

SETSOTO LOCAL MUNICIPALITY



ASSET MANAGEMENT POLICY 2025/2026

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1. ACRONYMS

AMSC	Asset Management Steering Committee
AMT	Asset Management Team
ASB	Accounting Standards Board
BOOT	Build-own-operate-transfer
CFO	Chief Finance Officer
CRC	Current Replacement Cost
DRC	Depreciated Replacement Cost
EUL	Expected Useful Life
GAAP	Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practices
GIAMA	Government Immovable Asset Management Act
GIS	Geographical Information System
GPS	Global Positioning System
GRAP	Generally Recognized Accounting Practices
IAS	International Accounting Standards
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IIMM	International Infrastructure Management Manual
IMESA	Institute of Municipal Engineering of Southern Africa
IPSAS	International Public Sector Accounting Standards
LGCAMG	Local Government Capital Asset Management Guideline
MFMA	Municipal Finance Management Act, No. 56 of 2003
MPRA	Municipal Property Rates Act, No. 6 of 2004
MSA	Municipal Systems Act, No. 32 Of 2000
NDOT	National Department of Transport
NERSA	National Energy Regulator of South Africa
NIMS	National Infrastructure Maintenance Strategy
NT	National Treasury
OAG	Office of the Accountant-General
PFMA	Public Finance Management Act, No. 1 of 1999

2. DEFINITIONS

Accounting Standards Board means the board established in terms of section 87 of the Public Finance Management Act (PFMA). The section refers to the function of the board, which is to establish standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

An active market is a market in which all the following conditions exist:

- (a) the items traded within the market are homogeneous;
- (b) willing buyers and sellers can normally be found at any time; and
- (c) prices are available to the public.

Asset Custodian is a person in any position or level in the municipality entrusted with the safeguarding and use as well as the condition monitoring of a specific asset.

Asset Lifecycle 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.

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

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

Asset Register is a record of information on each asset that supports the effective financial and technical management of the assets and meets statutory requirements. The

asset register should also facilitate proper financial reporting and is ultimately the responsibility of the Chief Financial Officer (CFO).

Assets Are resources controlled by the municipality as the result of past events and from which future economic benefits or future service potential are expected to flow to the municipality and for the purpose of this policy refers to property, plant and equipment, investment property, intangible assets & heritage Assets.

Capital Assets are all assets with a life cycle of greater than one year and above the capitalization threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc.), intangible assets, and investment property.

Capitalization Threshold is the value above which assets are treated as capital assets and entered into an asset register from which reporting in the financial statements is extracted.

Carrying value is the amount at which the asset is recognized in the balance sheet after deducting any accumulated depreciation and accumulated impairment losses thereon.

Component is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each part should be separately accounted for, is treated separately for depreciation, recognition, and de-recognition purposes.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other Standards of Generally Recognized Accounting Practices (GRAP 17).

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

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

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

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

Derecognition of Asset occurs whenever no future economic benefits can be expected from its use or disposal through a non-exchange transaction, thus necessitating the removal of the asset [carrying value] from the fixed asset register / financial statements at a specific reporting date.

Donated Asset is an item donated or bequeathed to the municipality or acquired by means of an exchange of assets between the municipality and one or more other parties which meets the definition of an asset as defined in this policy. Donated assets will be disclosed in the Statement of Financial Position at fair value less accumulated depreciation at date of acquirement.

Enhancement/Rehabilitation is an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognized service potential for example, remaining useful life, capacity, quality, and functionality.

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

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological, or artistic significance and are held indefinitely for the benefit of present and future generations.

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

Impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

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

Intangible asset is an identifiable non-monetary asset without physical substance.

Maintenance/Refurbishment to an asset will restore or maintain the originally assessed future economic benefits or service potential that a municipality can expect from an asset and is necessary for the planned life to be achieved.

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users in the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The size or nature of the information item, or a combination of both, could be the determining factor.

Minor Asset is an asset other than a capital asset, which is fully depreciated in the year

of acquisition. Proper record keeping of minor assets must be maintain in the form of loose minor assets register.

Modern Equivalent Asset is an asset that replaces the existing asset with the most cost-effective asset performing the same level of service. This includes improvements in technology that may change the nature, life, and value of an asset. (IIMM)

Municipal Manager is the person defined as the Accounting Officer of a municipality.

Property, Plant and Equipment are tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one reporting period. (GRAP 17)

Recognition is the process of incorporating in the statement of financial position or statement of financial performance an item that meets the definition of an asset and satisfies the criteria for recognition, namely:

- (a) It is probable that any future economic benefit or service potential associated with the item will flow to or from the municipality and
- (b) The item has a cost or value that can be measured reliably.

Recoverable Amount is the higher of a cash-generating asset has or net selling price and its value in use (Present Value).

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

Remaining Useful Life is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness.

Renewal is the work required to replace/enhance/rehabilitate an asset. Expenses on

renewal works are considered capital expenditure.

Reproduction Cost is the cost of reproducing the asset in its present physical form (substantially the same materials and design).

Residual Value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Senior Manager is a manager referred to in section 56 of the Municipal Systems Act no. 32 of 2000, being someone reporting directly to the municipal manager.

Service Potential is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life.

Useful Life is:

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

The estimation of the useful life of the asset is a matter of judgement based on the experience of the municipality with similar assets. A municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical, and other factors.

3. POLICY STATEMENT

3.1 PURPOSE

The policy is aimed at assisting management and employees of the municipality to implement and maintain consistent, effective, and efficient asset management principles by:

- (a) Ensuring that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality.
- (b) Setting out the accounting treatment for assets acquired and used by the municipality.
- (c) Prescribing the administrative guidelines and internal control procedures to be followed by persons in control of municipal assets with regard to management of those assets.

