LEPHALALE

LOCAL MUNICIPALITY

FIXED ASSET MANAGEMENT POLICY

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1. PREAMBLE

Whereas Section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a Municipal Council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued.

And whereas the Municipal Council of Lephalale Local Municipality wishes to adopt a policy to guide the Municipal Manager in the management of the municipality's assets.

And whereas the Municipal Manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulate the acquisition, safeguarding and maintenance of all assets.

And whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes.

Now therefore the Municipal Council of Lephalale Local Municipality adopts the following Asset Management Policy (AMP).

2. DEFINITIONS

Accounting Officer means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

Agricultural Produce is the harvested product of the municipality's biological assets.

Biological Assets are defined as living animals or plants.

Capital Assets are items of Biological Assets, Intangible Assets, Investment Property or Property, Plant or Equipment defined in this Policy.

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

Carrying Amount is the amount at which an asset is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

Chief Financial Officer (CFO) means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions. ***Community Assets*** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

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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 initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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.

GAAP is standards of Generally Accepted Accounting Practice.

GRAP is standards of Generally Recognised Accounting Practice.

Heritage Assets are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
Immovable Assets are defined as an item of property, plant and equipment that cannot be moved without destroying or altering it – property that is fixed to the erf.

Infrastructure Assets are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

Intangible Assets are defined as identifiable non-monetary assets without physical substance.

Investment Properties are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

MFMA refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

Movable Assets are assets other than immovable assets.

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

Property, Plant and Equipment (PPE) are tangible assets that:-

(a)Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and

(b) Are expected to be used during more than one period.

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

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

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

Useful Life is:-

(a) The period of time over which an asset is expected to be used by the municipality; or

(b) The number of production or similar units expected to be obtained from the asset by the municipality's Accounting Officer.

3. OBJECTIVE

The MFMA was introduced with the objective of improving accounting in the municipalities sector in keeping with global trends. Good asset management is critical to any business environment whether in the private or public sector. In the past municipalities used a cash-based system to account for assets, whilst the trend has been to move to an accrual system.

With the cash system, assets were written off in the year of disposal or, in cases where infrastructure assets were financed from advances or loans, they were written off when the loans were fully redeemed. No costs were attached to subsequent periods in which these assets would be used.

With an accrual system the assets are incorporated into the books of accounts and systematically written off over their anticipated lives. This necessitates that a record is kept of the cost of the assets, the assets are verified periodically, and the assets can be traced to their suppliers via invoices or other such related delivery documents. This ensures good financial discipline, and allows decision makers greater control over the management of assets. An Asset Management Policy should promote efficient and effective monitoring and control of assets.

According to the MFMA, the Accounting Officer in the Municipality should ensure:

(a) that the municipality has and maintains an effective and efficient and transparent system of financial and risk management and internal control;

(b) the effective, efficient and economical use of the resources of the municipality;

(c) the management (including safeguarding and maintenance) of the assets of the municipality;

(d) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

(e) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(f) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

The objective of this Asset Management Policy is to ensure that the municipality:

a) has consistent application of asset management principles;

(b) implements accrual accounting;

(c) complies with PFMA, MFMA, Treasury Regulation, GAAP, GRAP and other related legislation;

(d) safeguards and controls the assets of the municipality; and

(e) optimises asset usage.

4. POLICY FRAMEWORK

The main challenges associated with managing fixed assets can be characterised as follows:

(a) Moveable assets – controlling acquisition, location, use, and disposal (over a relatively short term lifespan)

(b) Immovable assets – life-cycle management (over a relatively long-term lifespan).

The policy approach has been to firstly focus on the financial treatment of assets, which needs to be consistent across both the movable and immovable assets, and secondly to focus on the management of immovable assets as a fundamental departure point for service delivery. This arrangement is summarised in Figure 1.

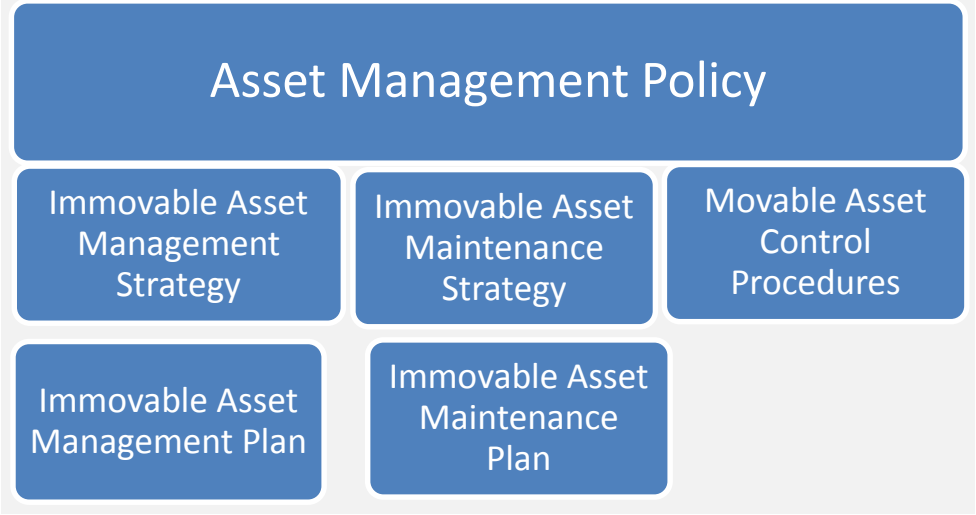

Figure 1: Proposed policy and strategic framework

5. ASSET RECOGNITION

5.1. CLASSIFICATION OF CAPITAL ASSETS

General

When accounting for Capital Assets, the municipality should follow the various standards of GRAP relating to the capital assets. An item is recognised in the statement of financial position as a Capital Asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Capital Assets are classified into the following categories for financial reporting purposes:

