



**NDLAMBE MUNICIPALITY**

**FIXED ASSETS POLICY**

**2025/2026**

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## **PART 1: INTRODUCTION**

An asset shall mean any resource controlled by the municipality, from which the municipality expects to derive economic benefits or use for service delivery to the general public over a period extending beyond one financial year.

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

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

In other words, the purpose of the Fixed Asset Illustrative Policy is to facilitate the management of assets both operationally and financially (accounting treatment).

## **PART 2: REGULATORY REQUIREMENTS**

Ndlambe Local Municipality is required to comply with the MFMA, MSA, and Circulars, memorandum and guidelines (practice notes) issued by National Treasury.

Directive 5 issued by the Accounting Standards Board, March 2009 required all municipalities to apply the Standards of GRAP to comply with the Determining the GRAP Reporting Framework.

- GRAP 1: Presentation of Financial Statements
- GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 12: Inventories
- GRAP 16: Investment Properties
- GRAP 17: Property, Plant and Equipment
- GRAP 21: Impairment of Non-cash generating Assets
- GRAP 23: Revenue from Non-exchange Transaction
- GRAP 26: Impairment of Cash-generating Assets
- GRAP 100: Non-current Assets Held for Sale and Discontinued Operations
- GRAP 27: Agriculture
- GRAP 102: Intangible Assets
- GRAP 103: Heritage Assets
- GRAP 104: Financial Instruments

## **PART 3: OBJECTIVES**

The objectives of the Fixed Asset Management Policy are:

- To ensure accurate recording of asset information.
- To ensure the accurate recording of asset movements.
- To ensure compliance with Council's Insurance Policies, Supply Chain Management Policy, legislative requirements, GRAP, Accounting standard, MFMA, and Payment Procedure.
- To ensure the effective and efficient control, utilisation, optimisation of usage, safeguarding and management of Ndlambe LM's assets.
- To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality.
- To prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.
- To prescribe the administrative guidelines and internal control procedures to be followed by persons in control of assets with regard to management of those assets.
- To comply with current legislation.

- To emphasise a culture of accountability over fixed assets.
- To ensure that fixed assets are not written off and disposed of without proper authorization.
- To ensure that preventative measures are in place to eliminate theft, loss and misuse.
- To ensure accuracy of the depreciation charge.
- To ensure a formal set of procedures that can be implemented to ensure that fixed assets and financial policies are achieved and are in compliance with the MFMA

## **PART 4: UPDATING OF POLICY**

The Asset Management Unit within the budget and treasury section is responsible for updating the policy on an annual basis. All sections are responsible for submitting requests to change, enhance or improve the existing policy. Requests should be submitted to the Asset Disposal and Insurance Management Co-ordinator throughout the year. The requests should be evaluated by the Asset Disposal and Insurance Co-ordinator on an annual basis and any changes agreed upon should be effected by the Supply Chain Management Unit and presented to the Council on an annual basis. Advice on recommended internal control procedures and interpretation of this document may be obtained from the Asset Controller. It is critical that all changes made to the policy and procedures are properly and timeously communicated.

## **Part 5: DEFINITIONS**

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
5S	Not Applicable	A workplace organisation methodology which uses a list of five Japanese words which are <i>seiri</i> (sort), <i>seiton</i> (shine), <i>seiso</i> (set in order), <i>seiketsu</i> (standardise) and <i>shitsuke</i> (sustain).
AM	MFMA Section 63	Asset Management encompasses planning/demand management, acquisitions, use, maintenance, disposal, safeguarding and accounting of assets Systematic and coordinated activities and practices through which an organisation optimally manages its assets and their associated performance, risks and expenditures over their life cycle for the purpose of achieving its strategic business objectives.
Amortisation	GRAP 17	Amortisation is a systematic allocation of depreciation amount of an intangible of assets over its useful life.