3.2 STATUTORY AND REGULATORY FRAMEWORK

The policy has been drafted based on the following legislative requirements:

- a) The Constitution of the Republic of South Africa, 1996
- b) Municipal Structures Act, 1998
- c) Municipal Systems Act, 2000
- d) Division of Revenue Act (enacted annually)
- e) Municipal Finance Management Act No 56 of 2003
- f) Local Government: Municipal Asset Transfer Regulations, 2008

3.3 SCOPE

3.3.1 The policy complies with the accounting and reporting standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 Presentation of Financial Statements.

- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors.
- GRAP 11 Construction Contracts.
- GRAP 12 Inventories.
- GRAP 13 Leases.
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant & Equipment (PPE).
- GRAP 19 Provisions, Contingent Liabilities & Assets.
- GRAP 21 Impairment of Non-Cash Generating Assets.
- GRAP 26 Impairment of Cash Generating Assets.
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets.
- GRAP 100 Discontinued Operations
- GRAP 103 Heritage Assets

4 ROLES AND RESPONSIBILITIES

4.1 MUNICIPAL MANAGER

4.1.1 The Municipal Manager is responsible in terms of section 63 of MFMA no. 56 of 2003 for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets by ensuring that:

- (a) the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality.
- (b) the municipality's assets are valued in accordance with the standards of generally recognised accounting practice.
- (c) the municipality maintains a system of internal control of assets, including an asset register.

4.1.2 As the accounting officer is the principal custodian of the entire municipality's fixed asset and shall be responsible for ensuring that the fixed asset management policy is meticulously applied and adhered to.

4.2 CHIEF FINANCIAL OFFICER

4.2.1 The Chief Financial Officer is duly being delegated in terms of section 79(1)(b)(ii) of MFMA to be the fixed asset administrator of the municipality, and shall ensure that a complete, accurate and up to date computerised fixed asset register is maintained.

4.2.2 Concerning the fixed asset register the Chief Financial Officer is tasked to introduce certain steps regarding asset management to ensure that the municipality-

- (a) maintains a management, accounting and information system that accounts for the municipality's assets.
- (b) regularly values its assets in accordance with standards of Generally Recognised Accounting Practice.
- (c) has and maintains a system of internal control of assets including the safeguarding and necessary protection against damages, loss, or theft; and
- (d) deals with amendments, deletions, or additions to the fixed asset register under the directives of Chief Financial Officer or any official acting under the written instruction of the Chief Financial Officer.

4.2.3 Concerning financial reporting of the assets the Chief Financial Officer is tasked to:

- (a) ensure that the general ledger is reconciled to the fixed asset register.
- (b) review the reconciliation between the general ledger and the fixed asset register.
- (c) provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.

4.3 HEADS OF DEPARTMENTS [DIRECTORS]

4.3.1 Municipal Finance Management Act section 78 (1)(e) [Financial administration: senior managers and other officials of municipalities] , states that “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 assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary”.

4.3.2 Every director shall at least once during every financial year undertake a comprehensive verification of all their fixed assets.

4.3.3 All directors of departments under whose control any asset falls shall promptly provide the CFO in writing of any information required to compile the asset register.

4.3.4 Shall promptly advise the CFO in writing of any material change [including the need for impairment of the asset] which may occur in respect of such information.

- 4.3.5 Shall ensure that employees in their departments adhere to the approved Asset Management Policies.
- 4.3.6 Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset Management Unit must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the director. The delegated individuals will be known as Asset Controllers.
- 4.3.7 Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policies and/or plans.
- 4.3.8 Shall ensure that the assets of the Municipality are not used for private gain.
- 4.3.9 Shall ensure that all their movable assets as reflected on the Asset Register are bar coded where possible [where such assets were given to the End-user prior to the asset being bar-coded].
- 4.3.10 Shall ensure that the Asset Management Unit is notified of any changes in the status [including condition] of the assets under the department's control including the following:
 - 4.3.10.1 Movements/Disposals which relate to the transfer of assets (inter departmental transfers).
 - 4.3.10.2 Changes in the estimated useful lives of assets for depreciation purposes.
 - 4.3.10.3 Changes in depreciation methods to best reflect an assets pattern of use.
 - 4.3.10.4 The identification of impairment losses on assets by following the procedures as outlined in this policy document.

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

- 4.3.11 Shall ensure that all obsolete and damaged asset items are handed in to the Asset Management Unit without delay.

- 4.3.12 Shall ensure that the correct cost element or votes and description are being used before authorizing any requisitions.

- 4.3.13 Shall not utilise any asset until the asset number is obtained, asset number allocated and will ensure that assets are bar-coded by the Asset Management Unit and insured by the Finance Department.

- 4.3.14 Shall ensure that when asset(s) are donated to the municipality, the Manager that will be responsible for the maintenance and operation of the donated asset, informs the Asset Management Unit within 7 days of receipt of the asset and provide all relevant documentation of hand-over process in order for the asset to be taken up in the municipality's asset register and ensure that the asset(s) are properly insured.

4.4 ASSET MANAGEMENT UNIT

- 4.4.1 The Asset Management Unit shall assist the Chief Financial Officer in the roles as the asset administrator of the municipality and shall ensure that a complete, accurate and up to date asset register is maintained.

- 4.4.2 The unit shall be responsible for implementing and maintaining a centralised asset register and will ensure that no amendments to the asset register shall be made other than those authorised by the Chief Financial Officer.

- 4.4.3 Ensure that physical asset verification is performed annually by all the departments to verify the assets on the asset register and produce the asset verification report which shall:
- (a) include a complete list of all assets identified during the verification process.
 - (b) identify whether appropriate records have been maintained reflecting the items that should have been found during verification.
 - (c) identify any discrepancies between the items found during the verification process by different departments listing and the asset register.
- 4.4.4 Perform reconciliation between the asset register and the general ledger on a quarterly basis. The reconciliation of the asset register shall be performed per asset classification.
- 4.4.5 Ensure adequate bar codes and equipment to exercise the function relating to assets control is available at all times.
- 4.4.6 Assist the Chief Financial Officer in providing the Auditor-General or his personnel, on request, with the details and records relating to assets belonging to Council as recorded in the asset register and ensure that all audit queries are resolved in a timely manner.
- 4.4.7 Monitor the use of municipal assets and shall report to the accounting officer any kind of abuse including improper use of the assets for private gains.

