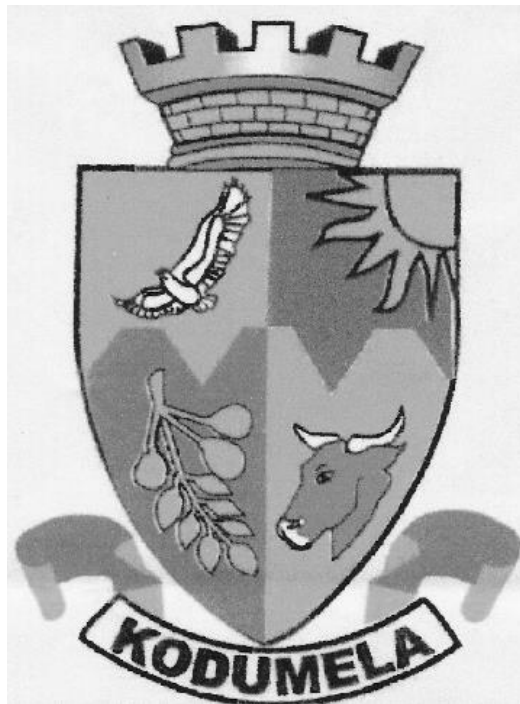




DRAFT

ASSETS MANAGEMENT POLICY

1



BLOUBERG MUNICIPALITY



ASSET MANAGEMENT POLICY

Table of Contents

1.	AIM OF THIS DOCUMENT	3
2.	POLICY AUTHORITY AND RESPONSIBILITY	4
3.	DEFINITIONS.....	5
4.	LEGAL FRAMEWORK.....	6
5.	SCOPE	7
6.	ACCOUNTING TREATMENT	7
7.	ASSET MANAGEMENT PROCEDURES	13
6.	MINOR ASSETS.....	18
7.	RISK MANAGEMENT	18

ASSET MANAGEMENT POLICY DOCUMENT

1. Aim of this document

This document on the Blouberg Municipality Assets Management Policy is provided to assist Management and Officials of Blouberg Municipality on Asset related issues and to ensure consistent, effective and efficient asset management principles.

The objective of this document is aimed at:

- To safeguard the assets of Blouberg Municipality and to ensure the effective use of existing resources
- To emphasise a culture of accountability over Blouberg Municipality's assets
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation
- To provide a formal set of financial procedures that can be implemented to ensure Blouberg Municipality financial asset policies are achieved and are in compliance with the Generally Recognised Accounting Practice (GRAP) and Municipal Finance Management Act (MFMA).
- To establish the criteria that must be met before capital expenditure can be capitalised as an asset in the Statement of Financial Position.
- To classify the different categories of assets according to the asset's nature, use and location.
- To set up rules to determine the value of assets that will be brought into the books and records of the Blouberg Municipality.
- To set rules for establishing the useful life of the category of assets.
- To set specific rules for the calculation of depreciation per asset category.
- To set criteria for the future revaluation of assets.
- To set procedures for the scraping and sale of assets.
- To set procedures for the management and control of assets.
- To establish procedures for the annual physical verification of assets
- To set procedures on the treatment of assets held under finance leases
- To set procedures on the handling of inventory assets.

This policy replaces or supersedes all asset management policy instructions that have previously been issued.

Failure to comply with the prescribed policies will result in the institution of disciplinary procedures in terms of the stipulated conditions of employment of Blouberg Municipality.

2. Policy Authority and Responsibility

Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL:	EXCO and Council
MAINTAINED BY:	Financial Division: Asset Management Unit
IMPLEMENTED BY:	Departmental Heads.
EXECUTION:	Departmental Heads and Officials.
SUPPORTED BY:	Finance Division: Asset Management Unit

3. Definitions

Definitions

Consistent definitions are essential for good asset management and reporting. These definitions were taken from the General Recognised Accounting Practice guidelines regarding assets:

Asset - An asset is a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential will flow.

Carrying Amount - The amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation, accumulated amortization and any accumulated impairment losses thereon.