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
Asset register	Municipal Finance Management Act (MFMA), Act 56 of 2003	<p>Section 63</p> <p>“The municipality has and maintains a system of internal control of assets including the asset register an asset register, as may be prescribed.”</p> <p>Asset register is the record keeping of information on each asset that supports the effective financial and technical management of the assets and which complies with statutory requirements</p> <p>A list of all assets owned by NLM, categorised as either:</p> <ol style="list-style-type: none"> <li>1. Infrastructure Assets</li> <li>2. Community Assets</li> <li>3. Heritage Assets</li> <li>4. Investment Properties</li> <li>5. Other Assets</li> </ol>
Availability	N/A	<ol style="list-style-type: none"> <li>1. The probability that equipment will be able to perform its required function over a period of time, or at a given point in time.</li> <li>2. Availability as a measure is an indication of the percentage of the scheduled operating time it was available to operate (as opposed to standing idle). Availability = operating time / scheduled operating time. Note that some organisations differentiate between engineering availability (considering engineering downtime only) and operational availability (considering only operational downtime).</li> </ol>
Biological assets	IAS 41	A biological asset is defined as a living asset or plant.
Capital expenditure	N/A	Funds used to acquire a long-term asset, or to add to the value of an existing asset (i.e. upgrade or refurbish) with a useful life that extends beyond the current taxable year or to replace an asset which economic life time has expired
Carrying amount	GRAP 17	Carrying amount is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation and any impairment losses thereon.
Class of plant, property and equipment	GRAP 17	Class of plant, property and equipment" means a grouping of assets of a similar nature or function in a municipality's operations, which are shown as a single item for the purpose of disclosure in the financial statements
Community assets	GRAP 17	Any asset that contributes to the community's wellbeing. Examples are parks, libraries and fire stations.

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
Condition-based maintenance	GRAP 17	This covers all inspections and tests (condition monitoring) which are done to verify the condition of equipment in order to predict and prevent failures before they occur.
Cost	GRAP 17 GRAP 16	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
Depreciable amount	GRAP 17	The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
Depreciation	GRAP 17	The systematic allocation of the depreciable amount of an asset over its useful life. NLM uses the straight-line method of depreciation.
Design improvement maintenance	GRAP 17	This covers all modifications and projects which are made to equipment to remove a cause of failure.
Fair value	GRAP 17 GRAP 16	The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Heads of sections	Not applicable	All incumbents of post levels 0 and 1 in the different directorates.
Heritage assets	GRAP 103	Culturally significant resources. Examples are works of art, historical buildings and statues.
Infrastructure assets	GRAP 17	Any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.
Investment properties	GRAP 16	Properties that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.
Inventory register	N/A	A register that records and maintains all inventory purchases and movements, with a value less than R1 000.

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
Inventor	GRAP 12	GRAP 12 (Inventories) defines the following as inventory in the public sector: <ul style="list-style-type: none"> <li>• ammunition,</li> <li>• consumable stores,</li> <li>• maintenance materials,</li> <li>• spare parts for plant and equipment other than those dealt with under the Standard of Generally Accepted Accounting Practice on Property, Plant and Equipment,</li> <li>• strategic stockpiles,</li> <li>• work in progress, and</li> <li>• land/property held for sale.</li> </ul>
Life cycle	N/A	The time interval between when the need of an asset is first identified until the asset is disposed of.
MRO items	N/A	Items kept in an engineering store to support AM activities, including spare parts, fasteners, lubricants, consumables, jigs, fixtures, etc.
Non-tactical maintenance	N/A	Non-tactical maintenance is work that does not originate from RCM or OMM analysis; or that is not part of the asset care plan. Non-tactical maintenance covers activities associated with unexpected equipment failure and potential failures.
Operational expenditure	N/A	The on-going costs for running a business or system. This includes the expenses required to maintain the organisation's existing assets.
Other assets	N/A	Assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.
Property, plant & equipment	GRAP 17	Tangible assets that: <ol style="list-style-type: none"> <li>1. Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and</li> <li>2. Are expected to be used during more than one period.</li> </ol>

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
Recoverable amount	GRAP 21	<p>The amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.</p> <p>Cash generating asset</p> <p>The recoverable amount is the higher of its fair value less costs to sell and its value in use.</p> <p>Non-cash generating asset</p> <p>Recoverable amount is the amount that the entity expects to recover from the future use of an asset, including residual value on disposal.</p>
Refurbishment	N/A	The act of restoring an asset to its former good condition, thereby resulting in an extension of its useful life.
Recognition of an asset	GRAP 17	An asset is recognised when it is probable that the future economic benefits or potential service provision will flow to Council and the asset has a cost or value that can be reliably measured.
Run-to-failure	N/A	A maintenance tactic that intentionally allows for the failure of an item, because it is impossible or not cost effective to prevent the failure.
Reliability	N/A	<p>The probability that equipment will perform its prescribed function, under stated conditions, for a stated period.</p> <p>Note the distinction from Availability.</p>
Residual value	GRAP 17	The net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Tactical maintenance	N/A	Tactical maintenance tasks have been developed through some analytical process, such as RCM or OMM as an applicable and cost-effective way to improve equipment reliability. We define four types of tactical work: usage-based maintenance, condition-based maintenance, run-to-failure and design improvement maintenance.
Usage-based maintenance	N/A	Is maintenance conducted at regular, scheduled intervals of usage (kilometres, running hours, months, etc), which were established to avoid failure. It can include inspections, services or replacements. It is only effective if there is a certain age-related deterioration (wear-out).