1. Property, Plant and Equipment (GRAP 17)
    - Land and Buildings (land and buildings not held as investment)
    - Infrastructure Assets (immovable assets that are used to provide basic services)
    - Community Assets (resources contributing to the general well-being of the community)
    - Housing Assets (rental stock or housing stock not held for capital gain)
    - Heritage Assets (culturally significant resources)
    - Other Assets (ordinary operational resources)

2. Intangible Assets (GRAP 102)
    - Intangible Assets (assets without physical substance held for ordinary operational resources)

3. Investment Property (GRAP 16)
    - Investment Assets (resources held for capital or operational gain)

4. Biological Assets (GRAP 101)
    - Biological Assets (livestock and plants held)

When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

5. Assets classified as Held-for-Sale (GRAP 100)
    - Assets Held-for-Sale (assets identified to be sold in the next 12 months and reclassified as Inventory)

6. Land Inventories (GRAP 12)
    - Land Inventories (land or buildings owned or acquired with the intention of selling such property in the ordinary course of business)

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

To facilitate the practical management of infrastructure assets and asset register data, infrastructure assets have been further classified. The recommended classifications are provided in Appendix B.

Policy

The asset classification specified by GRAP shall be adhered to as a minimum standard. The extended asset classification specified in Appendix B shall be adopted.

Procedures and Rules

- The CFO shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.
- The CFO shall inform the Heads of Departments of the classification requirements.
- Every Head of Department shall ensure that all fixed assets under their control are classified correctly.

5.2. IDENTIFICATION OF ASSETS

General

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means an accurate description of their physical location.

Policy

An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number.

Procedures and Rules

- The CFO shall develop and implement an asset identification system, while acting in consultation with the Heads of Departments.
- The Heads of Departments shall ensure that all the assets under their control are correctly identified. As far as practicable, all movable assets must be bar-coded or uniquely marked.
- Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.

5.3. ASSET REGISTER

General

An asset register is a database of information related to all the assets under the control of the municipality. The asset register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the asset register. The data requirements for the asset register are as follows:

Data Type	Land	Moveable	Infrastructure/ Buildings
Identification			
• Unique identification number or asset mark	□	□	□
• Unique name	□	□	□
• National Treasury Classification	□	□	□
• Internal Classification	□	□	□
• Descriptive data (model, make, etc.)	□	□	□
• ERF/ Registration Number	□	□	□
• Title deed reference	□		
Accountability			
• Department	□	□	□
• Insurance reference		□	□
Performance			
• Age		□	□
• Condition		□	□
• Remaining Useful Life		□	□
• Expected useful life		□	□
• Technical Asset Residual Value			□
Acoounting			
• Historic Cost	□	□	□
• Take on value	□	□	□
• Take on date	□	□	□
• Revaluation Amount	□	□	□
• Valuation Difference for purposes of the Valuation Reserve and depreciation.	□	□	□
• Depreciation method	□	□	□
• Depreciation portion that should be transferredn from revaluation reserve to accumulated depreciation (where assets have been revalued).	□	□	□
• Depreciation charge for the current financial year.	□	□	□
• Depreciation charge for ensuing year (for purposes of the current year).	□	□	□
• Impairment losses in the currennt	□	□	□

Data Type	Land	Moveable	Infrastructure/ Buildings
year.			
• Accumulated depreciation	□	□	□
• Carrying value	□	□	□
• Residual value	□	□	□
• Source of financing	□	□	□

Assets remain in the asset register for as long as they are in physical existence or until being written off. The fact that an asset has been fully depreciated is not in itself a reason for writing-off such an asset.

The asset register does not include assets that belong to other third parties. These assets may be included as separable entities for control purposes.

Policy

An asset register shall be maintained for all assets. In some cases, such as Investment Properties and Intangible Assets, separate asset registers will have to be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The asset register should be continuously updated and asset records should be reconciled to the general ledger on a quarterly basis.

Procedures and Rules

- The CFO must define the format of the asset register in consultation with the Heads of Departments and must ensure that the asset register format complies with legislative requirements.
- The CFO must ensure that a defined process and forms exist to update and maintain the asset register.
- The Heads of Departments must provide the CFO with the information required to compile and maintain the asset register.

5.4. RECOGNITION OF CAPITAL ASSETS: INITIAL MEASUREMENT

General

A Capital Asset should be recognised as an asset in the financial and asset records when:

- ✓ It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- ✓ The cost or fair value of the item to the municipality can be measured reliably;
- ✓ The cost is above any municipal capitalisation threshold (if any); and
- ✓ The item is expected to be used during more than one financial year.

