and, where necessary, apply judgment.

#### **14.10 Recognition of Impairment**

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow from an asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, is debited to the Statement of Financial Performance as a "Loss on Disposal of Asset".

In the event of compensation received for damages to an item of asset, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired/ derecognised.

#### **14.11 Reversing an Impairment Loss**

The Municipality shall assess each year the sources of information indicated above to identify whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

### **15 ASSET DISPOSAL**

#### **15.1. DE-RECOGNITION**

Assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. In line with regulations regarding de-recognitions and disposals of assets in municipalities set out in Government Gazette No 31346, assets are either:

- “scrapped” (such as is often the case during regular capital renewal of asset – for example on replacement of pipes or pumps at the end of their useful life);
- “disposed” - when there is scope for financial proceeds, or, the opposite, where there is a need to incur costs to make safe, or otherwise de-commission or demolish an asset, and /or environmentally rehabilitate an asset; or
- “transferred” to another entity without compensation (for example in terms of changes in legislation relating to custodianship over public assets).

The carrying amount of the asset and the net disposal proceeds (or cost of de-commissioning and/or disposal of the asset) are included in the surpluses or (deficits) for the year when the item is derecognised.

### **16 TRANSFER AND WRITING OFF ASSETS**

In terms of Section 14 (4) of the MFMA, all DMMs of Departments and delegated managers shall recommend all asset movements, which relate to:

- Writing-off of assets no longer providing a basic level of municipal service (limited to the purchase cost of R50 000);
- Transferring of assets (only movable fixed assets);
- Reporting losses of assets to Council, only for assets of which purchase cost is in excess of R2000. For the purposes of this delegation all goods classified as “tool box items” (these are assets not capitalised but do have an economic life in excess of one year and are used for Municipal service delivery and held by a specific section or employees of a department) goods will also be included in such report, should the value or accumulated value of lost goods in such a “tool box”, exceed the latter amount, then such goods will be included in such report.

## **17 INSURANCE OF ASSETS**

Section 63(a) of the MFMA has been delegated by the Accounting Officer to the Chief Financial Officer. The administration of the insurance cover for the assets is done by the Office of the Chief Financial Officer.

## **18 SAFEKEEPING OF ASSETS AND INTERNAL CONTROL**

The Municipality applies controls and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage. The existence of assets is physically verified from time-to time, and measures are adopted and reviewed annually to exercise control on their use. Budgetary constraints may however constrain the measures adopted. The Municipality allocates duties relating to such control and safekeeping to asset custodians, and record such in the asset register.

### **Rules:**

On employee exit, missing assets must be recouped from the asset custodian as per the assets Carrying value. Financial services must provide HR Administration with the details to ensure financial recovery of missing asset.

## **19 LIFE-CYCLE MANAGEMENT OF IMMOVABLE ASSETS**

The Municipality shall ensure that it manages the full lifecycle of its portfolio of immovable assets from planning, creation, operations and maintenance, capital renewal and disposal in line with legislative requirements, recognised industry practice and in support of its strategic objectives.

### **19.1 Service Delivery**

Immovable PPE assets (such as infrastructure) are the means by which the entity delivers a range of essential services. Consequently, the Municipality recognises that effective management of such assets is critical to meeting the strategic objectives of the entity and in measuring its performance.

### **19.2 Asset management objective**

The Municipality's objective is to achieve targeted level and standards of service, in a cost-effective manner, through the management of its infrastructure assets, for present and future customers. In pursuing this objective, the Municipality has adopted core principles of recognised good practice in Asset Management as follows:

- taking a life-cycle approach;
- developing cost-effective management strategies for the long-term;
- providing a defined level of service and monitoring performance;
- understanding and meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset failures;
- sustainable use of physical resources; and
- continuous improvement in the immovable PPE Asset Management practices.

### **19.3 Immovable Asset Management Procedure Manual**

The DCM: Infrastructure Services must maintain its Immovable Asset Management Procedures Manual that sets out an annual schedule of required associated processes, roles and responsibilities, format for the asset management plans, data models, and forms to be used.