<b>Term</b>	<b>Standard</b>	<b>Definition</b>
Useful life (EUL)	N/A	Either: 1. The period of time over which an asset is expected to be used by the municipality, or 2. The number of production or similar units expected to be obtained from the asset by the municipality. Details of the EUL's to be used by NLM is included in Appendix A.
Life cycle cost (LCC)	N/A	The sum of costs incurred by the asset owner over the lifetime of an asset, i.e. from the stage at which the asset is planned to the stage at which the asset is disposed in the life cycle stages.
Maintenance Specialized Services	N/A	Advanced maintenance activities and projects of a complex nature that requires advanced skills and coordination such as Condition Monitoring, RCA, cathodic protection, and Maintenance Planning and Scheduling.

## **PART 6: DEFINITION OF A FIXED ASSET**

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions 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).

A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognized as a fixed asset, an asset must also meet the criteria referred to in Parts 13, 14 and 15 below.

An asset held under a finance lease, shall be recognized as a fixed asset, as the municipality has control over such an asset even though it does not own the asset.

## **PART 7: ROLE OF MUNICIPAL COUNCIL**

The municipal council must approve the temporary and/ or permanent transfer of all moveable assets exceeding approved limits, as stipulated in the "Power of Delegation" of the municipality and approve the writing-off, disposal of obsolete or redundant assets.

## **PART 8: ROLE OF MUNICIPAL MANAGER**

### **Responsibilities**

The MM is the AO of the Municipality in terms of section 60 of the MFMA.

Section 60 of the MFMA further states that the AO must:

- Exercise their functions and powers assigned to them in terms of the Act, and
- Provide guidance and advice on compliance with the MFMA to:
  - Political structures, political office-bearers and officials of the municipality, and

- Any municipal entity under the sole or shared control of the municipality.

The AO of a municipality is responsible for the management of the assets of the municipality in terms of section 63 of the MFMA which prescribes the following:

- Safeguarding and maintenance of assets.
- Implementation of an information system that accounts for the assets
- Ensuring that assets are valued in terms of generally recognised accounting practice.
- Maintaining a system of internal control of assets (e.g. an asset register).

### **Delegations**

The AO may delegate to a member of the municipality's top management (chief financial officer; senior managers responsible for managing votes; other senior officials) or any other official of the municipality in terms of section 79 (1) (b) of the MFMA:

- Any powers or duties assigned to an AO in terms of the Act, or
- Any powers or duties reasonably necessary to assist the AO in complying with a duty which requires the AO to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act.

The AO must regularly review the delegations issued above and, if necessary, amend or withdraw any of those delegations.

The delegations:

- Must be in writing.
- May be subject to limitations and conditions as the AO may impose in a specific case.
- May be to a specific individual or to the holder of a specific post in the municipality.
- May authorise the delegated member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.
- Do not divest the AO of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

The AO is therefore accountable for all transactions entered into by his/her delegated.

## **PART 9: ROLE OF CHIEF FINANCIAL OFFICER**

The chief financial officer shall be responsible of maintenance and the fixed asset register of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

The following duties have been delegated to the CFO:

- To ensure that municipality council assets are accounted for in accordance with generally
- To ensure that the general ledger is reconciled to the asset register.
- To review the reconciliation between the general ledger and the asset register
- To provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to municipality council as recorded in the general ledger.

## **PART 10: HEAD OF SECTIONS**

Section 78(1) of the MFMA prescribes the following areas of responsibility for senior managers (also referred to as HOD's) relating to asset management.

“Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure –

- That the system of financial management and internal control established for the municipality is carried out diligently.
- That the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.
- That any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented.
- That the assets of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- That all information required by the AO for compliance with the provisions of this Act is timeously submitted to the AO; and
- That the provision of this Act, to the extent applicable to that senior manager or official including any delegations in terms of section 79, are complied with.”