Spare parts and servicing equipment are usually carried as inventory in terms of the Standard of GRAP on Inventories and recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Further guidance for the recognition of assets is provided below:

Capitalisation Threshold

The capitalisation threshold is a policy decision of the municipality and is the value above which assets are capitalised and reported in the financial statements as tangible or intangible capital assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. However the capitalisation threshold is regarded as a deviation from GRAP standards and should be determined annually against materiality and must be determined at a level that will ensure that the municipality do not deviate materially from the requirements of GRAP 17.

The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset.

The municipality should take the following into account when considering a capitalisation threshold:

- The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
- The cost of maintaining financial and management information on assets when the threshold is very low;
- The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;
- The size of the municipality or the size of its service areas when setting capitalisation thresholds levels. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.

Every Head of Department shall, however, ensure that any movable asset item with a value lower than the capitalisation threshold and with an estimated useful life of more than one year, shall be recorded on a Minor Assets inventory listing. Every Head of Department shall moreover ensure that the existence of items recorded on such inventory stock lists are physically verified from time to time, and at least once in every financial year, and any amendments which are made to such inventory stock lists pursuant to such stock verifications shall be retained for audit purposes.

Calculation of initial cost price

Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on purchase of such assets. In such an instance, the municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:

- Costs of employee benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Capital Asset.

The cost of site preparation;

- ✓ Initial delivery and handling costs;
- ✓ Installation costs;
- ✓ Professional fees such as for architects and engineers;
- ✓ The estimated cost of dismantling and removing the asset and restoring the site; and
- ✓ Interest costs when incurred on a qualifying asset in terms of GRAP 5.

When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

Component approach

The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

- Significant cost; and
- Considerable difference in useful life.

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset a whole, it should be recognised as a separately depreciable part (component).

Subsequent Expenses

The municipality should not recognise the costs of day-to-day servicing of the item in the carrying amount of an item of capital asset. These costs are recognised as expenditure as and when incurred. Day-to-day costs are primarily the costs of labour and consumables and may include the costs of small parts. The purpose of these expenditures is usually for the ‘repair and maintenance’ of the capital asset.

Parts of some capital assets may require replacement at regular intervals. For example, a road may need resurfacing every few years. It may be necessary to make less-frequently recurring replacement of parts, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle, an entity recognises in the carrying amount of the capital asset the cost of replacing the part of such an item when that cost is incurred if the recognition criteria are met. At the same time the part to be replaced should be derecognised.

Rehabilitation/Enhancements/Renewals of capital assets

Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if:

- The expenditure satisfies the recognition criteria; that expenditure is enhancing the service provision of that capital asset beyond its original expectation and either that expenditure:
- increases the useful life of that capital asset (beyond its original useful life);
- increases the capital asset capacity (beyond its original capacity);
- increases the performance of the capital asset (beyond the original performance);
- increases the functionality of that capital asset;
- reduces the future ownership costs of that capital asset significantly; or
- increases the size of the asset or changes its shape.

The expenditure to restore the functionality of the capital asset to its original level is a maintenance/refurbishment expense and will not be capitalised to the carrying value of the capital asset.

The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

Leased Assets

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

- A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.
- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

Policy

All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components. The capitalisation threshold will be determined annually by the municipality. All assets with values less than the capitalization threshold shall be recorded in a minor assets inventory.

Procedures and Rules

- Every Head of Department shall ensure that all assets under their control are correctly accounted for and recognised as assets in its significant depreciable components.
- Every Head of Department shall identify major spare parts held by its department and ensure that these spare parts are correctly classified as either PPE or Inventory.

- Every Head of Department shall identify all subsequent expenditure or expenditure incurred on rehabilitation/enhancements/renewals to evaluate whether these costs should be included in the carrying values of capital assets or expensed when the costs is incurred.
- The Council shall specify which kinds of leases the municipality may enter into.
- The CFO must keep a lease register with all the information that is necessary for reporting purposes, for example, opening balance, acquisitions, disposals, transfers, depreciation, accumulated depreciation, etc.
- Every Head of Department shall keep a timesheet system for internal staff to capture professional time spent on infrastructure projects. The time shall be priced at recognised professional fee scales and should be included in the capitalisation cost of the Capital Asset.

5.5. SUBSEQUENT MEASUREMENT OF CAPITAL ASSETS

General

After initial recognition of Property, plant and Equipment, the municipality values its assets using the cost model, unless a specific decision have been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued.

When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

When and asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Procedures and Rules

- The CFO shall ensure that all Property, Plant and Equipment are correctly recorded in the asset register and revaluated (if applicable) in terms of the municipality's policies.

5.6 RECOGNITION OF INVENTORY ITEMS (NON CAPITAL ITEMS)

General

Inventories encompass finished goods purchased or produced, or work in progress being produced by the municipality. They also include materials and supplies awaiting use in the production process and goods purchased or produced by the municipality,

which are for distribution to other parties for no charge or for a nominal charge. GRAP 12.7 defines Inventories as assets:

- In the form of materials or supplies to be consumed in the production process;
- In the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operations; or
- In the process of production for sale or distribution.

Examples of Inventories may include the following:

- Ammunition;
- Consumable stores;
- Maintenance materials;
- Spare parts for plant and equipment other than those dealt with under PPE;
- Strategic stockpiles (Energy reserves, Water reserves);
- Work in progress; and
- Land / Property held for sale.