The data models include:

- A schedule of adopted component types
- The expected useful life and residual value of all components
- Standardised failure modes, and their application at different levels of detail
- Standardised criticality grading scales
- The risk matrix applicable to infrastructure management
- Component lifecycle strategies

Forms include:

- Capitalisation of assets
  - Land transfer
  - Asset de-recognition
  - Change in data
  - Impairment candidate
- Reversal of impairment

### **19.4 Asset Management Plans**

The Municipality must establish and adopts key elements of its asset management framework the following:

- Asset Management Plans per sector, that report on the current status of service provision, identify all infrastructure lifecycle needs (now and in the future), assesses affordability and priorities, and recommends tactical response plans; and
- Strategic Asset Management Plans that integrate the various sector AM Plans and report strategic scenarios to inform the IDP process in the short and medium term, and, in turn, the setting of the associated budgets and performance plans, and also inform long term strategies (that is particularly important in the context of long-life assets such as infrastructure).

## **20 PRE-ACQUISITION PLANNING AND REPORTING**

Sectoral departments must identify asset creation / acquisitions during the budget process that are considered high risk in terms of social; economic and environmental impacts, and consequently are deemed to require the preparation of a business case.

Before these identified fixed assets are acquired, the respective department requiring the asset must adequately demonstrate:

- That the asset is identifiable in the integrated development plan and the respective multiyear budgets;

- That there is a clear, social/economic/environmental, business case, motivating the asset acquisition;
- That all projected capital and operational costs have been identified over all the financial years that such asset will influence municipal service delivery;
- That future income and tariff implications have been identified;
- That the physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation are considered; and
- Alternatives to this asset purchase.

## **22. PURCHASE OR HIRE OF IMMOVABLE PROPERTY**

The Municipality may acquire by purchase, or by hire, immovable property within or outside the municipal boundary provided it complies with the requirements of the MFMA and the Supply Chain Management Policy and subject to the following:

- a) The cost of the purchase or hire had been budgeted for;
- b) The intention to buy or hire the immovable property had been advertised for public comment;
- c) After consideration of any public comments/objections, the Council will:
  - In the case of the following paragraph complies with the requirements of that paragraph; and
  - In the case of all other immovable property, finally resolve to continue with the purchase or hire and apply the supply chain management processes.
- d) The Council will not continue with the purchase or hire of any immovable property where:
  - The price is in excess of the market value thereof as assessed by an appraiser; or
  - The rental which, when calculated per annum in the case of:
    - i) Immovable property hired for agricultural purposes, exceeds six percent; and
    - ii) Immovable property hired for any other purpose, exceed twelve percent of the market value of the property, as assessed by an appraiser.

The Council may accept a gift or conveyance of immovable property either for the Municipality or in Trust for charitable or other public purposes not connected with public worship and hold the same in such Trust or for such purpose as may be declared by such donors and may administer, utilize and improve such property.

The Trustees of any immovable property held in Trust for any township, village or settlement which has become a Municipality or part of a Municipality may transfer such property to the Council, subject to any special Trusts in their deeds of title and upon conditions not at variance therewith.

## **23 MAINTENANCE**

### **23.1 Maintenance Plans**

Every DCM is directly responsible for ensuring that all assets under their control are adequately maintained in a manner that will ensure that such items attain their useful operating lives.

Maintenance activities relating to Immovable assets are in accordance with life cycle strategies per component type as per the Immovable AM Procedures Manual, are applied in line with the prevailing operational environment and available resources. Each financial year, the DCMs responsible for the respective immovable asset portfolios must prepare a Maintenance Plan for immovable assets under their control indicating the nature of work and planned maintenance costs.

### **23.2 Deferred Maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the CFO shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.

## **24 REPLACEMENT STRATEGY**

The Municipality has adopted standardized lifecycle strategies for each component type as indicated in the annexures to this policy. This includes the expected useful lives, maintenance activities normally required to achieve such life, and the expected replacement or renewal treatment. Such is documented in the AM Procedures Manual.

## **25 POLICY IMPLEMENTATION**

The detailed procedures manuals are prepared for movable and immovable assets in the Municipality.