The provision of section 78(1) must be performed subject to the directions of the AO.

In addition to the above, the HOD's are responsible to ensure that all employees within their respective section adhere to the approved Asset Policy and Procedures. The HOD must nominate an employee to implement and maintain asset control (i.e. Departmental Asset Controller) in his/her directorate / section. The Supply Chain Management Unit must be notified of such person.

Where limited resources are available, it is incumbent upon the HOD's, to ensure that adequate procedures for regular independent checks of fixed assets are in place.

It is the responsibility of the HOD to ensure that all assets related changes that take place within their divisions/directorates have been properly authorised and communicated to the Section Asset Controller

## **PART 10: SCM – ASSET AND DISPOSAL MANAGEMENT**

The “Unit Asset and Disposal Management”, under the supervision and authority of the Manager SCM, must ensure that:

- All information needed by the Asset and Disposal Management Office to compile and update the Asset Register is circulated to the said Section.
- The CFO and Supply Chain Management Unit (after approval of the CFO) is notified of any changes in the status of the assets under the directorates/sections' control (e.g. new asset purchases, asset transfers, asset impairments and asset disposals).
- The inventory and/or assets of the Ndlambe LM are not used for private enterprise and gain by any employee/Councillor.
- Control is exercised over the respective section's assets and shall report any enhancement/improvement, transfer or disposal of the respective section's assets to the Supply Chain Management Unit (Asset and Disposal Management)
- Relevant reports on the writing off of scrap (in the case of vehicles) and the theft/loss (in the case of other assets) are submitted to the Supply Chain Management Unit (Asset and Disposal Management).

- Any discrepancies in the asset stock take report are followed up.
- Administer cyclical counts on assets within the respective sections and follow up on any discrepancies.

## **PART 11: DELEGATIONS**

All delegated authority must comply with the Delegation of Authority Framework

## **PART 12: FORMAT OF FIXED ASSET REGISTER**

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognized accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset;
- the date on which the asset was acquired or brought into use;
- the location of the asset;
- the section(s) or vote(s) within which the assets will be used;
- the title deed number, in the case of fixed property;
- the stand number, in the case of fixed property;
- where applicable, the identification number, as determined in compliance with part 11 below;
- the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available;
- the (last) revaluation date of the fixed assets subject to revaluation;
- the revalued value of such fixed assets;
- who did the (last) revaluation;
- accumulated depreciation to date;
- the depreciation charge for the current financial year;
- the carrying value of the asset;
- the method and rate of depreciation;
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable);
- the source of financing;
- the current insurance arrangements;
- whether the asset is required to perform basic municipal services;
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements;
- the date on which the asset is disposed of;
- the disposal price;
- the date on which the asset is retired from use, if not disposed of.

All heads of sections under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register, and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalized, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use; thereafter it shall be appropriately capitalized as a fixed asset.

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

## **PART 13: ASSET LIFE-CYCLE**

A clear understanding of asset life-cycle costs is crucial for the development of cost-effective asset management plans and options. Knowledge of these asset life-cycle costs is also a legislative requirement.

The analysis of life-cycle costs should cover the four broad phases, thus covering the entire life of the asset, including any environmental rehabilitation at the end of its life. This analysis will be based upon estimates and include all cash flows such as operation, maintenance, administration, capital, and financing costs. The budget should have a split between capital and operational costs including depreciation.

These are typical asset life-cycle costs:

- a) Planning-phase costs. These costs include items such as concept design costs, scientific studies, environmental impact studies and feasibility studies. These costs are usually incurred when weighing up the different options, before deciding on the best option, and are excluded from the cost of an asset.
- b) Acquisition-phase costs & revenues. An example of these are; special levies, purchase price / construction costs (labour, materials, and components), detailed design costs (not feasibility analysis), transportation costs, installation and commissioning cost, use of own assets in construction (limited to depreciation over duration of use), freight, legal fees, warehousing costs, initial consumables (e.g. initial set of tyres for a vehicle) and all other costs required to bring that asset to its proper working condition and location for intended use (excluding training on use of the new asset, should this be required).
- c) Operation and maintenance-phase costs:
  - i. Operation - fuel or energy costs, operational labour, security costs, safety costs, training costs, performance monitoring costs, cleaning costs and consumables.
  - ii. Maintenance - spare parts and repair labour.
  - iii. Administration (asset specific) - insurance, rates and taxes, management fees, etc.
  - iv. Rehabilitation and renewal - upgrade costs, modification costs if this improves asset life (capital), re-training costs (current), etc.
  - v. Asset-related receipts – tariffs, rates and equitable share (only to the extent that it relates to this asset acquisition).
- d) Disposal-phase costs:

An example of disposal costs (like auctioneer fees, etc.) would be; storage costs, environmental rehabilitation costs, decommissioning costs, demolition costs and etc.