Cost of inventories shall comprise of all costs of purchase (i.e. purchase price, import duties, other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and supplies), costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Trade discounts, rebates and other similarities are deducted. Taxes recoverable by the entity from the SARS may not be included.

Costs of development for housing or similar developments which are acquired or developed for resale will include costs directly related to the development – e.g. purchase price of land acquired for such developments, surveying, conveyance costs and the provision of certain infrastructure. Infrastructure costs relating to extending the capacity of existing infrastructure are excluded. The costs of inventories of a service provider consisting of direct labour and other costs of personnel directly engaged in providing the service and other attributable overheads are included.

Policy

Assets acquired or owned by the municipality for the purpose of selling or developing such assets with the intention to sell it or utilising the asset in the production process or in the rendering of services, shall be accounted for in the municipality's financial statements as inventory items and not as property, plant and equipment.

Procedures and Rules

- The CFO must record inventories in a dedicated section of the Inventory Register and maintain it for this purpose. The amount of cost of inventories is to be recognised and carried forward until related revenues are recognised.
- Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
- Distribution at no charge or for nominal charge, or

- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

In cases where the above does not apply, inventories shall be measured at lower of cost and net realisable value.

6. ASSET TYPES

6.1. PROPERTY, PLANT AND EQUIPMENT: LAND AND BUILDINGS

General

Land and Buildings comprise any land and buildings held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes. Land held for a currently undetermined future use, should not be included in PPE: Land and Buildings, but should be included in Investment Properties. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business. This land and buildings include infrastructure reserves.

The municipality shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

If the municipality chooses the cost model for its Land and Buildings, then after recognition as an asset, Land and Buildings shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

If the municipality chooses the revaluation model for its Land and Buildings, then after recognition as an asset, Land and Buildings whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Policy

Subsequent to initial recognition, the Municipality choose the cost model as the accounting policy for its Land and Buildings. Land is not depreciated as it is deemed to have an indefinite useful life.

Procedures and Rules

- The CFO shall ensure that all land and buildings are correctly recorded in the asset register and revaluated (if applicable) in terms of the municipality's policies.
- The CFO shall ensure the recognition and measurement of Land and Buildings in terms of GRAP 17.

6.2. PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS

6.2.1. General

Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. These assets typically include electricity, sanitation, solid waste, storm water, transport, and water assets. Many infrastructure assets form part of a greater facility e.g. a pump in a pump station.

Level of detail of componentisation

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this of detail can be very costly when dealing with assets that are very numerous in nature e.g. water meters, street signs, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- Level 1: Service level (e.g. Marapong Waste Water Treatment Works)
- Level 2: Network level (e.g. Marapong Pump Stations)
- Level 3: Facility level (e.g. Marapong Pump Station)
- Level 4: Maintenance item level (e.g. Pump 1 in Marapong Pump Station)
- Level 5: Component level (e.g. Bearing of Pump 1 in Marapong Pump Station)

The preferred level of detail for the accounting and technical management of infrastructure is **level 4** above.

The compilation of a detailed infrastructure asset register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing asset registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

Policy

The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. An improvement plan stipulating the level of detail and the timing of improvements shall be prepared. Infrastructure assets should be valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be valued at depreciated

replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to Infrastructure assets should be reviewed regularly, but the cost related to such reviews should be measured against benefits derived to ensure value for money. Such reviews will have to be performed at least once in a three year cycle.

Infrastructure Assets shall be recorded under the following main categories;

- ✓ Electricity;
- ✓ Roads;
- ✓ Signage (other than for traffic control e.g. library, advertising);
- ✓ Sanitation;
- ✓ Sewerage;
- ✓ Water; and
- ✓ Solid waste.

Procedures and Rules

- ✓ The CFO shall define the level of detail of the infrastructure asset register in consultation with the Heads of Department.
- ✓ The CFO shall prepare an improvement process that defines the target level of detail for each infrastructure asset type with the target year of implementation in consultation with the Heads of Department.
- ✓ The CFO shall ensure the recognition and measurement of Infrastructure Assets in terms of GRAP 17.

6.3. PROPERTY, PLANT AND EQUIPMENT: COMMUNITY ASSETS

General

Community Assets include a variety of assets used to provide services to the community. These assets include building assets such as aquariums, cemeteries, clinics, hospitals, game reserves, museums, parks, etc. Community assets also include recreational assets such as tennis courts, swimming pools, golf courses, outdoor sports facilities, etc.

Policy

Community assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

Community Assets shall be recorded under the following main categories:

- Recreational Facilities;
- Sporting Facilities; and

- Other Facilities.

Procedures and Rules

The CFO, in consultation with the Heads of Department, shall ensure that all community assets are appropriately recorded and valued in terms of the municipality's policies.

6.4. PROPERTY, PLANT AND EQUIPMENT: HOUSING ASSETS

General

Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

Policy

Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Housing Assets shall be recorded under the following main categories;

- Rental Schemes; and
- Selling Schemes.

Procedures and Rules

The CFO, in consultation with the Heads of Department, shall ensure that all housing assets are appropriately recorded and valued in terms of the municipality's policies.