## ANNEXURE A – EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF IMMOVABLE ASSETS

| Component type                   | Expected Useful life (years) | Residual Value Percentage |
|----------------------------------|------------------------------|---------------------------|
| Aerator                          | 15                           | 0                         |
| Air conditioning                 | 8                            | 0                         |
| Anchored wall                    | 50                           | 0                         |
| Antenna                          | 10                           | 0                         |
| Automated electricity meter      | 10                           | 0                         |
| Auto-recloser                    | 50                           | 0                         |
| Auxiliary equipment              | 50                           | 0                         |
| Baler                            | 15                           | 0                         |
| Ballasts                         | 80                           | 50                        |
| Basketball court                 | 20                           | 0                         |
| Batteries                        | 20                           | 0                         |
| Battery charger                  | 10                           | 0                         |
| Battery tripping unit            | 50                           | 0                         |
| Bearing                          | 15                           | 0                         |
| Billboard                        | 15-30                        | 0                         |
| Boiler                           | 60                           | 0                         |
| Boiler feed pump                 | 15                           | 0                         |
| Borehole - Complete Installation | 30                           | 0                         |
| Bowling green                    | 20                           | 0                         |
| Building - Complete Installation | 20-50                        | 0                         |
| Capacitor bank                   | 20                           | 0                         |
| Carport                          | 7                            | 0                         |
| Cast iron                        | 50                           | 0                         |
| Cathodic protection              | 15                           | 0                         |
| CCTV dome camera                 | 5                            | 0                         |
| Channel                          | 20                           | 0                         |
| Chemical toilet                  | 10                           | 0                         |
| Chiller                          | 10                           | 0                         |

|                                        |       |     |
|----------------------------------------|-------|-----|
| Chlorine dosing                        | 20    | 0   |
| Communal standpipe                     | 10    | 0   |
| Communication cable                    | 15    | 0   |
| Communications switch                  | 5     | 0   |
| Commuter shelter                       | 15-30 | 0   |
| Compactor                              | 15    | 0   |
| Compressor                             | 10    | 0   |
| Condenser                              | 30    | 0   |
| Conductivity Meter                     | 5     | 0   |
| Conservation areas (all as applicable) | n/a   | n/a |
| Control cable                          | 5-10  | 0   |
| Control kiosk                          | 10    | 0   |
| Control panel                          | 50    | 0   |
| Conventional electricity meter         | 30    | 0   |
| Conveyor belt                          | 10    | 0   |
| Crane                                  | 20    | 0   |
| Culvert                                | 60    | 0   |
| Current transformer                    | 50    | 0   |
| Distributed control system             | 15    | 0   |
| Doser                                  | 15    | 0   |
| Earth structure                        | 50    | 0   |
| Earthworks                             | 100   | 0   |
| Economiser                             | 50    | 0   |
| Effluent licences                      | n/a   | n/a |
| Electrical equipment                   | 15    | 0   |
| Electrical installation (building)     | 30    | 0   |
| Electrical service connection          | 50    | 0   |
| Electricity bulk meter                 | 10    | 0   |
| Electricity servitude                  | n/a   | n/a |
| Electricity transmission reserve       | n/a   | n/a |
| Engine                                 | 10-20 | 0   |
| Engine - gas                           | 10-20 | 0   |
| Erosion protection                     | 20    | 0   |

|                                        |       |    |
|----------------------------------------|-------|----|
| Exciter                                | 20    | 0  |
| External furniture                     | 20    | 0  |
| External lighting                      | 30    | 0  |
| Extraction blower                      | 15    | 0  |
| Fabricated steel                       | 10-40 | 0  |
| Fan                                    | 15    | 0  |
| Fibre-optic cable                      | 50    | 0  |
| Filter                                 | 20    | 0  |
| Filter media                           | 10    | 0  |
| Finishes, fixtures and fittings        | 15    | 0  |
| Fire protection                        | 20    | 0  |
| Flare stack                            | 30    | 0  |
| Floor                                  | 50    | 0  |
| Footpath                               | 20-40 | 0  |
| Gabions                                | 40-80 | 0  |
| Gasometer                              | 15    | 0  |
| Gearbox                                | 15    | 0  |
| Generator                              | 20    | 0  |
| Generator breaker                      | 50    | 0  |
| Generator busbar                       | 50    | 0  |
| Generator transformer                  | 50    | 0  |
| GIS busbar                             | 50    | 0  |
| GIS switchgear                         | 50    | 0  |
| Golf course                            | 50    | 30 |
| Grid inlet                             | 30    | 0  |
| Guard rail                             | 25    | 0  |
| Heat exchanger                         | 30    | 0  |
| High mast light                        | 50    | 0  |
| Historic buildings (all as applicable) | NA    | NA |
| HV busbar indoor                       | 50    | 0  |
| HV busbar outdoor                      | 50    | 0  |
| HV cable                               | 50    | 0  |