Also, before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider:

- (a) the projected cost covering all financial years until the project is operational; and
- (b) the future operational costs and revenue on the project, including municipal tax and tariff implications.
- (c) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs,
- (d) and interest charges;
- (e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned; the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

Asset Life-Cycle is the cycle of activities that an asset goes through – including planning, design, initial acquisition and/or construction, cycles of operation and maintenance and capital renewal, and finally disposal. This policy will address the process CHDM has adopted for all phases within the asset life cycle.

## **PART 14: Planning**

The identification of assets needs and financing options, where the requirement for a new/replacement asset is planned for and established, must be done at the planning stage.

### 1. Financial Planning

Property, Plant and Equipment financial planning and decision making must be informed by the Integrated Development Plan (IDP) and strategic business initiatives in line with prevailing economic conditions and the Municipality's financial affordability.

### 2. Pre -Acquisition Planning

Before a capital project is included in the budget for approval, the Head of Sections must demonstrate that they have considered:

- a) The projected cost over all the financial years including initial setup costs;
- b) The future operational costs and revenue on the project, including tax and tariff
- c) implications;
- d) The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- e) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and
- f) rehabilitation;
- g) The inclusion of this capital project in the IDP and future budgets: and
- h) Alternatives to this capital purchase.

### 3. Approval to Acquire Property Plant and Equipment

This can only be approved on a capital asset/project if:

- a) The funds for the project have been appropriated in the capital budget,
- b) The project, including the total cost, has been approved by the NLM Council,

- c) The CFO confirms that funding is available for that specific project. (Any contract that will impose financial obligations beyond two years after the budget year must be appropriately disclosed)

#### 4. Capital Projects Funding Planning

Within the Municipality's on-going financial, legislative or administrative capacity, the CFO will establish and maintain the funding strategies that optimise the Municipality's ability to achieve its strategic objectives as stated in the IDP.

The acquisition of assets shall not be funded over a period longer than the useful life of that asset.

#### 5. Replacement Planning

- a) Property, Plant and Equipment are to be replaced when:
  - i. They have reached the end of their useful or economic life (i.e. when the asset is fully depreciated); and the cost of maintaining such asset outweighs the economic benefit,
  - ii. they have been lost, stolen, damaged beyond repair; or
  - iii. they have been determined as obsolete, provided there is a continuing need for the services provided by such an asset.
- b) The future usefulness of an asset should be assessed continuously especially when the asset is fully depreciated. If it is found that there is no evidence of any continuing need, the asset should not be replaced, and if it still in good working condition; the asset could be transferred to where the need for such asset can still be identified. (AMS has a facility to publish on the intranet movable assets that are still in good condition on behalf of Sections) The selling of such assets should result as quickly as possible if there is no longer a need for such an asset.
- c) The asset will only be replaced if:
  - i. It has reached the end of its economic life,
  - ii. It was lost, stolen or non-repairable,
  - iii. It has become unserviceable,
  - iv. It is not economical to continue using the asset when a replacement would ultimately bring economic saving benefit,
  - v. It has been superseded by a later or more technologically superior model and;
  - vi. There is a continuing need for the service provided by the asset in question or economic benefit.

## **PART 15: CLASSIFICATION OF FIXED ASSETS**

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of sections shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

### **PROPERTY, PLANT AND EQUIPMENT**

- land (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources)

### **INVENTORY**

- Assets held for sale in the ordinary course of business,
- In the process of production for such sale or
- In the form of materials or supplies to be consumed in the production process.
- In the form of materials or supplies to be consumed or distributed in the rendering of services.

### **INVESTMENT PROPERTY**

- investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

## **PART 16: INVESTMENT PROPERTY**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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 the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property

Investment property is derecognised on disposal 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 the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – hereafter it shall be reclassified as an investment asset.