6.5. PROPERTY, PLANT AND EQUIPMENT: HERITAGE ASSETS

General

A Heritage Asset is an asset that has historical, cultural or national importance and needs to be preserved. The following is a list of some typical heritage assets encountered in the municipal environment:

Archaeological sites;

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

Policy

Heritage assets are valued at cost less accumulated depreciation and accumulated impairment losses. No depreciation shall be charged against such assets. If the cost price of heritage assets are not known, then the heritage asset will be valued at fair value.

Procedures and Rules

For reporting purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note in the asset register.

The CFO, in consultation with the Heads of Department, shall ensure that all heritage assets are appropriately recorded and valued in terms of the municipality's policies.

6.6. PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS

General

Other Assets include a variety of assets that are of indirect benefit to the communities they serve. These assets include office equipment, furniture and fittings, computer equipment, bins and containers, emergency equipment, motor vehicles, plant and equipment.

Policy

Other assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not revalued.

Other Assets shall be recorded under the following main categories;

- Aircraft;
- Bins and Containers;
- Emergency Equipment;
- Furniture and Fittings;
- Computer Equipment;
- Motor Vehicles;
- Office Equipment;
- Plant and Equipment;
- Specialised Vehicles;
- Watercraft; and
- Other Assets as indicated in the Municipality's accounting policy.

Procedures and Rules

The CFO, in consultation with the Heads of Department, shall ensure that all other assets are appropriately recorded in terms of the municipality's policies.

6.7. INTANGIBLE ASSETS

General

Intangible Assets can be purchased, or can be internally developed, by the municipality and includes, but are not limited to, computer software, website development cost, servitudes and mining rights.

Policy

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 102 has been met.

Procedures and Rules

The CFO, in consultation with the Heads of Department, shall ensure that all intangible assets are appropriately recorded in terms of the municipality's policies.

6.8. INVESTMENT PROPERTY

General

Investment Property comprise of land or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Investment property does not include property used in the production or supply of service or for administration. It also does not include property that will be sold in the normal course of business. Typical investment properties include:

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

Policy

Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Investment Property shall initially be measured at its cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

After initial recognition, all investment property shall be measured at fair value, except in the cases described in GRAP 16.61. The fair value of investment property shall be determined annually at reporting date in terms of the municipality's Accounting Policy. The fair value should reflect market conditions and circumstances as at the reporting date. A gain or loss arising from changes in the fair value of investment property should be included in the net surplus/deficit for the period in which it arises.

Procedures and Rules

The CFO shall ensure that investment assets are recorded in an Investment Property register.

The CFO shall ensure that an appropriately qualified valuator undertake such valuations on an annual basis.

The CFO shall ensure the recognition and measurement of Investment Property in terms of GRAP 16.

6.9. BIOLOGICAL ASSETS

General

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or procreating which are expected to event result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the municipality from its ownership or control of the asset.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to the market.

Where the municipality is unable to measure the fair value of biological assets reliably, a biological asset should be measured at cost less any accumulated depreciation and accumulated impairment losses.

Policy

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

Procedures and Rules

The CFO, in consultation with the Heads of Department, shall ensure that all biological assets obtained from a managed agricultural activity, such as livestock and crops, are valued at 30 June each year by a recognised valuator in the line of the biological assets concerned.

The CFO shall ensure the recognition and measurement of Biological Assets in terms of GRAP 101.

6.10. ASSETS CLASSIFIED AS HELD-FOR-SALE (GRAP 100)

General

A non-current asset shall be classified as Assets Held-for-Sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present

condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Policy

Assets identified for disposal by way of a sale transaction, be it by public auction, bidding process or sales agreement, within 12 months of the date of identification shall be classified as assets held-for-sale and transferred from the home asset category to held-for-sale category. Such assets shall be measured at the lower of its carrying amount and fair value less costs to sell and is not depreciated any further upon classification as held-for-sale.

The municipality shall not classify a non-current asset that is to be abandoned as held-for-sale because its carrying amount will be recovered principally through continuing use.

Procedures and Rules

The CFO shall ensure that assets held-for-sale are recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

The CFO shall ensure the recognition and measurement of Assets Held-for-Sale in terms of GRAP 100.

6.11. INVENTORY PROPERTY (GRAP 12)

General

Inventory Property comprises any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business.

Policy

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the municipality's Statement of Financial Position. Inventory property shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for:

(a) distribution at no charge or for a nominal charge, or

(b) consumption in the production process of goods to be distributed at no charge or for a nominal charge, then they shall be measured at the lower of cost and current replacement cost.

Procedures and Rules

The CFO shall ensure that inventory properties are recorded in the Inventory register.

The CFO shall ensure the recognition and measurement of Inventory Property in terms of GRAP 12.

6.12. MINOR ASSETS (CAPITAL ASSETS BELOW APPROVED THRESHOLD)

General

Minor Assets comprise movable assets not capitalised in terms of the threshold policy of the municipality. However, these assets must still be controlled, safeguarded and verified by the municipality. They are not capitalised for the number of assets compared to their value does not warrant the complex procedures applicable to asset management, rendering a manageable asset register by concentrating on what is material and significant to the municipality's operation.