4.5 MANAGER BUDGET & REPORTING

- 4.5.1 Shall ensure that the capital budget [including funding sources] as submitted by the departments after budget process [cutting and balancing process] is included in the annual capital budget to be consideration by Municipal Council. A clear description of the funding source is also required.

- 4.5.2 Shall include a capital project only after receiving written authority and a clear and concise description of the item to be purchased. This information must be indicated by the department in the capital budget documents.
- 4.5.3 Shall ensure that any changes in the capital budget, with regards to funds transferred or project description changes are communicated to the Asset Management Unit and other relevant divisions/departments.

4.6 MANAGER EXPENDITURE

- 4.6.1 Shall ensure that invoices authorised for payment are matched to the goods received note / proof before processing such payment.
- 4.6.2 Shall if any doubt exists as to whether the invoice is in accordance with policy, query the payment with the relevant department and shall not process a payment until the invoice meets the policy criteria.
- 4.6.3 Shall ensure that the Procurement Section is notified of any auctioning or disposing of written-off asset or asset inventory items.

4.7 PROJECT MANAGEMENT UNIT (PMU)

- 4.7.1 Shall ensure that the Assets Management Unit receive information regarding all projects, from inception to completion.
- 4.7.2 Shall ensure that the Assets Management unit is updated on a monthly basis regarding all progress payments effected on each contract.
- 4.7.3 Shall provide the Assets Management Unit with the details of all components of any infrastructure created, including values and estimated life span, on an ongoing basis as and when required.

4.7.4 Shall inform the Assets Management Unit when the work in progress is completed, and supply a copy of the relevant completion certificates, As-built drawings, Bill of Quantity and Close Out Report.

4.8 FLEET MANAGEMENT UNIT

4.8.1 Shall ensure that all municipal fleet including white and yellow fleet are properly maintained and utilized in a manner which will ensure that such assets attain their useful operating lives.

4.8.2 Shall ensure that any incident of loss, theft, destruction or material impairment of municipal fleet is promptly reported to the Asset Management Unit and in cases of suspected theft or malicious damage also the South African Police Services (SAPS).

4.9 HUMAN RESOURCE DEPARTMENT

4.9.1 Human Resources Department must inform the Asset Management Unit in writing of any persons leaving the employment of the municipality for any reason.

4.9.2 All assets used by employees leaving the employment of the municipality must be verified and handed over to the asset management unit on the last day of service of such employees.

4.9.3 Assets that are not returned or handed over, their replacement cost will have to be deducted from such employees last pay.

4.10 END USERS

4.10.1 Each user is responsible for the assets under their control, allocated to/used by them in the performance of their duties.

4.10.2 Each user must sign the room inventory list containing the bar-coded assets allocated to them. These lists must be visibly displayed for audit purposes, preferable at the back of the doors. The Asset Management Division must keep copies of the Assets Verification lists.

4.10.3 Asset users are prohibited to move/transfer assets from the location recorded in the asset register without proper authorisation, by completing Assets Movement Forms.

4.10.4 Users must verify their physical assets against their inventory lists regularly and ensure that any changes to the assets in their possession are updated in their Assets inventory lists.

4.10.5 Each user must take all reasonable precautions to protect their assets against losses and/or damage.

4.10.6 Any damage to the asset items must be immediately reported to the relevant supervisor and manager as well as to Assets Management Unit which will recommend appropriate steps to be taken in relevant incidents.

4.10.7 The assets users must avail assets under their control at any time, at the request of Asset Management Division or External Audit or Internal Audit Section for verification purposes.

4.10.8 In the event of such assets being missing, stolen or lost, the responsible user shall accordingly report the incident to the SAPS. The reported case information will be the source document used to report missing/stolen/lost assets to their

supervisors, Assets division as well as to Expenditure division (Insurance) who will take further appropriate action in the relevant incidents.

4.10.9 Should it be found that users were not properly utilizing/maintaining/securing assets under their control/stewardship leading to asset/s damages/losses such users' Head of Department must recover the replacement costs of such assets from relevant users

4.11 ASSET MANAGEMENT COMMITTEE

4.11.2 Asset management governance and corresponding responsibilities extend beyond the accounting officer and finance department and therefore asset management committee must be established to facilitate the effective and efficient implementation of this policy.

4.11.3 Asset management committee shall provide 'whole of organisation' approach to asset management in order to:

- (a) promote uniform asset management practices across the organisation.
- (b) championing of asset management process; and
- (c) wider accountability for achieving and reviewing sustainable asset management practices.

4.11.4 Each Director should nominate and delegate authority to an employee to implement and maintain physical control over assets in the Department and notify Asset Management Unit of who the responsible person is.

4.11.5 Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the Director of that Department.

5 ASSET MANAGEMENT STRATEGY

5.1 PLANNING AND ACQUISITION OF ASSETS

- 5.1.1 Municipalities should plan for the level of service they have chosen to deliver, option to deliver such services and drawing up of asset management plans to inform the IDP process through which the requirement for a new asset is planned for and established.
- 5.1.2 Asset management plan should be based on asset life cycle costs in order to promote proper budgeting in terms of MFMA section 19(2)(a) and (b) for the acquisition of required assets.
- 5.1.3 Asset management plan should assist in selecting financing alternatives from the following range, namely, the outright purchasing out of cash reserves; capital replacement reserves; hire purchase transactions; long-term bonds and borrowings; and leasing transactions that are more beneficial and affordable to the municipality.
- 5.1.4 The decision in acquiring assets of whether to buy or lease must be based on the most economical option, market analysis and thus the available sources of finance.
- 5.1.5 The accounting officer should ensure that correct procedures are followed in asset acquisitions as per the municipality's Supply Chain Management Policy.