|                                                                    |               |    |
|--------------------------------------------------------------------|---------------|----|
| HV circuit breaker                                                 | 50            | 0  |
| HV compact circuit breaker, isolator, and current transformer unit | 50            | 0  |
| HV earth switch                                                    | 50            | 0  |
| HV isolator                                                        | 50            | 0  |
| HV overhead line conductor                                         | 50            | 0  |
| HV overhead line support structure                                 | 50            | 0  |
| HV transformer                                                     | 50            | 0  |
| Hydrant                                                            | 20            | 0  |
| Improved property                                                  | NA            | NA |
| IP Phone                                                           | 5             | 0  |
| Irrigation                                                         | 10            | 0  |
| Jukskei court                                                      | 20            | 0  |
| Kerb                                                               | 50            | 0  |
| Kerb inlet                                                         | 20            | 0  |
| Land                                                               | NA            | 0  |
| Landfill restoration                                               | As Applicable | 0  |
| Landscaping                                                        | 30-50         | 0  |
| Lifts                                                              | 30            | 0  |
| Lightning mast and shield wiring                                   | 50            | 0  |
| Lining – landfill                                                  | 50            | 0  |
| Load control set                                                   | 10            | 0  |
| LV cable                                                           | 60            | 0  |
| LV circuit breaker                                                 | 30            | 0  |
| LV kiosk                                                           | 45            | 0  |
| LV overhead line                                                   | 45            | 0  |
| LV pole top box                                                    | 20            | 0  |
| Masonry structure                                                  | 50            | 0  |
| Measurement instrumentation                                        | 15            | 0  |
| Mini roundabout                                                    | 20            | 0  |
| Mixer                                                              | 15            | 0  |
| Monuments (all as applicable)                                      | NA            | NA |
| Motor                                                              | 15            | 0  |

|                                                                   |        |     |
|-------------------------------------------------------------------|--------|-----|
| Multiplexer                                                       | 10     | 0   |
| MV cable                                                          | 50     | 0   |
| MV circuit breaker                                                | 50     | 0   |
| MV compact circuit breaker, isolator and current transformer unit | 50     | 0   |
| MV earth switch                                                   | 50     | 0   |
| MV isolator                                                       | 50     | 0   |
| MV overhead line                                                  | 45     | 0   |
| MV transformer                                                    | 50     | 0   |
| Netball court                                                     | 15     | 0   |
| Network control kiosk                                             | 10     | 0   |
| Oil burner                                                        | 30     | 0   |
| Other heritage (all as applicable)                                | n/a    | n/a |
| PABX                                                              | 10     | 0   |
| Parking meter                                                     | 10     | 0   |
| Paving                                                            | 20-40  | 0   |
| Pedestrian bridge railing                                         | 30-50  | 0   |
| Pedestrian bridge substructure                                    | 30-50  | 0   |
| Pedestrian bridge superstructure                                  | 30-50  | 0   |
| Perimeter protection                                              | 15-30  | 0   |
| Pipe – fuel                                                       | 25     | 0   |
| Pipe – gas                                                        | 20     | 0   |
| Pipe – sewer                                                      | 30-100 | 0   |
| Pipe – steam                                                      | 15     | 0   |
| Pipe – storm water                                                | 50     | 0   |
| Pipe – water                                                      | 40-80  | 0   |
| Pipe bridge abutment                                              | 30-50  | 0   |
| Pipe bridge railing                                               | 30-50  | 0   |
| Pipe bridge substructure                                          | 30-50  | 0   |
| Pipe bridge superstructure                                        | 30-50  | 0   |
| Plumbing                                                          | 20     | 0   |
| Points (rail)                                                     | 15     | 0   |
| Precipitator                                                      | 30     | 0   |