Policy

Minor assets shall be expensed in the Statement of Financial Performance and not be capitalised. However, these assets shall be bar-coded for identification purposes and recorded at cost in the Minor Asset Inventory Listing. These assets shall not be depreciated or tested for impairment and shall not generate any further transactions, except in the cases where losses are recovered by means of insurance claims or recoveries from disciplinary actions.

Procedures and Rules

The CFO shall ensure that minor assets are recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

7. ASSET ACQUISITIONS.

7.1. ACQUISITION OF ASSETS

General

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing.

Policy

Should the municipality decide to acquire a Capital asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;

The asset fit the definition of a Capital Asset (as defined in GRAP 16, GRAP 17, GRAP 101 and GRAP 102)

The asset has been budgeted for;

The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;

The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;

The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.

The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;

Space and other necessary facilities to accommodate the asset are in place; and

The most suitable and appropriate type, brand, model, etc. has been selected.

Procedures and Rules

The CFO shall ensure that the Supply Chain Management Policy makes provision for these principles.

The CFO shall ensure that all acquired assets are appropriately insured.

7.2. CREATION OF NEW INFRASTRUCTURE ASSETS

General

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the municipality in the past.

Policy

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

Work in progress shall be flagged as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management.

Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Procedures and Rules

The Heads of Department shall ensure that a form is completed and submitted to the Asset Control Department that includes the details of the work in progress relating to the work in progress.

The Heads of Department shall notify the Asset Control Unit when the works have been completed and the assets can be recognised.

The Heads of Department shall guide the service provider to submit invoices of work in progress as per the components and classification of assets as in the asset register.

7.3. SELF-CONSTRUCTED ASSETS

General

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

Policy

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

Procedures and Rules

Heads of Department shall ensure that proper records of staff time, transport and material costs are kept such that all costs associated with the construction of these assets are completely and accurately accounted for.

Heads of Department shall open a job card for each infrastructure project constructed by the municipality.

On completion of the infrastructure project, the Heads of Department shall ensure that all costs (both direct and indirect) associated with the construction of the assets be summed and be capitalised to the assets that make up the project.

7.4. DONATED ASSETS

General

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

Policy

Donated assets should be valued at fair value, reflected in the asset register, and depreciated as normal assets.

Procedures and Rules

All donated assets must be approved by the Municipal Manager and ratified by Council prior to acceptance.

Management of the municipality must evaluate the future operational costs of donated assets and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the municipality.

The conditions associated with the donation must be agreed upon and signed by the Municipal Manager.

Municipal officers must first get approval from the Municipal Manager prior to accepting any donation.

8. ASSET MAINTENANCE

8.1. USEFUL LIFE OF ASSETS

General

Useful Life of assets is defined in paragraph 2 of the Policy and is basically the period or number of production units for which an asset can be used economically by the municipality.

National Treasury (NT) published its Local Government Asset Management Guideline in August 2008 that includes directives for useful lives of assets, but municipalities must use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for the particular classes of assets. Should the municipality decide on a useful life outside the given parameters, the Office of the Accountant General (OAG) should be approached and provided with a motivation, for its agreement of the rate utilised. The calculation of useful life is based on a particular level of planned maintenance.

Policy

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

Procedures and Rules

Every Head of Department must determine the reasonable remaining useful lives of the assets under their control. Changes in remaining useful lives must be approved by the CFO.

The CFO shall ensure that remaining useful lives, and changes thereof, are properly recorded and accounted for in the asset register and the general ledger.

The CFO shall ensure that the Remaining Useful Life of an asset shall be reviewed at each reporting date.

8.2. RESIDUAL VALUE OF ASSETS

General

The *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.

Policy

Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to 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. In practise, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

The residual value of assets shall be reviewed annually at reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

Procedures and Rules

Every Head of Department must determine the reasonable residual values of the assets under their control. Changes in residual values must be approved by the CFO.

The CFO shall ensure that residual values, and changes thereof, are properly recorded and accounted for in the asset register and the general ledger.

The CFO shall ensure that the residual value of an asset shall be reviewed at each reporting date.

8.3. DEPRECIATION OF ASSETS

General

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation therefore recognises the gradual exhaustion of the asset's service capacity. The depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

The depreciation method used must reflect the pattern in which economic benefits or service potential of a Capital Asset is consumed by the municipality. The following are the allowed alternative depreciation methods that can be applied by the municipality:

- Straight-line;
- Diminishing Balance; and
- Sum of the Units.

Policy

All assets, except land, investment property and heritage assets, shall be depreciated over their reasonable useful lives. The *residual value* and the *useful life* of an asset shall be reviewed at each reporting date. The depreciation method applied must be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality, or expected to be so controlled or used during the ensuing financial year.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed. Depreciation of an asset should begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be

able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

However, under certain methods of depreciation the depreciation charge can be zero while there is no production.

8.4. IMPAIRMENT LOSSES

General

Impairment is the 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. The following serve as examples of impairment indicators:

- Significant decline in market value;
- Carrying amount of an asset far exceeds the recoverable amount or market value;
- There is evidence of obsolescence (or physical damage);
- The deterioration of economic performance of the asset concerned; and
- The 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 (such as through inadequate maintenance).
- The impairment amount is calculated as the difference between the carrying value and the recoverable service value. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service 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 revalued amount.