5.2 OPERATION, MAINTANANCE & SAFEGUARDING

5.2.1 Assets maintenance plan

- (a) The management should develop asset maintenance plans that should include scheduled maintenance or servicing provided by manufacturers

on certain specialized assets to ensure that provision is made in the budget for appropriate funding to guarantee that existing assets are kept at working state and continue to perform at the required levels and standards of service.

- (b) Certain categories of assets require little or no regular maintenance; however it would be valid to exclude such assets from a formal maintenance plan and to rely instead on regular, periodic inspection of condition, which could be undertaken in conjunction with the physical verification of assets.
- (c) Senior managers shall be directly responsible for ensuring that all assets under the care of their department are properly maintained in a manner that such assets will attain their useful lives.
- (d) The accounting officer may give directive that the maintenance plan should be submitted to the council prior to approval being granted for the acquisition or construction of the infrastructure asset.
- (e) Management should avoid at all cost deferring maintenance on an asset as it is not a healthy practice and means that the asset will not reach the estimated useful life envisaged on acquisition and as a result the cost to the municipality in terms of lost economic benefits or backlog in service delivery will exceed the perceived 'saving' in maintenance costs.
- (f) The CFO should annually compile report regarding deferred maintenance which must disclose the extent of and possible implications such would have in the financial sustainability of the municipality. The responsible department should provide in that report reasons for deferment and action to redress the situation.

5.2.2 Monitoring of the functioning assets

- (a) The Head of Department should conduct assets utilisation assessment in relation to the asset's potential capacity in order to measure how effectively assets are being used to meet the organisation's service delivery objectives. To assess utilisation the criteria used should have regard to:
 - (i) the value of the asset's unit of service potential that is being used relative to the units of service being delivered.
 - (ii) the physical measures of asset capacity, relative to the units of service being delivered; and
 - (iii) the use being made of the asset, relative to the optimal availability for the type of asset (e.g. the number of computer hours used, relative to the number of operational hours available on a mainframe computer).
- (b) All the Directors should compile report of under-utilized assets identified including the reasons for their under-utilisation and intervention plan for attaining optimal usage.

5.2.3 Safeguarding of assets

- (a) Directors shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question. In exercising this responsibility, provision of this policy and any written directives issued by the municipal manager must be adhered to.
- (b) The Municipal Manager shall ensure that all fixed assets are insured

at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

- (c) The Municipal Manager in consultation with the CFO shall determine the insured value based on either the carrying value or the replacement value to be applied to each type of fixed asset concerned.
- (d) The determined insured value of which the insurance premiums payable to the insurer is based on the available financial resources of the municipality and the level of risk the asset in question is exposed to.
- (e) The CFO should compile and submit on monthly basis a report on the insurance portfolio performance to a committee of council in this instance the Finance Committee. The relevant Directors where the asset was being utilized shall submit such information to the CFO [for the purpose of the CFO complying with this responsibility].
- (f) The relevant Directors shall report all cases of theft / loss to the Municipal Manager / Chief Financial Officer within 48 hours of the theft / loss incident. Where the lost requires such to be reported to the South African Police Services, the relevant Director shall report such loss / theft within 24 hours of being aware of such incident.

5.3 RETIREMENT, DISPOSAL & TRANSFER

5.3.1 Departments shall identify and record all fixed assets that should be removed from service, retired, and disposed of. Such fixed assets to be retired or disposed of will be categorised under each of the following criteria:

- (a) **Excess** – Fixed assets that are no longer needed (in excess of the department's requirements) but are still serviceable or useable.

- (b) **Obsolete** – Fixed assets that no longer meet department specifications or requirements but are still serviceable or useable.
- (c) **Worn** – Fixed assets items that may still be operable but require excessive maintenance or repair (cost, manpower) to remain in an operable condition.
- (d) **Damaged or Destroyed** – Fixed assets that are not operable due to damage or accident and would require excessive repair (cost, manpower) to return the asset to serviceable condition.
- (e) **Scrap** – Fixed assets that no longer function, are unserviceable and have no market value except for their basic material content.
- (f) **Lost or Stolen** – Fixed assets that are assigned to or acquired by a department but have been lost or stolen and deemed unrecoverable.

5.3.2 Fixed assets will be retired or disposed of in the fixed assets management system using one of the following methods:

- (a) **Transfer** - Excess or obsolete fixed assets that are no longer required by the municipality will be transferred either to another municipality within the municipality or to another organ of state in need.
- (b) **Sale or alienation** – Fixed assets that are no longer needed by the municipality to provide services will be sold by either way of sealed bid invitation, spot bidding, market fixed-price sale, public auction, or out-of-cycle sale.
- (c) **Trade-in** – Fixed assets may be exchanged to obtain discount for a similar asset with longer life span and high value. The transaction must be

recorded as a sale of the original asset and acquisition through purchase of new asset by the municipality.

- (d) **Write-off** – Fixed assets that have been lost or stolen or found to be damaged, destroyed (destructured), or in any other way having no recoverable value will be scrapped and written-off.
- (e) **Donation** – Excess or obsolete fixed assets that are no longer required by the municipality may be donated to a non-profit organization in accordance with procedures established by the accounting officer for use in providing services benefiting the residents of the municipality.
- (f) **Derecognition** - whenever no future economic benefits can be expected from its use or disposal through a non-exchange transaction, thus the municipality is in no position to prove / maintain asset assertions [e.g. assets that cannot be verified at year-end thus existence cannot be ascertained].

5.3.3 Depending upon the method of disposition and the amount of proceeds or other compensation received by the municipality, a gain or loss on the disposition must be reflected in the notes of the financial statements.

5.3.4 Laptops acquired by the municipality for the councillors shall remain the assets of the municipality and shall be subjected to the approved asset management processes and policy. However, councillors will be provided with a once-off opportunity to buy the laptops allocated to them at the end of their term as councillors. A Councillor can only benefit under the criteria once in a period of 5 years.

5.3.5 The selling price of the laptop will be the carrying value (cost less accumulated depreciation) of the laptop at the end of the councillor's term.