|                            |       |     |
|----------------------------|-------|-----|
| Prepaid electricity meter  | 10    | 0   |
| Pressure vessel            | 60    | 0   |
| Process instrumentation    | 15    | 0   |
| Pulveriser                 | 20    | 0   |
| Pump – hand                | 15    | 0   |
| Pump - pool                | 15    | 0   |
| Pump – sewer               | 15    | 0   |
| Pump – submersible         | 12    | 0   |
| Pump – water               | 15    | 0   |
| Radio infrastructure       | 10    | 0   |
| Rail bridge abutments      | 80    | 0   |
| Rail bridge side barrier   | 80    | 0   |
| Rail bridge substructure   | 80    | 0   |
| Rail bridge superstructure | 80    | 0   |
| Rail lines                 | 50    | 0   |
| Rail reserve               | n/a   | 0   |
| RC structure               | 50-80 | 0   |
| Reactor                    | 50    | 0   |
| Reheater                   | 50    | 0   |
| Retaining wall             | 40-60 | 0   |
| Ring main unit             | 50    | 0   |
| Road bridge abutment       | 50-80 | 0   |
| Road bridge side barrier   | 50-80 | 0   |
| Road bridge substructure   | 50-80 | 0   |
| Road bridge superstructure | 50-80 | 0   |
| Road reserve               | n/a   | n/a |
| Road structural layer      | 30-80 | 0   |
| Road surface               | 3-20  | 0   |
| Rollers                    | 10    | 0   |
| Roof                       | 30-40 | 0   |
| Router                     | 10    | 0   |
| SCADA                      | 15-25 | 0   |

|                                       |       |     |
|---------------------------------------|-------|-----|
| Scale                                 | 10    | 0   |
| Screen                                | 20    | 0   |
| Screw                                 | 15    | 0   |
| Sectionaliser                         | 45    | 0   |
| Security system                       | 5-10  | 0   |
| Septic tank                           | 40    | 0   |
| Server                                | 10    | 0   |
| Sewerage servitude                    | n/a   | n/a |
| Sign – general                        | 15    | 0   |
| Sign – regulatory                     | 7     | 0   |
| Signalling                            | 15    | 0   |
| Small building/enclosure              | 20-50 | 0   |
| Solar Installation                    |       |     |
| Solid waste licences                  | n/a   | n/a |
| Spectator stand                       | 50    | 0   |
| Speed hump                            | 50    | 0   |
| Sports field                          | 15-30 | 0   |
| Squash court                          | 30    | 0   |
| Stadium                               | 50    | 0   |
| Station earthing – mat and electrodes | 50    | 0   |
| Steel structure                       | 60    | 0   |
| Storage area network                  | 10    | 0   |
| Storm-water reserve                   | n/a   | n/a |
| Storm-water servitude                 | n/a   | n/a |
| Street lights                         | 45    | 0   |
| Street rubbish bin                    | 10-20 | 0   |
| Subsoil drain                         | 50    | 0   |
| Super heater                          | 30-60 | 0   |
| Surge arrestor                        | 50    | 0   |
| Swimming pool                         | 20    | 0   |

|                                   |       |     |
|-----------------------------------|-------|-----|
| Tank                              | 15-30 | 0   |
| Telemetry                         | 10    | 0   |
| Tennis court                      | 15    | 0   |
| Testing rollers                   | 10    | 0   |
| Timber pole structure             | 15    | 0   |
| Traffic island                    | 30    | 0   |
| Traffic signal units              | 15    | 0   |
| Transformer NECRT                 | 50    | 0   |
| Transformer NER                   | 50    | 0   |
| Tunnel bore structure             | 80    | 0   |
| Turbidity Meter                   | 5     | 0   |
| Turbine                           | 45    | 0   |
| Unimproved property               | n/a   | n/a |
| Uninterrupted power supply        | 15    | 0   |
| Valve – fuel                      | 25    | 0   |
| Valve – gas                       | 20    | 0   |
| Valve - sewer                     | 45    | 0   |
| Valve – steam                     | 15    | 0   |
| Valve – water                     | 45    | 0   |
| Vending station                   | 15    | 0   |
| VIP latrine (excluding structure) | 3-10  | 0   |
| Volleyball court                  | 20    | 0   |
| Voltage transformer               | 50    | 0   |
| Walls                             | 60    | 0   |
| Water meter                       | 10    | 0   |
| Water Rights                      | n/a   | n/a |
| Water servitude                   | n/a   | n/a |
| Weighbridge                       | 15    | 0   |
| Well                              | 30    | 0   |
| Winch                             | 15    | 0   |