If the asset is carried at a revalued amount (in the case of investment property, infrastructure and community assets) 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.

Policy

(a) Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense. The reversal of previous impairment losses recognised as an expense is recognised as an income.

8.5. MAINTENANCE OF ASSETS AND THE ASSET REGISTER

General

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

For linear infrastructure assets, such as pipes and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.

If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

The splitting of linear infrastructure has a data management implication, but it is the easiest method that maintains the data integrity over time.

Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

Policy

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are individually identified in the asset register.

Procedures and Rules

All Heads of Department responsible for the control and utilisation of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.

Heads of Department shall ensure that the operating expenses are expended against the operating budget and not the capital budget.

The Heads of Department shall report to the Council annually of the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance.

The Heads of Department shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the infrastructure asset classes;

The Heads of Department shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired.

8.6. RENEWAL OF ASSETS

General

Asset Renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

Policy

Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

Procedures and Rules

The CFO, in consultation with Heads of Department, must ensure that processes are in place to capture renewals data against specific assets and to capitalise it correctly.

Heads of Department shall ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget.

Heads of Department must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

8.7. REPLACEMENT OF ASSETS

General

This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

Policy

Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All costs incurred to replace the asset shall be capitalised against the new asset.

Procedures and Rules

The CFO, in consultation with Heads of Department, must ensure that processes are in place to capture replacement data against specific assets and to capitalise it correctly.

Heads of Department shall ensure that replacement expenditure are correctly budgeted for in the capital budget and expensed against this budget.

9. ASSET DISPOSAL

9.1. TRANSFER OF ASSETS

General

The processes and rules for the transfer of a capital asset to another municipality, municipal entity or national/provincial organ of state are governed by an MFMA regulation namely “the Local Government: Municipal Asset Transfer Regulations”.

Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Department can keep track of all assets and ensure that the fixed asset register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

- One Department to another Department;
- One location to another within the same department;
- One building to another; and
- One entity to another.

Policy

The transfer of assets shall be controlled by a transfer process and the asset register shall be updated.

Procedures and Rules

The Head of Department must ensure that all asset transfer information is passed to the Asset Control Officer.

The CFO must ensure that a process is in place to capture and record asset transfer data.

Staff of the Municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.

No person shall transfer any IT equipment without the knowledge and written consent of the IT Department.

The Head of a Department must immediately report to the CFO of any damages caused to an asset and will be held responsible to investigate the cause or nature of such damage.

Municipal staff required to remove equipment from the building, i.e. computer equipment, furniture, etc. for repair or any other reason need to obtain a permit from a delegate of the CFO. Failure to produce such a permit will result in the unauthorised removing of equipment.

9.2. EXCHANGE OF ASSETS

General

According to GRAP 17.33 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:

- the exchange transaction lacks commercial substance; or
- the fair value of neither the asset received nor the asset given up is reliably measurable.

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Policy

The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

Procedures and Rules

An item of PPE may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss is recognised in both cases.

The CFO shall approve all asset exchanges in consultation with the relevant Head of Department.

9.3. ALIENATION / DISPOSAL OF ASSETS

General

Alienation / Disposal (alienation) is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of capital assets. Specifically:

A municipality may not …" permanently dispose of a capital asset needed to provide the minimum level of basic municipal services"

Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Policy

There are various methods of disposal. Different disposal methods will be needed for different types of assets. Before deciding on a particular disposal method, the following should be considered:

- The nature of the asset
- The potential market value
- Other intrinsic value of the asset
- Its location
- Its volume
- Its trade-in price
- Its ability to support wider Government programmes;
- Environmental considerations
- Market conditions
- The asset's life

Appropriate means of disposal may include:

- ✓ Public auction
- ✓ Public tender
- ✓ Transfer to another institution
- ✓ Sale to another institution
- ✓ Letting to another institution
- ✓ Trade-in
- ✓ Controlled dumping (for items that have low value or are unhygienic).
- ✓ Alienated assets shall be written-off in the asset register.

Procedures and Rules

Every Head of Department shall report in writing to the CFO on 31 October and 30 April of each financial year on all assets which they wish to alienate and the proposed method of alienation.

The CFO shall consolidate the requests received from the various departments, and shall promptly report the consolidated information to the Municipal Manager of the municipality, recommending the process of alienation to be adopted.

The Council shall delegate to the Municipal Manager the authority to approve the alienation of any asset with a carrying value less than R5 000 (five thousand rand).

The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004. The Act states that the municipality may not alienate any capital asset required to provide a minimum level of service. The municipality may alienate any other capital asset, provided the Council has considered the fair market value and the economic and community value to be received in exchange for the asset.

Selling: Assets to be sold shall be sold in terms of paragraph 9.4 below.

Donations: Donations may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager for approval.

Destruction: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.

Scrapping: Scrapping of assets that cannot be alienated otherwise may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager.

Once the assets are alienated, the CFO shall write-off the relevant assets in the asset register.

The letting of immovable property, excluding municipal housing for officials and political office bearers, must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.

The CFO must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of municipal property to ensure sound financial planning and management.

9.4. SELLING OF ASSETS

General

Selling of assets refers to the public sale of municipal assets approved for alienation.