- 5.3.6 The laptops acquired by the councillors will be derecognised from the asset register and accounting records of the municipality and be transferred to the councillors. The municipality is not allowed to dispose-off asset that are still needed to provide minimum basic services and to dispose-off asset at value less than its carrying value in the Fixed Asset Register.
- 5.3.7 The selling / disposal of laptops will not be considered for laptops that are less than two years [having been in use for less than 24 months including laptops which were purchased over 24 months but have not been in-use for a period of over 24 months].

6 ASSET REGISTER

6.1 FORMAT OF ASSET REGISTER

- 6.1.1 The municipality must establish and maintain asset register as an indispensable tool for the management of assets by consolidating and keeping asset data up to date for decision-making purposes during the asset life cycle, as well as for the management of assets as a portfolio.
- 6.1.2 In order to keep fixed asset records that will be a complete and accurate accounting for fixed assets, the asset register must contain at least the following information:
- (a) Asset Number
 - (b) Barcode, Serial Number, Registration number
 - (c) Description of individual assets
 - (d) Acquisition date
 - (e) Useful Life and Remaining Useful Life
 - (f) Residual Value
 - (g) Disposal date
 - (h) Asset Type and Asset Category
 - (i) Cost of an asset (opening, adjustment, addition, disposal and closing)
 - (j) Accumulated Depreciation (opening, current and Closing)

- (k) Impairment Losses (opening, current and closing)
- (l) Net Book Value
- (m) Location of Assets (Room, Town, Building and co-ordinates)
- (n) Title deed number & ERF number, in the case of fixed property (where available)
- (o) Stand number, in the case of fixed property [where applicable]

6.1.3 The asset register must be compiled in accordance with GRAP 17, and this requires the municipality to account separately for components of an asset that have a different estimated useful life to the asset they form part of.

6.1.4 Directors under whose control any asset falls shall promptly provide the Asset Management Unit, in writing with any information required to compile the asset register and shall promptly advise this unit in writing of any material change which may occur in respect of such information.

6.1.5 If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it has reached practical stage completion, where after it shall be appropriately capitalised as a fixed asset register.

6.1.6 An asset shall remain in the asset register for as long as it physically exists. The fact that an asset has been fully depreciated shall not in itself be a reason for removing the asset from the asset register.

6.1.7 If an asset has been fully depreciated but is still being used by the municipality, there shall be a need to review such an asset's estimated useful life and therefore, the municipality will have to account for an asset using the asset's revised estimated useful life.

6.2 ASSETS CLASSIFICATION AND USEFUL LIVES

6.2.1 In compliance with the requirements of GRAP, the CFO shall ensure that all assets are classified into the following categories:

(a) **Property, Plant, 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)
- Other Property, plant and equipment (transport assets, machinery, computer equipment & Furniture and equipment)

(b) **Inventory**

- Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by the municipality and held for resale, or land and other property held for sale.

(c) **Intangible assets**

- Intangible assets- are intangible asset is defined as an identifiable non-monetary asset without physical substance.

(d) **Heritage Assets**

- Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological, or artistic significance and are held indefinitely for the benefit of present and future generations.

(e) **Investment Property**

- Investment property- is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for

6.2.2 The directors shall in writing provide the CFO with such information or assistance as is required to compile a proper classification.

6.2.3 The life span of fixed assets according to the above classifications is outlined in Annexure "B" 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.

6.3 IDENTIFYING AND RECORDING OF ASSETS

6.3.1 The municipality will identify and record assets using numbering system which is based on bar code tags and a unique number that is prefixed with a letter designator which clearly identify the asset. Barcode or tag numbers will be issued with no duplicates.

6.3.2 Certain assets such buildings, land, and improvements other than buildings on the asset register will not be physically numbered or tagged with barcode labels but will have a unique asset master record number.

6.3.3 The Assets Management Unit will be responsible for assigning, recording, and affixing tag numbers for all fixed assets allocating unique numbers for the immovable assets.

6.3.4 All fixed assets will be assigned an asset number at the time of receipt or

commissioning. This serves as the record number for the asset in the municipality's Fixed Asset Management System .

6.3.5 All tags will be affixed to the assets in a conspicuous and convenient location that is easily accessible for scanning and inventory purposes. Asset tags will remain in this location throughout the life of the asset and will be replaced when damaged.

6.3.6 The Asset Management Unit will be responsible for assigning and issuing replacement tag for an asset where the original tag has aged and could no longer be scanned or is missing, and the reason for issuing a new tag for the asset should be noted on an asset details changes form.

6.4 VERIFICATION AND CONDITION ASSESSMENT OF ASSETS

6.4.1 Verification of Assets

- (a) The Asset Management Unit shall at least once during every financial year provide all directors of departments with a comprehensive list of assets which is registered under their control.
- (b) Every director shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned. Such verification shall also include condition and impairment assessment.
- (c) The CFO will establish physical verification intervals [which shall be at least quarterly until end of the third quarter and monthly thereafter until end of the financial year] of assets and schedules for the inventory of all fixed assets and controlled items.
- (d) Asset verifications on movable assets shall be performed monthly from

July until March of the next calendar year by each department /end user. In this case, a written confirmation [signed by the relevant Director] addressed to CFO, confirming that there was no movable asset lost / damaged / moved to another location / without a barcode in the Department shall suffice.

- (e) The Asset Management Unit with assistance of officials designated by senior managers shall at least quarterly [September, December, and March] undertake a comprehensive verification of all movable assets controlled or used by the department concerned.
- (f) The Asset Management Unit shall promptly and fully report in writing to the CFO, 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 CFO not later than 30 June of the year in question.