Class of assets - means a grouping of assets of a similar nature or function in an entity's operations, that is shown as a single item for the purpose of disclosure in the financial statements.

Community assets - are defined as assets that contribute to the community's well-being. Examples are parks, libraries, taxi ranks

Cost of an asset - 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.

Depreciation - This is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount - The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

Development - Is the application of research findings or other knowledge to a plan or design for the production of new substantially improved materials, devices, products, processes or services prior to the commencement of commercial production or use. Development will only constitute a capital expense if it can be linked to an asset.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Finance Lease – is a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset. Title may or may not eventually be transferred.

Impairment - An asset is impaired when the carrying amount exceeds its recoverable amount (recoverable service amount in the case of non-cash generating asset).

Infrastructure assets - are defined as assets that are part of a network of similar assets. These assets usually display some or all of the following characteristics:

- They are part of a system or network
- They are specialised in nature and do not have alternative uses
- They are immovable
- They may be subject to constraints on disposal.

Investment Properties - are properties acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for resale in future years.

Heritage Assets are cultural significant resources. Examples are works of art, historical buildings and statutes.

Other assets - are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles, computer equipment and furniture and fittings

Property Plant and Equipment - These are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one reporting period. Property, plant and equipment is classified into different broad categories i.e. infrastructure, community, land, buildings, other assets and assets under construction.

Residual value - The estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Recoverable amount - The estimated amount which the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. Recoverable amount is the higher of a cash or non-cash -generating asset's net selling price and its value in use.

Research - Is an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Useful life - Useful life is either the period over which an asset is expected to be available for use by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use - The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

4. Legal framework

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996

- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Municipal Finance Management Act No 56 of 2003
- Local Government: Municipal Asset Transfer Regulations, 2008

5. Scope

This policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 Presentation of financial statements
- GRAP 12 Inventory
- GRAP 13 Leases
- GRAP 16 Investment property
- GRAP 17 Property, plant or equipment
- GRAP 21 Impairment of non cash generating assets
- GRAP 26 Impairment of cash generating assets
- GRAP 27 Agriculture
- GRAP 31 Intangible assets
- GRAP 103 Heritage assets

6. Accounting Treatment

6.1 Recognition

6.1.1 Property, plant and equipment

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

- It meets the definition of property, plant and equipment;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

Only assets that meet the definitions of asset and property, plant and equipment as defined by Grap1 and Grap17 respectively shall be capitalised and recorded in the Asset register and depreciated according to their useful lives. However where there are assets of small value Chief Financial Officer and Asset Management Unit may agree to expense on acquisition in the statement of financial performance.

6.1.2 Intangible assets

An asset shall be recognised as an item of intangible asset if, and only if:

- It meets the definition of intangible asset;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

6.1.3 Leased assets

An asset shall be recognised as a leased asset if it meets the definition of a finance lease.

All other leases will be accounted for as expenditure in the Statement of Financial Performance.

6.1.4 Heritage assets

An asset shall be recognised as an item of heritage asset if, and only if:

- It meets the definition of heritage asset;
- It is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- The cost or fair value of the item can be measured reliably.

6.1.5 Investment property

An asset shall be recognised as an item of an investment property if, and only if:

- It meets the definition of investment property;
- 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.

6.1.6 Biological assets and agricultural produce

An asset shall be recognised as an item of biological asset or agricultural produce if, and only if:

- The municipality controls the asset as a result of past events;
- It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value or cost of the asset can be measured reliably.

6.2 Initial measurement

6.2.1 Property plant and equipment

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired through a non-exchange transaction (e.g. donation), its cost shall be measured at its fair value as at the date of acquisition.

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

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the allowed alternative treatment in the Standard of GRAP on Borrowing Costs.

The municipality shall allocate the cost of an item of property, plant and equipment initially recognised in respect of an item of property, plant and equipment to its significant parts.

Subsequent costs incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the asset) shall be capitalised against the asset affected, and written off over the remaining life of the asset.

Where repairs and maintenance expenses are incurred to repair or service a specific asset and it does not extend the lifespan of the asset, the cost thereof must be written off to repairs and maintenance in the income statement.