## **PART 17: INVENTORY**

### **Recognition criteria**

GRAP 12 states that inventory shall be recognised as an asset when, and only when:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) the cost of the inventories can be measured reliably.

## **Measurement at initial recognition**

GRAP 12 states that:

- Inventories that qualify for recognition as assets shall initially be measured at cost.
- Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

## **Measurement after recognition**

GRAP 12 states that:

- Inventories shall be measured at the lower of cost and net realisable value, except where paragraph. (b) applies.
- Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
  - (a) distribution through a non-exchange transaction; or
  - (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

## **Cost of inventories**

GRAP 12 states that:

- The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## **Recognition of spare parts and servicing equipment**

GRAP 17.14 states that most spare parts and servicing equipment are usually carried as inventory and recognised as an expense as consumed. However, major spare parts and stand-by equipment qualify as PPE when the entity expects to use them during more than one period or when their use is expected to be irregular.

Spare parts and land/property held for sale are accounted for as inventory in terms of GRAP 12 unless the spare parts meet the requirements to be recognised as PPE in terms of GRAP 17.

## **Depreciation of spare parts and stand-by equipment qualifying as PPE**

Depreciation will be over the time period not exceeding the useful life of the related asset.

## **Accounting for water inventory**

In terms of GRAP 12 (Inventories), water inventory in a municipality is accounted for based on the recognition, measurement, and disclosure requirements for inventory held for consumption, distribution, or resale.

Water inventory is measured at cost or, if acquired at no cost (e.g., from natural sources like dams or rivers), at fair value on initial recognition.

Bulk water, cost includes the following:

- (a) Purification and treatment costs.
- (b) Distribution expenses (e.g., pipelines, pumping stations).
- (c) Storage costs (if necessary for production).

## **Municipalities must disclose:**

- (a) The accounting policies for water inventory valuation.
- (b) The carrying amount of water inventory at year-end.
- (c) Losses, adjustments, or impairments recognized in surplus/deficit.
- (d) Any restrictions on water inventory use (e.g., water supply regulations).

## **PART 18: RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER**

If no original costs or fair values are available in the case of one or more or all GRAP 103 heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

## **PART 19: RECOGNITION OF DONATED ASSETS**

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the chief financial officer.

The recognition of donated assets follows GRAP 23: Revenue from Non-Exchange Transactions and GRAP 17: Property, Plant, and Equipment.

A donated asset is recognized when:

- The municipality controls the asset.
- Future economic benefits or service potential will flow to the municipality.
- The asset's value can be measured reliably.

## **PART 20: SAFEKEEPING OF ASSETS AND INTERNAL CONTROL**

Every head of section shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the section in question.

In exercising this responsibility, every head of section shall adhere to any written directives issued by the municipal manager to the section in question, or generally to all sections, in regard to the control of or safekeeping of the municipality's fixed assets.

## **PART 21: IDENTIFICATION OF FIXED ASSETS**

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of sections, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of section shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the section in question.

## **PART 22: PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS**

Every head of section shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the section in question is promptly reported in writing to the asset manager / asset clerk and – in cases of suspected theft or malicious damage – also to the South African Police Service.

## **PART 23: CAPITALISATION CRITERIA: MATERIAL VALUE**

No item with an initial cost or fair value of less than R1 000 (one thousand rand) or with a useful life less than one financial year – or such other amount as the Council of the municipality may from time to time determine on the recommendation of the municipal manager – shall be recognized as a fixed asset. If the item has a cost or fair value lower than this capitalization benchmark, it shall be treated as an ordinary operating expense.

Every head of section shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stocksheets. Every head of section shall moreover ensure that the existence of items recorded on such asset inventory sheet is verified from time to time, and at least once in every financial year, and any amendments which are made to such stocksheets pursuant to such stock verifications shall be retained for audit purposes.

## **PART 24: CAPITALISATION CRITERIA: INTANGIBLE ITEMS**

No intangible item shall be recognized as Property, Plant and Equipment except that the chief financial officer, acting in strict compliance with the criteria set out in GRAP 31 (dealing with research and development expenses) may recommend to the Council that specific development costs be recognized as fixed assets.

## **PART 25: CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

Only expenses incurred in the enhancement of a fixed 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 a fixed asset shall be capitalized.