6.4.2 Condition Assessments

- (a) Management [respective Directors] would conduct regular assessment of the condition and performance of all the tangible capital assets in order to allow the municipality to determine the ability of tangible capital assets to continue to perform and provide services into the future.
- (b) While condition assessments for specialized assets like infrastructure would generally be an engineering function, a municipality can also establish basic performance and benchmarking indicators that will assist in the assessment process. The following basic indicators can be used:
 - (i) Analyzing the quality of water treated compared to the quality of water needed can provide a useful indicator of the condition of

the treatment plant to provide sufficient treated water,

- (ii) Driving on roads and over bridges doing visual inspections and counting potholes and grade separations.
 - (iii) Reviewing estimated life-cycle costs and comparing them to the actual amounts spent on infrastructure maintenance; and
 - (iv) Customer complaints and frequency of reported performance defaults.
- (c) The municipality will use condition data to predict the timing of remedial action contained in the asset maintenance plan or asset replacement. Complex tangible capital assets like buildings, community facilities, roads, water networks and other infrastructure will require professional expertise to ensure a more reliable assessment results are obtained.
- (d) The accounting officer should bear in mind that the benefits of conducting the condition assessment should outweigh the costs of conducting this assessment. Therefore, in the case of unreasonably expensive condition assessments, alternative approaches should be considered so that the municipality is able to justify the costs while still having fairly reliable information to act upon.
- (e) In order to gain the necessary understanding, the municipality will apply a rating scale as outlined in the following table for different class of tangible capital asset:

Generic condition grading scale:

<u>Condition Grade</u>	<u>Description</u>	<u>Detailed Description</u>	<u>Indicative RUL</u>
1	<u>Very Good</u>	<u>Sound structure well maintained. Only normal maintenance required</u>	<u>71 – 100% EUL</u>
2	<u>Good</u>	<u>Serves needs but minor deterioration (< 5%). Minor maintenance required.</u>	<u>46 – 70% EUL</u>
3	<u>Fair</u>	<u>Marginal, clearly evident deterioration (20%). Significant maintenance required.</u>	<u>26 – 45 % EUL</u>
4	<u>Poor</u>	<u>Significant deterioration of structure and/or appearance. Significant impairment of functionality (40%). Significant renewal/upgrade required.</u>	<u>11 – 25% EUL</u>
5	<u>Very Poor</u>	<u>Unsound, failed needs reconstruction/ replacement (> 50% needs replacement)</u>	<u>0 – 10% EUL</u>

7 ACCOUNTING FOR ASSETS

7.1 RECOGNITION AND CAPITALIZATION OF ASSETS

7.1.1 The cost of an item of property, plant and equipment shall be recognized as an asset when and only when:

- (a) It is probable that future economic benefits will flow to the municipality, or the potential service delivery associated with the asset will occur;
- (b) The cost of the asset to the municipality can be reliably measured.
- (c) The municipality has gained control over the asset.
- (d) The costs of acquisition are above the recognition threshold if so determined; and
- (e) The item is expected to be used for the period exceeding one financial year.

7.1.2 An item of property, plant and equipment that qualifies for recognition as an asset shall be initially measured at its cost of acquisition. The acquisition cost of an item of property, plant and equipment will include all costs incurred to bring

such an asset to a position for its intended use and proper working condition.

These costs shall include:

- (a) purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- (b) 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, such as the costs of site preparation, initial delivery costs, handling costs, installation costs, contractor fee and professional fees such as architects and engineering fees.
- (c) 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 a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

7.1.3 Where an asset acquired at no cost or for a nominal cost through donation to the municipality, or by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be initially measured at its fair value and recorded in the asset register at its fair value if the value meets the recognition threshold as determined. The asset's fair value shall either be its market price or the amount the asset can be sold for in an arm's length transaction between two knowledgeable willing parties.

7.1.4 To ensure consistency and efficiency in the application of this policy, there shall be no recognition threshold as regards to the cost price of an asset, and therefore any item acquired that meet the definition of property, plant and equipment shall be capitalized in accordance with GRAP.

7.1.5 Property, plant and equipment shall be capitalized in terms of GRAP 17. The

following procedure will be used in the capitalization of assets:

- (a) The Asset Management Unit shall in case of the purchase order acquisition transaction confirm receipt and acceptance of the asset by signing off the delivery note, assign the asset number and capitalize in the asset register the value of an asset in question using final invoice payment information from the Expenditure Unit.

- (b) The Asset Management Unit shall in case of the construction works:
 - (i) When the municipality has contracted the service to construct an infrastructure or building for its own use that qualifies for recognition as an asset an acquisition cost will be confirmed using final invoice payment information from the Expenditure Unit and the asset once it reaches the practical stage of completion be capitalized in the asset register.

 - (ii) When the municipality uses internal staff, resources, equipment, and or materials to construct an infrastructure or building for its own use that qualifies for recognition as an asset, an acquisition cost will be established using all direct costs, including materials and labor costs and the asset once it reaches the practical stage of completion be capitalized in the asset register as if it had been purchased.

- (c) The Asset Management Unit shall in case of acquisition of land with improvement such as buildings, shall establish and recognize separately the cost of land from that of the buildings and capitalize accordingly in the asset register.

- (d) An intangible asset will be capitalized in accordance with GRAP 31 when it meets the definition of an intangible asset, regardless of the value

provided that the municipality expect to derive future economic benefits related to the asset beyond the current reporting period.

- (e) Items that meet the definition of an asset acquired under finance lease, which a lease that transfers substantially all the risks and rewards incident to ownership of an asset, will be recognized and capitalized in accordance with GRAP 13 and any other appropriate financial reporting standards.

7.2 ASSETS VALUATION

7.2.1 The accounting officer must maintain accurate accounting records by ensuring that proper value is assigned, or total acquisition costs is established for all the fixed assets.

7.2.2 The value of the fixed assets may be established and assigned using one of the following valuation method:

- (a) **Acquisition Cost** – The total cost of obtaining a fixed asset and putting it in place and in condition for use. This cost will be recorded in the fixed assets register, representing the value of the asset when it was acquired. The acquisition cost is generally the historical or original cost but may be based on a different valuation for certain types of transactions.
- (b) **Book Value** – The value is calculated by subtracting accumulated depreciation from the historical or original cost of the asset.
- (c) **Estimated Cost** – Professional (certified) appraisals of the cost of an asset; used in those instances where historical cost records are not available. The estimated cost is determined by inventorying existing assets. When required, the estimated cost will be used as the acquisition cost.