6.2.2 Intangible assets

An intangible asset shall be measured at its cost at initial recognition. Where an asset is acquired through a non-exchange transaction (e.g. donation), its cost shall be measured at its fair value as at the date of acquisition.

The cost of an intangible asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

6.2.3 Leased assets

At the commencement of the lease term, municipality shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate shall be used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

6.2.4 Heritage assets

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

The cost of a heritage asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

6.2.5 Investment property

An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement). Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

6.2.6 Biological assets and agricultural produce

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. Where an entity acquires a biological asset through a non-exchange transaction, the biological asset is measured on initial recognition and at each reporting date at fair value.

Agricultural produce harvested from the municipality's biological assets shall be measured at its fair value less costs to sell at the point of harvest.

6.2.7 Acquisition as part of a transfer of functions

In accordance with the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control*, if the municipality acquires an asset in a transfer of functions between entities not under common control, the cost of that asset is its fair value at the acquisition date.

6.3 Subsequent measurement

6.3.1 Property plant and equipment

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

6.3.2 Intangible asset

After recognition as an asset, an intangible asset shall be carried at its cost less any accumulated amortization and accumulated impairment losses.

6.3.3 Leased asset

After recognition as an asset, leased asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

6.3.4 Heritage assets

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

6.3.5 Investment property

After initial recognition, municipality shall measure all of its investment property in accordance with the Standard of GRAP on Property, Plant and Equipment, i.e., at cost less any accumulated depreciation and any accumulated impairment losses.

6.4 Depreciation and amortisation

6.4.1 Depreciation - Property plant and equipment

The municipality shall with the exception of land, allocate the depreciable amount (cost less residual value) of an asset on a straight line basis over its useful life. Municipal land has an unlimited useful life and therefore is not depreciated. Each part of an item of property, plant and

equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation charge shall be zero if the residual value of an asset increase to an amount equal to or greater than the asset's carrying amount. The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

6.4.2 Amortisation – intangible asset

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

6.4.3 Leased asset

A finance lease gives rise to a depreciation expense for depreciable assets for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment. If there is no reasonable certainty that the lessee 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.

6.4.4 Heritage assets

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired.

6.5 Review of useful lives, residual values and depreciation and amortization methods

Municipality shall assess at each reporting date whether there is any indication that the municipality's expectations about the residual value, depreciation and amortization methods and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

6.6 Impairment

To determine whether an asset is impaired, municipality applies the Standards of GRAP on *Impairment of Cash-generating Assets* or *Impairment of Non-cash-generating Assets*, as appropriate.

When the carrying amount of an Asset has declined below the carrying amount of the asset the accounting procedures will be as follows:

- The carrying amount of the asset will be reduced to the recoverable amount of the asset.
- The amount in reduction will be recognised as an expense in the Statement of Financial Performance.

It can happen that the recoverable amount of an asset recovers in such a way that it exceeds the carrying value of an asset that was previously written down by means of impairment.

This asset's carrying amount will only be written back to its original value if:

- The circumstances or events that led to the write down of the value of the asset cease to exist.
-
- There is evidence that the new circumstances and events will persist for the foreseeable future.
-
- The Asset's original carrying amount has never been influenced by impairment or a write-up of the carrying value.

The amount of write-up must be recorded as an income in the Statement of Financial performance.

6.7 Transfers

6.7.1 Heritage assets

Transfers from heritage assets shall be made when, and only when, the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets shall be made when, and only when, the asset meets the definition of a heritage asset.

6.7.2 Investment property

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

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

6.8 Derecognition

The carrying amount of an asset shall be derecognised:

- on disposal (including disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss (difference between the net disposal proceeds, if any, and the carrying amount of the item) arising from derecognition of an asset shall be included in surplus or deficit when the item is derecognized.

6.9 Disclosure

The disclosure of an asset in the financial statement shall be as per relevant standard of GRAP.