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

## **PART 26: MAINTENANCE PLANS**

## **PART 27: 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 (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the Council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the chief financial officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the head of section controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

## **PART 28: GENERAL MAINTENANCE OF FIXED ASSETS**

Every head of section shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

## **PART 29: DEPRECIATION OF FIXED ASSETS**

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

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the section or vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

Each head of section, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the section in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

## **PART 30: RATE OF DEPRECIATION**

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of section who shall

control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

### **PART 31: METHOD OF DEPRECIATION**

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

### **PART 32: AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS**

The chief financial officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed and the chief financial officer shall inform the Council of the municipality of such amendment.

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

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

In all the foregoing instances, the additional depreciation expenses shall be debited to the section or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalized at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the section or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

### **PART 33: ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES**

The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The chief financial officer shall only employ this method of depreciation if the head of section controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

- estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and
- actual statistical information, for each financial year.

The head of section concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the Council of the municipality of the decision in question.

### **PART 34: CARRYING VALUES OF FIXED ASSETS**

All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

### **PART 35: REVALUATION OF FIXED ASSETS**

All land and buildings recorded in the municipality's fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The chief financial officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the chief financial officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The chief financial officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the section or vote controlling or using the fixed asset in question.

The chief financial officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the chief financial officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the section or vote controlling or using the asset in question.

Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

### **PART 36: VERIFICATION OF FIXED ASSETS**

Every head of section shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the section concerned.

Every head of section shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

### **PART 37: ALIENATION OF FIXED ASSETS**

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy and the Municipal Asset Transfer Regulations of 2008.

Every head of section shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the section concerned which such head of section wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various sections, and shall promptly report such consolidated information to the Council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The Council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset excluding Council owned immovable property with a carrying value not exceeding R40 000 (forty thousand rand) subject to provisions of section 14 of the MFMA

The Council shall ensure that the alienation of any fixed asset including Council owned immovable property with a carrying value in excess of R1 000 000(One Million Rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognized as a loss in the income statement of the section or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognized as a gain in the income statement of the section or vote concerned.

All gains realized on the alienation of fixed assets shall be appropriated annually to the municipality's Capital Replacement Reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the section or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any section or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

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

### **PART 38: OTHER WRITE-OFFS OF FIXED ASSETS**

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

Every head of section shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of section wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the Council of the municipality on the fixed assets to be written off.

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

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such section or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

### **PART 39: REPLACEMENT NORMS**

The municipal manager, in consultation with the chief financial officer and other heads of sections, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the Council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

### **PART 40: INSURANCE OF FIXED ASSETS**

The municipal manager shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

The municipal manager shall recommend to the Council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

### **PART 41: BIOLOGICAL AND AGRICULTURE ASSET**

Accounting for biological assets and agricultural produce shall take place in accordance with the requirements of GRAP 27.

The chief financial officer, in consultation with the head(s) of section concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognized valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the section or vote concerned as an operating expense, and any increase in the valuation shall be credited to the section or vote concerned as an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of section concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether and such details shall reflect the information which the chief financial officer, in consultation with the head of section concerned and the internal auditor, deems necessary for accounting and control purposes.

The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of section concerned, provided the Council of the municipality considers such insurance desirable and affordable.

## **PART 42: ANNEXURE: FIXED ASSET LIVES**

### **INFRASTRUCTURE ASSETS**

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

*	<b>Electricity</b>	
	Power stations	(15-80)
	Cooling towers	(15-80)
	Transformer kiosks	(15-80)
	Meters	(15-80)
	Load control equipment	(15-80)
	Switchgear	(15-80)
	Supply and reticulation networks	(15-80)
	Mains	(15-80)
*	<b>Roads</b>	
	Motorways	(15-80)
	Other roads	(15-80)
	Traffic islands	(15-80)
	Traffic lights	(15-80)
	Street lights	(15-80)
	Overhead bridges	(15-80)
	Stormwater drains	(15-80)
	Bridges, subways and culverts	(15-80)
	Car parks	(15-80)
	Bus terminals	(15-80)
*	<b>Water</b>	
	Mains	(15-100)
	Supply and reticulation networks	(15-100)
	Reservoirs and storage tanks	(15-100)
	Meters	(15-100)
	Rights (that is, the right to draw water from a particular source belonging to another party)	(15-100)
*	<b>Sewerage</b>	
	Sewer mains	(15-60)
	Outfall sewers	(15-60)
	Sewage purification works	(15-60)
	Sewerage pumps	(15-60)
	Sludge machines	(15-60)
*	<b>Pedestrian malls</b>	
	Footways	(15-20)
	Kerbing	(15-20)
	Paving	(15-20)
*	<b>Airports</b>	
	Runways	(10-30)
	Aprons	(10-30)