- (d) **Fair Market Value** – The price at which a willing seller would sell something to a willing buyer, neither being under any compulsion to buy or sell. This is the price that would be paid for an item in a condemnation proceeding.
- (e) **Historical Cost (or Original Cost)** – The actual amount paid for an asset at the date of acquisition, including any normal costs associated with preparing the asset for use. In the case of the many new assets, particularly machinery and equipment, this is the acquisition cost.
- (f) **Recoverable cost** - is the higher of a cash-generating asset has or net selling price (selling price less cost to sell) and its value in use (Present Value).

7.3 DETERMINING CARRYING VALUE OF ASSETS

7.3.1 All assets shall be carried in the asset register, and appropriately recorded in the annual financial statements; at their original cost or fair market value, less any accumulated depreciation and any impairment losses thereon as per the requirements of GRAP.

7.3.2 All assets shall be depreciated at a straight-line method, except for land and Heritage assets, which shall not be depreciated.

- Heritage assets – no depreciation is calculated.
- Land – no depreciation is calculated.
- Investment Property (Buildings) – depreciation is based on straight-line method.
- Intangible assets – amortization is based on the straight-line method.
- Property, plant and equipment – depreciation is based on the straight-line method.

7.3.3 Depreciation method applied to property, plant and equipment shall be reviewed annually, and if there has been a significant change in the

expected pattern of economic benefits or potential service delivery from those assets, the method shall be changed to reflect the changed pattern.

7.3.4 If a change in depreciation, method is necessary such a change shall be accounted for as a change in estimate, and the depreciation charge for the current and future periods shall be adjusted accordingly.

7.3.5 Subsequent expenditure incurred relating to an item of property, plant and equipment that has already been recognized shall be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery will flow to the municipality.

7.3.6 Before allowing the capitalization of subsequent expenditure incurred, the CFO must be satisfied that such expenditure significantly:

(a) increases the life of that asset beyond that stated in the asset register;
or

(b) increases the quality of service of that asset beyond the existing level;
or

(c) increases the quantity of services which that asset can provide; or

(d) reduces the future assessed costs of maintaining that asset.

7.3.7 Expenditure amount that is to be capitalized must also conform to recognition criteria of an asset, otherwise any subsequent expenditure amount that does not meet the criteria shall be recognized as an expense in the period in which it occurred.

7.4 DETERMINING REMAINING VALUE OF ASSETS

7.4.1 Subsequent to initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation, subject to the requirement to write the value of an asset down to its recoverable amount or any subsequent determination of fair market value.

7.4.2 Residual value of an asset

- (a) Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles.
- (b) The basis of the residual value estimates shall be determined by the results of past sales of vehicles at auctions when it reaches the end of its useful lives.
- (c) The residual value of assets shall be reviewed on an indication base as per the guidance of GRAP. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.
- (d) The residual value of fixed assets according to different classifications is outlined in Annexure "A"

7.4.3 Review and amendment of asset useful life

- (a) The useful life of an asset shall be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted.
- (b) Only the CFO may amend the expected useful operating life assigned to any asset, and when any material amendment occurs, the CFO shall inform the Council of the municipality of such amendment.
- (c) Any amendments to the useful operating life shall be done in accordance with GRAP 3, changes in accounting estimates and errors.

7.5 RECOGNITION AND DERECOGNITION OF LAND

7.5.1 iGRAP 18 was early adopted and will subsequently be used in the recognition and derecognition of land. iGRAP 18 can be applied to clarify the treatment of land where the building is owned by another party including, but not limited to:

- (a) Formal RDP houses
- (b) Informal RDP houses (without council permission)
- (c) Schools, clinics churches and similar
- (d) Private properties on municipal land

7.5.2 It will also assist in confirming the treatment of the following assets regardless of ownership of the land:

- (a) Infrastructure assets
- (b) Community assets
- (c) Vacant stands registered at the title deeds office
- (d) Vacant stands not registered at the title deeds office

7.5.3 The control of the land is evidenced by the following criteria:

- (a) Legal ownership; and/or
- (b) The right to direct access to land, and to restrict or deny the access of others to land

7.5.4 In assessing the control criteria, any binding arrangements over properties will be considered. Binding agreements can be in written form, a verbal agreement, or the result of past practice

7.5.5 The loss of control will result in the derecognition of the property, despite legal title, while assets over which the municipality does not hold the legal title may be recognized as an asset if control over the property has been established.

7.6 IMPAIRMENT OF ASSETS

7.6.1 The impairment of assets shall be done in accordance with GRAP 21 & 26- Impairment of Assets. For non-cash generating assets GRAP 21 will be applied. For cash generating assets GRAP 26 will be applied. It will be the responsibility of the Asset Management Unit to consider at each reporting date whether based on the condition assessment report that any asset need to be impaired.

7.6.2 The calculation of the impairment value shall be based on the condition assessment table contained in clause 6.4.2 (f) of this policy. In addition to condition assessment table the following indicators should also be considered to determine that an item of property, plant and equipment has become impaired:

- (a) The asset has been damaged. During routine physical inspection of the asset there was evidence of physical damage (or obsolescence).
- (b) Land is purchased at market value and is to be utilised for subsidised housing developments, where the subsidy is less than the purchase price.
- (c) The asset is not being used, or access to the asset is restricted, due to structural damage.
- (d) The asset is not able to perform at the planned or required level and as a result is not meeting service delivery targets.
- (e) During routine physical inspection of the asset it was identified that the asset deteriorated faster than expected, or was subject to damage, which will result in replacement or significant maintenance earlier than expected.
- (f) Carrying amount of an asset far exceeds the recoverable amount or market value

7.6.3 The municipality will designate its assets as either non-cash generating or cash generating in accordance with GRAP 21. Designation is based on the entities objective of using the asset at initial recognition for:

- Delivery of service (service assets) or
- Generating commercial return (profit assets)

It is expected that some assets may have a dual-purpose. A dual-purpose asset is only classified as cash-generating (profit assets) if the purpose to create a profit clearly stands out and the service delivery aspect is incidental. If the purpose is not clear, the assets are presumed to be non-cash-generating (service assets)

The designation has to be done on an asset or cash-generating unit.