7. Asset management procedures

7.1 Overview of the asset life cycle

For the purpose of efficient asset management, the municipality's asset life-cycle shall include the following phases:

- Planning;
- Acquisition;
- Operation and Maintenance; and
- Disposal

The four key stages of the asset lifecycle which are described below:

7.1.1 Planning

Planning is the first stage of the asset life cycle. This stage establishes and verifies asset requirements. Establishment of asset requirements is based on evaluation of the existing assets and their potential to meet service delivery needs.

Planning for assets is linked to the broader strategic planning, capital budgets, operating budgets and asset management plans of the municipality, all of which shall in turn inform the Integrated Development Plan (IDP) processes.

7.1.2 Acquisition

All assets to be acquired for a Financial Year must be included in the Blouberg Municipality's Integrated Development Plan as per the annual capital budget.

The Blouberg Municipality Council must approve any asset that did not form part of the original annual capital budget.

Tender and quotations must be obtained as prescribed by the Blouberg Municipality's Procurement Policy and all other work procedures must be followed when an asset is acquired.

Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be rolled over to the next financial year if it is approved by the Executive Committee and Council. These approved transfers must be included as carry-over amounts in the capital budget for the new financial year.

All assets acquired shall be assigned useful lives as per Annexure 1 of this policy unless a more appropriate useful life can be motivated by the Department that acquires the asset, and the change in the useful life of the Asset as motivated by the Department is approved by the Chief Financial Officer.

If the useful life of an asset cannot be determined from the useful life schedule and it is impossible to estimate the useful life of the asset, the asset shall annual be assessed for impairment.

7.1.3 Operation and maintenance

The operation and maintenance stage indicates the application and management of an asset, including maintenance, with the aim of delivering services. The plan of asset management should have a high focus on asset maintenance issues. Long lived assets, in the majority of public sector assets, especially roads and buildings require particular maintenance during their life cycle.

Throughout this time, the asset should be focus to appropriate maintenance, monitoring and potential improvement to overpass any adjustment in operational requirement.

Asset Control Officer shall review the residual value and useful lives of assets on an annual basis.

7.1.3.1 Accountability

Accounting Officer

In accordance with MFMA section 63(1a), the accounting officer is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets

Senior Managers and other official of the municipality

In accordance with MFMA section 78(1e), each senior manager and each official exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. The Departmental head is responsible and accountable for the asset in his/her department. The Head of the Department is also responsible to communicate any asset that must be scraped through to the Finance department for approval.

Asset Management

7.1.3.2 Usage

- Municipal assets shall be utilised for the purpose for which they were acquired by the municipality.
- All private assets entering municipal premises will be registered with security officers and a register will be kept.

7.1.3.3 Custody and safeguarding of assets

All municipal assets will be clearly marked for identification purposes when the assets are received and shall be kept in a safe and secured place. Assets will be individually bar-coded where it is physically possible and cost effective. Where it is not physically possible to mark an asset with a bar-coded strip, the asset will be marked and numbered by way of a permanent marking pen or paint. Due to the difficulty of marking movable assets in the halls with barcodes, the following procedures must be put in place to ensure the safekeeping and control over these assets.

- Stackable chairs, tables and other movable assets must be counted before and after every event that takes place in the hall to ensure that all assets are accounted for after the event.
- When assets are moved from the halls an official from the Blouberg Municipality must sign the assets removed from the halls out and ensure that all assets are accounted for by signing it in when the assets are returned.
- All discrepancies must be reported to the Asset Control Officer as a matter of urgency.
- The Asset Control Officer will claim the replacement value of any discrepancies from the responsible person who rented the hall or used the assets outside the hall, via an invoice.