	Taxiways	(10-30)
	Airport and radio beacons	(10-30)
*	<b>Security measures</b>	
	Access control systems	(5-10)
	Security systems	(5-10)
	Security fencing	(5-10)

## COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

*	<b>Buildings and other assets</b>	
	Ambulance stations	(10-30)
	Aquariums	(10-30)
	Beach developments	(10-30)
	Care centres	(10-30)
	Cemeteries	(10-30)
	Civic theatres	(10-30)
	Clinics and hospitals	(10-30)
	Community centres	(10-30)
	Fire stations	(10-30)
	Game reserves and rest camps	(10-30)
	Indoor sports	(10-30)
	Libraries	(10-30)
	Museums and art galleries	(10-30)
	Parks	(10-30)
	Public conveniences and bath houses	(10-30)
	Recreation centres	(10-30)
	Sports and related stadiums	(10-30)
	Zoos	(10-30)
*	<b>Recreation facilities</b>	
	Bowling greens	(5-20)
	Tennis courts	(5-20)
	Swimming pools	(5-20)
	Golf courses	(5-20)
	Jukskei pitches	(5-20)
	Outdoor sports facilities	(5-20)
	Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(5-20)
	Lakes and dams	(5-20)
	Fountains	(5-20)
	Flood lighting	(5-20)

# Sum-of-units method of depreciation may be preferred.

## HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

### INVESTMENT ASSETS

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

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties) (10-30)
- Shopping centres (again developed along similar lines) (10-30)
- Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit) (10-30)

### OTHER ASSETS

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

*	<b>Buildings</b>	
	Abattoirs	(10-30)
	Asphalt plant	(10-30)
	Cable stations	(10-30)
	Caravan parks	(10-30)
	Compacting stations	(10-30)
	Hostels used to accommodate the public or tourists	(10-30)
	Hostels for municipal employees	(10-30)
	Housing schemes	(10-30)
	Kilns	(10-30)
	Laboratories	(10-30)
	Fresh produce and other markets	(10-30)
	Nurseries	(10-30)
	Office buildings	(10-30)
	Old age homes	(10-30)
	Quarries	(10-30)
	Tip sites	(10-30)
	Training centres	(10-30)
	Transport facilities	(10-30)
	Workshops and depots	(10-30)
*	<b>Office equipment</b>	
	Computer hardware	(5-15)
	Computer software	(5-15)
	Office machines	(5-15)
	Air conditioners	(5-15)
*	<b>Furniture and fittings</b>	
	Chairs	(5-10)
	Tables and desks	(5-10)

	Cabinets and cupboards	(5-10)
*	<b>Bins and containers</b>	
	Household refuse bins	(5-15)
	Bulk refuse containers	(5-15)
*	<b>Emergency equipment</b>	
	Fire hoses	(5-15)
	Other fire-fighting equipment	(5-15)
	Emergency lights	(5-15)
*	<b>Motor vehicles</b>	
	Ambulances	(5-15)
	Fire engines	(5-15)
	Buses	(5-15)
	Trucks and light delivery vehicles	(5-15)
	Ordinary motor vehicles	(5-15)
	Motorcycles	(5-15)
*	<b>Plant and equipment</b>	
	Graders	(5-15)
	Tractors	(5-15)
	Mechanical horses	(5-15)
	Farm equipment	(5-15)
	Lawn mowers	(5-15)
	Compressors	(5-15)
	Laboratory equipment	(5-15)
	Radio equipment	(5-15)
	Firearms	(5-15)
	Telecommunication equipment	(5-15)
	Cable cars	(5-15)
	Irrigation systems	(5-15)
	Cremators	(5-15)
	Lathes	(5-15)
	Filling equipment	(5-15)
	Conveyors	(5-15)
	Feeders	(5-15)
	Tipplers	(5-15)
	Pulverising mills	(5-15)
*	<b>Other</b>	
	Aircraft	(5-15)
	Watercraft	(5-15)

# Sum-of-units may be preferred.

### **PART 43: ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003**

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

A municipality may alienate any other capital asset, but provided:

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