In the designation process assets are first designated using a group of assets and any remaining assets are then designated on an individual asset basis. The designation is applied to individual assets. An asset could comprise a group of assets that are part of a system or network, that is, infrastructure assets.

Examples of a cash-generating unit (group of assets):

- Administrative / owner-occupied assets
- Infrastructure – Roads
- Infrastructure – Water
- Infrastructure – Electricity
- Infrastructure – Sewer
- Infrastructure – Waste Management
- Community Assets – Swimming Pool
- Community Assets – Community Hall

The impairment amount is calculated as the difference between the carrying value and the recoverable value.

7.6.4 Non-cash generating assets

The recoverable value is the higher of the asset's value in use or its fair value

less cost to sell.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

7.6.5 Cash generating assets

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

7.6.6 Where the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

7.6.7 If the asset is carried at a re-valued amount the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

7.6.8 Assets shall be reviewed annually for all assets with impairment indicators. Impairment of assets shall be recognised as an expense unless it reverses a previous revaluation in which case it should be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as income.

ANNEXURE A: RESIDUAL VALUE BASED ON PERCENTAGE (%):

ASSET CLASS	PERCENTAGE BASED ON COST
Heritage Assets	Nil
Land Assets	Nil
Intangible Assets (Computer Software)	Nil
Investment Properties(Land & Buildings)	Nil
Buildings & other Structure (Community)	Nil
Transport Assets	5% of Cost
Machinery & Equipment	10% of Cost
Furniture & Office Equipment	10% of Cost
Computer Equipment	10% of Cost
Infrastructure Electricity	Nil
Infrastructure Water	Nil
Infrastructure Sanitation	Nil
Infrastructure Roads & Storm Water	Nil

APPENDIX B: ASSET ESTIMATED USEFUL LIVES IN YEARS

	<u>Useful Life</u>		<u>Useful Life</u>
<i>Buildings & Other Structures:</i>		<i>Recreational Facilities &</i>	
High Specs Buildings	80	Bowling pitch	25-50
Medium Specs Buildings	50	Tennis courts	25-50
Low- Specs Buildings	30	Swimming pools	25-50
Other Assets	10-20	Golf courses	25-50
<i>Heritage Assets:</i>	Infinite	Soccer pitches	25-50
<i>Land & Open Space</i>	Infinite	Out & Indoor sports facilities	25-50
<i>Intangible Assets:</i>		Organ & Case	25-50
Computer software, other-Server	3-5	Lakes and dams	25-50
<i>Computer Equipment:</i>		Fountains	25-50
Laptops Computer	3-5	Floodlighting	25-50
Desktop Computer	3-6	Other Assets-cemeteries	25-50
<i>Investment Properties :</i>	Infinite	<i>Security Measures:</i>	
<i>Transport/Fleet Assets:</i>		Fencing & Gate	10-25
LDV- Passenger Cars	5-7	CCVT & Camera	3-5
LDV- Bakkies/Utility	5-10	Access control	5-10
HDV- Trucks	10-15	Other Security Equipment	3-5
Emergency-vehicles & fire engine	10-15	Pistol	25-30
Tractors & Trailers	15-20	<i>Water Infrastructure:</i>	
<i>Engineering Equipment:</i>		Reservoirs	50-80
Bulldozer	15-20	Dam	50-80
TLB	15-20	Meters- Portable	10-15
Front Loader	15-20	Bulk meters	15-20
Excavator	15-20	Supply/reticulation	20-50
Grader	15-20	Telemetry	5-10
Roller	15-20	Asbestos Pipe	30
		uPVC pipe	50
		PVC pipe	50

Pressure Jet	15-20	Galvanized pipe	50
Other Assets	5-10		
	<u>Useful Life</u>		<u>Useful Life</u>
Workshop equipment & loose tools:		Water Infrastructure	
Installed tools	10-20	continue.	
Lawnmower: Kudu	2-5	Pump Station	10-55
Weeds eaters/Brush cutter	2-5	Underground Chambers:	5-50
		Water purification works	10-55
		Sanitation Infrastructure:	
		Bulk pipelines (outfall sewers)	40-50
		Sewerage pump stations	10-55
		Sewer/reticulation	30-60
Furniture & Fittings:		Solid waste management:	
Chairs	7-10	Collection vehicles	10-15
Tables/desks	7-10	Containers/Bins	5-10
Cabinets/cupboards	7-10	Compaction equipment	10-15
Miscellaneous/ other assets	5-10	Buildings(Low Specs)	30
		Weighbridge	15-40
		Fencing & Gate	10- 25
Office equipment:		Electricity Infrastructure:	
Computer hardware	5	Main power meter	15-20
Computer software	3-5	Prepaid meters	10-20
Office machines	3-5	Conversional Meters	20-25
Air conditioners	5-7	Supply/ reticulation	25-50
		Transformers	25-50
		Cables/lines- under & over	40-50
		Substation	20-30

	<u>Useful Life</u>		<u>Useful Life</u>
		Switchgear/Circuit breaker	20-30
		Electrical equipment	15-45
		Electrical panel	5
		Telemetry	7-15
		Floor Standing battery	5
		<i>Roads & Storm water infrastructure:</i>	
		Vehicle & Pedestrian bridges	25-80
		Reinforced retaining wall	10-40
		Storm water culverts	25-40
		Drainages	50-70
		Kerb & channels	10-50
		Crash barriers	10-30
		Street lights	25-40
		Traffic lights	15-20
		Traffic islands	40-50
		Traffic signs	5-15
		Pedestrians footpaths	10-20
		Other roads assets	10-15

[SOURCE: MFMA- Local Government Capital Asset Management Guideline]