The asset will be captured on the asset register as well as on an asset sheet that must be fitted behind the door of each office or at a place as specified by the asset control officer. The Head of the Department or as delegated by him/her will sign the asset list to take responsibility of the assets in his/her department

No asset may be moved from its original location without the written approval of the Asset control Officer. The procedures required to move an asset will be as follows:

- The Head of the Department requesting the move of an asset must submit an approved Asset Move Request Form (available from the Asset Control Officer) to the Asset Control Officer before any asset is moved.
- Notebook PCs shall be checked out and checked in with security at entrance gates. Gate security shall record the make, model and barcode numbers in a register.
- Upon departure from service in the municipality, a notebook PC must be returned to the relevant divisional Manager. It is the employee's responsibility to obtain an acknowledgement of receipt. The supervisor of an employee shall be held personally liable for any loss incurred by the Department for a notebook that has not been deposited with Information Management Services upon departure.
- If an asset or any of its accessories is lost due to outright negligence, a staff member shall make good the loss financially. The current method of recovering the lost to the equipment utilized by Procurement division will be used. Currently the straight line method is in used whereby an official will be required to pay a depreciated value of the notebook.

Verification

All assets will be identified with a unique bar coded asset number and recorded on an asset sheet and asset register. Management should ensure that all Blouberg Municipality employees keep an updated copy of the asset inventory sheet.

Management should ensure that all assets recorded on the Asset Register are physically verified at least once a year by means of an asset audit.

Any differences must be investigated and must be adjusted in the Asset Register, if agreed and authorised by the responsible Managers and Council. A written explanation of the differences must be supplied by the relevant Head of Department.

Managers have to ensure that proper documentation is maintained for all their physical verification procedures performed.

The Asset Control Officer will from time to time do spot checks to ensure that the assets in a specific location agree to the assets listed on the asset sheet of the location. (Both capitalised and minor Assets will be checked.)

The Head of the Department must be informed of damaged or obsolete assets when they are identified by means of the asset verification process. The Head of the Department must follow the disposal procedures as prescribed in point 7.1.4 below to have the asset scrapped.

If there are assets which are not identifiable after the officials have tried by all means the council may write them off from Asset Register with recommendations from Accounting Officer together with CFO.

7.1.3.4 Maintenance

Every senior manager shall be directly responsible for ensuring that all assets under their responsibility are properly maintained and in a manner which will ensure that such assets attain their useful lives.

7.1.3.5 Reporting

All assets which meet the definition of asset as per GRAP 1 and 17 will be recorded on the Asset Register, and the asset will remain on the register until such time it is disposed of.

All the assets will be captured on the Asset financial system or excel and will be balanced back to the Asset Control Votes on the Venus Financial System.

Assets shall be recorded as separate items in the register. Land and buildings shall be recorded as separate assets in the register. Each part of an item of property, plant and equipment with a cost or useful life that is significant in relation to the total cost or total useful life of the item shall be depreciated separately. The following information will be recorded on the asset register

- Asset Number or deed number in respect of property
- Date of Purchase
- Description
- Category
- Cost Centre
- Location
- Purchase or valued cost
- Depreciation Rate
- Depreciation for the current year
- Accumulated Depreciation
- Residual Value
- Impairment for the year
- Accumulated Impairment
- Book Value of the asset
- Source of finance
- Lifespan of the asset

- Replacement Value if applicable

The Asset Register will be updated on a monthly basis with disposals, scrapings and additions before the depreciation run is performed.

The Asset Control Officer will balance the asset register to the assets as stated on the general ledger on a monthly basis and follow up any discrepancies.

Discrepancies will be communicated to the Asset Manager on a monthly basis.

The Asset Control Officer will report on all additions, scrapings, disposals and loss due to theft or other uncontrollable circumstances on a monthly basis.

7.1.4 Disposal

In terms of MFMA section 14(1), Blouberg Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

The municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated above, but only after the municipal council, in a meeting open to the public-

- Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

Municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets below a value determined by the council.

Any transfer of ownership of a capital asset must be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality must have and maintain in terms of section 111.

This section does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

Assets that are disposed of can be sold in one of the following ways, after the reserve price was established for each asset sold:

- By way of Public Auction which notice has been advertised for at least two weeks.
- Through the invitation of tenders with a lead time of at least two weeks.
- Sold to the public at a price fixed by law or by resolution of the Municipality.
- Trade in
- Transfer or Donate to public institution
- Destruction or scrapping

The Blouberg Municipality can at any time refuse the disposal of an asset if the reserve price is not met, or it is apparent that it will not benefit the Municipality to sell the asset.