|                                  |     |     |
|----------------------------------|-----|-----|
| Wireless access point            | 10  | 0   |
| Works of art (all as applicable) | n/a | n/a |

**ANNEXURE B – EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF MOVABLE, HERITAGE AND INTANGIBLE ASSETS**

| <b>Component type</b>       | <b>Expected Useful life (years)</b> | <b>Residual Value Percentage</b> |
|-----------------------------|-------------------------------------|----------------------------------|
| Motor vehicles              | 4-7                                 | 0                                |
| Motor cycles                | 3                                   | 0                                |
| Fire equipment              | 10-15                               | 0                                |
| Ambulance equipment         | 5                                   | 0                                |
| Fire hoses                  | 5                                   | 0                                |
| Emergency lights            | 5                                   | 0                                |
| Household refuse bins       | 5                                   | 0                                |
| Bulk containers             | 8-10                                | 0                                |
| Trucks and bakkies          | 5-7                                 | 0                                |
| Aircraft                    | 10-15                               | 0                                |
| Watercraft                  | 15-20                               | 0                                |
| Fire engines                | 5-10                                | 0                                |
| Buses                       | 10-15                               | 0                                |
| Graders                     | 10-15                               | 0                                |
| Tractors                    | 10-15                               | 0                                |
| Mechanical horses           | 10                                  | 0                                |
| Farm equipment              | 5                                   | 0                                |
| Lawnmowers                  | 2                                   | 0                                |
| Compressors                 | 3-5                                 | 0                                |
| Laboratory equipment        | 5                                   | 0                                |
| Radio equipment             | 5                                   | 0                                |
| Fire arms                   | 5                                   | 0                                |
| Telecommunication equipment | 5                                   | 0                                |
| Plant and equipment general | 5-10                                | 0                                |
| Cable cars                  | 15                                  | 0                                |
| Irrigation systems          | 15                                  | 0                                |
| Cremators                   | 15                                  | 0                                |
| Lathes                      | 15                                  | 0                                |

|                                      |      |   |
|--------------------------------------|------|---|
| Milling equipment                    | 15   | 0 |
| Conveyors                            | 15   | 0 |
| Feeders                              | 15   | 0 |
| Tippers                              | 7-15 | 0 |
| Pulverising mills                    | 15   | 0 |
| Computer hardware                    | 5    | 0 |
| Chairs                               | 5-7  | 0 |
| Tables and desks                     | 5-7  | 0 |
| Cabinets and cupboards               | 5-7  |   |
| Furniture and fittings other         | 5-7  |   |
| Office machines                      | 5    |   |
| Monuments                            | 0    |   |
| Historic buildings                   | 0    |   |
| Works of art                         | 0    |   |
| Conservation areas                   | 0    |   |
| Other heritage                       | 0    |   |
| Servitudes                           | 0    |   |
| Water rights                         | 3-7  |   |
| Effluent licenses                    | 3-7  |   |
| Solid waste licenses                 | 3-7  |   |
| Computer software and applications   | 3-7  |   |
| Load settlement software application | 3-7  |   |