When we dispose our assets, employees and councillors who are using a council lap tops will be given a first preference to buy lap ²tops (after useful life or redundant) they are in possession of. This will encourage the effective, efficient use and safeguarding of municipal assets.

Blouberg Municipality should after disposing of any assets disclose the details of the transactions on their website.

7.1.4.1 Process for the disposal of assets (including minor assets)

Assets that become redundant, obsolete or unserviceable must be treated in the following way to ensure that all financial regulation are met with effective procedures for the proper treatment of these assets.

- The Head of the Department that requests to dispose of an asset must submit an approved "Request to scrap an Asset Form" see annexure A that can be obtained from the Asset Control Officer.
- The Asset Control Officer will investigate the reason for damage where necessary.
- The Asset Control officer will include recommend for write off to the Chief Financial Officer.
- The Financial Manager will evaluate the proposed write offs and reasons for write off and refer the approved recommendations to the Asset Control Officer.

The Municipal Manager will recommend the disposal or scrapping of the assets to Executive Committee and Council to approve the disposal of assets.

8. Minor Assets

Assets with a value which is not material will be classified as Minor Assets and will be written off in the Income Statement when it is purchased.

A Minor List will be maintained by the Asset Control Officer for all Minor Assets. These Minor Assets will be numbered by barcode for easy reconciliation and verification where possible.

Where it is not possible or cost effective it will be numbered with a permanent marker to ensure that it is accounted for with the yearly asset verification.

Minor Assets will be budgeted for under the General Expenditure section of the operational budget and will therefore have an effect on the surplus or deficit of Blouberg Municipality.

9. Risk Management

All the risks, for losses arising from the damage, destruction or theft of the assets or any liabilities that can arise from the operations of BLOUBERG MUNICIPALITY, must be evaluated annually in conjunction with reputable risk management advisers to establish a level of risk that of acceptable to the management of BLOUBERG MUNICIPALITY.

Assets will be insured at their replacement value, which will be revised annually. The replacement value of motor vehicles is the average of the retail and trade value published in the Auto Dealers' Guide as at the end of the financial year.

The replacement value of all other assets will be their actual market value.

10. Commencement

This Policy will take effect on the **01st July 2020**

Signature:	
Initials and Surname:	Pheedi M
Designation:	Mayor
Council Resolution Number:	N/A
Council Date:	May 2020

END

ANNEXURE A

Useful lives - Estimated useful lives per category of asset are as follows:

1. Infrastructure Assets

Category	Useful Life
Electricity	Range 5 - 50 Years
Roads	Range 5 – 50 Years
Water	Range 5 – 50 Years
Sewerage	Range 10 – 50 Years

2. Community Assets

Category	Useful Life
Buildings	Range 5 – 50 Years
Recreational Assets	Range 5 – 50 Years
Security Measures	Range 5 – 50 Years
Taxi Ranks	Range 5 – 50 Years

3. Other Assets

Category	Useful Life
Office Equipment	Range 5 – 10 Years
Furniture and Fittings	Range 5 – 7 Years
Emergency Equipment	Range 5 – 10 Years
Motor Vehicles	Range 5 - 15 Years
Plant and Equipment	Range 5 – 10 Years
Finance Lease	Lesser of useful life for owned asset and lease term
Bins and Containers	Range 10 – 20 Years

ASSET CONTROL SHEET

REQUEST FOR THE SCRAPPING OF AN ASSET

SECTION 1 – CONTACT DETAILS		
Date:		
Office Number:		
Building:		
Department		
Cost Centre		
Full Name & Surname		
Telephone Number		
SECTION 2 – ASSET DETAIL		
Asset Number		
Asset Bar-code Number		
Description Of Asset		
Room Number		
Room Bar-code Number		
Serial Number		
Model Number		
SECTION 3 – REASON FOR SCRAPPING		
Please Supply a reason for the scrapping of this asset		
SECTION 3 – APPROVAL		
Direct Supervisor:		
Full Name and Surname		
Signature		
Date		
Head of Department:		
Full Name and Surname		
Signature		
Date		