## ANNEXURE C – FINANCIAL ASSET REGISTER FIELDS

|                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Acquisition</b>                                                                                                                                                 |
| • Transaction Date                                                                                                                                                 |
| • Amount                                                                                                                                                           |
|                                                                                                                                                                    |
| <b>Identification</b>                                                                                                                                              |
| • Asset class: should facilitate GRAP financial reporting requirements, e.g. PPE, investment property, intangible asset, etc.                                      |
| • Asset sub-class: Class Level 2 e.g. motor vehicle, furniture, road infrastructure, etc.                                                                          |
| • Asset functional group – Class Level 3 e.g. clinic, warehouse, hall                                                                                              |
| • Asset number: a unique system-generated identifier                                                                                                               |
| • Inventory number: Barcode asset tag                                                                                                                              |
| • Asset specific identifiers: e.g. serial numbers, registration number, erf. number                                                                                |
| • Asset description: e.g. 2005 Toyota Corolla 140i, brown wooden six-seater boardroom table, etc.                                                                  |
| • Location: e.g. Office 123, Store Abc, Erf. Xyz                                                                                                                   |
| • GPS: recommended for easy location (where relevant).                                                                                                             |
|                                                                                                                                                                    |
| <b>Accountability</b>                                                                                                                                              |
| • Department / division: (depends upon organisation)                                                                                                               |
| • Section / unit (depends upon organisation)                                                                                                                       |
| • Cost centre                                                                                                                                                      |
| • Custodian: e.g. user of the asset or person responsible for safeguarding the asset in his/her possession: for laptop, custodian is Mr Jones (Financial Manager). |
| • Transfers: (to record date and transferor)                                                                                                                       |
|                                                                                                                                                                    |
| <b>Performance</b>                                                                                                                                                 |
| • Performance measures (where relevant)                                                                                                                            |
| • Condition Assessment (date, rating, person doing assessment, file no – for details)                                                                              |
| • Warranties, guaranties or certification                                                                                                                          |
| • Useful life: e.g. years/hours/units/mileage, etc. of expected use                                                                                                |
| • Residual value: to be evaluated annually                                                                                                                         |
|                                                                                                                                                                    |
| <b>Disposal</b>                                                                                                                                                    |
| • Date                                                                                                                                                             |
| • Capacity: at date of disposal                                                                                                                                    |

|                                                                                               |
|-----------------------------------------------------------------------------------------------|
| • Condition: e.g. good, fair, bad, etc.                                                       |
| • Remaining useful: if sold earlier than originally planned                                   |
| • Reason for disposal                                                                         |
|                                                                                               |
| <b>Accounting</b>                                                                             |
| • Historical cost (or fair value where cost not available for initial recognition)            |
| • Funding source                                                                              |
| • Useful life: (original)                                                                     |
| • Remaining useful life: (assessed, date of assessment)                                       |
| • Residual value: (original, assessed and date of assessment)                                 |
| • Impairment. (amount, date assessed)                                                         |
| • Depreciation: value and rate: current year                                                  |
| • Accumulated depreciation: life to date                                                      |
| • Carrying amount                                                                             |
| • Disposal (where relevant): (date, realised amount, details on disposal, Council resolution) |



CITY OF  
**UMHLATHUZE**  
VISION INTO ACTION

### APPROVAL & SIGNOFF SHEET

| Designation                                                 | Official                               | Signature |
|-------------------------------------------------------------|----------------------------------------|-----------|
| City Manager (Accounting Officer)                           | Mr N Zulu                              |           |
| Deputy Municipal Manager Infrastructure Services            | Mr E Ngcobo                            |           |
| Deputy Municipal Manager Electricity & Energy Services      | Mr D Marais                            |           |
| Chief Financial Officer                                     | Mr M Kunene                            |           |
| Deputy Municipal Manager Community Services                 | Mr P Mhlongo                           |           |
| Deputy Municipal Manager Corporate Services<br>ACTING       | <del>Ms L Kaywood</del><br>M.B. SIBIYA |           |
| HOS Water & Sanitation                                      | Mr N Maharaj                           |           |
| Acting HOS Engineering Support                              | Mr N Maharaj                           |           |
| HOS Transportation, Roads, Storm water & Coastal Management | Ms N Ngwane                            |           |
| HOS Financial Services Expenditure                          | Mr H Renald                            |           |
| Acting Manager Asset Management                             | Ms R Singh                             |           |
| Manager AFS, Assets & Reporting                             | Mr S Khumalo                           |           |