Policy

All assets earmarked for sale must be sold by public auction or tender and the following steps shall be followed:

- ✓ A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- ✓ The municipality shall appoint an independent appraiser to fix a minimum selling price;
- ✓ In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
- ✓ In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

Assets earmarked for sale, shall be reclassified as Assets Held-for-Sale in terms of paragraph 6.10 of this Policy and shall not attract any further depreciation.

Sold assets shall be written-off in the asset register.

Procedures

A request for assets to be sold must be submitted to the Municipal Manager and approved by Council. The request must be accompanied by a list of assets to be sold and the reasons for sale as described in paragraph 9.3 above.

Assets earmarked for sale shall be reclassified as Assets Held-for-Sale.

Auctioneers may be engaged either on a quotation basis or by tender depending on the goods to be alienated.

Bidding: Bidders are afforded the opportunity to make an offer on identifiable items. Bids are compared and the highest bidder is awarded the bid.

Tenders: Tenders shall be invited according to the municipality's tender procedures.

Once the assets are sold, the CFO shall write-off the relevant assets in the asset register.

If the proceeds of the sales are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss for the department or vote concerned in the Statement of Financial Performance. If the proceeds of the sales, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain for the department or vote concerned in the statement of financial performance.

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

9.5. WRITING-OFF OF ASSETS

General

The write-off of assets is the process to permanently remove the assets from the asset register. Assets can be written-off after approval of the Municipal Manager of a report indicating that:

- The useful life of the asset has expired;
- The asset has been destroyed;
- The asset is outdated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The asset has been sold; and
- Acceptable reasons have been furnished leading to the circumstances set out above.

Policy

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

Procedures and Rules

Every Head of Department shall report to the CFO on 31 October and 30 April of each financial year on any assets which such Head of Department wishes to have written-off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Municipal Manager on the assets to be written off.

An asset, even though fully depreciated, shall be written-off only on the recommendation of the Head of Department controlling or using the asset concerned, and with the approval of the Municipal Manager.

In every instance where a not fully depreciated asset is written off with no proceeds for the asset being obtained, the CFO shall immediately debit to such department or vote the full carrying value of the asset concerned as impairment expenses.

Assets that are replaced should be written-off and removed from the asset register.

10. ASSET PHYSICAL CONTROL (MOVEABLE ASSETS)
10.1. PHYSICAL CONTROL / VERIFICATION

General

Movable assets require physical control and verification of existence.

Policy

All movable assets shall be actively controlled, including an annual verification process.

Procedures and Rules

All movable assets that are supposed to be bar-coded must have a visible bar code in a universal manner as determined by the Municipal Manager.

Annual verification of movable assets should be conducted under the direction of an individual who neither has responsibility for the custody of fixed assets nor maintains asset records. This procedure would enable the municipality to identify discrepancies and dispositions and properly investigate and record the transactions.

Procedures should be established to adequately identify assets owned by others or subject to reclamation by donors.

The CFO shall co-ordinate and control regular physical checks, and all discrepancies are to be reported immediately to the CFO.

Registers must be kept for those assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.

Where a change in person in direct control of equipment takes place, a handing-over certificate shall be completed and a copy retained for record purposes. If surpluses or deficiencies are found, the certificates shall be dealt with as with stock-taking reports.

If for any reason the person from whom the asset is being taken over is not available, the asset manager should assist the person taking over with the checking of the equipment and the certification of any discrepancies.

In case of failure to comply with the requirements of a handing-over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to their taking over.

Any losses of and damage to equipment, excluding discrepancies at stocktaking of losses resulting from normal handing or reasonable wear and tear, shall be reported to the CFO.

Independent checks from asset records shall be conducted to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.

Yearly physical inspections of assets shall be performed to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed of.

All newly acquired assets shall be delivered to / received by the procurement section where the assets will be bar-coded before dispatch to the persons who will be the custodians of the assets.

Delivery of assets by procurement staff must be to the person requiring the asset and he/she will sign a form accepting responsibility for the asset.

Security checks of assets removed from municipal premises or brought on to premises, e.g. serial numbers, time in and out linked to access control and compulsory car inspection (if so required) accompanied by a clearance certificate should be compulsory.

All equipment such as laptops that frequently move in and out of the building should be controlled by means of permits. Therefore, security officials should check that the item as described in the permit agrees to the physical item. Security officials should also issue permits for permanent employees and consultants who will work in the municipality for a period of more than a week. No laptops or similar equipment should leave the premises without a valid permit. For employees and consultants who will be in the municipality for less than 1 week, a daily permit should be issued.

10.2. INSURANCE OF ASSETS

General

Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

Policy

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

Procedures and Rules

The Heads of Department shall annually submit a list of insurable asset types to the Municipal Manager for approval by Council.

The Municipal Manager shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of asset, which should be either the carrying value or the replacement value of the assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

10.3. SAFEKEEPING OF ASSETS

General

Asset safekeeping is the protection of assets from damage, theft, and safety risks.

Policy

Directives for the safekeeping of assets shall be developed and the safekeeping of assets shall be actively undertaken.

Procedures and Rules

The Municipal Manager must issue directives that detail the safekeeping of assets.

The Heads of Department must ensure that safekeeping directives are adhered to.

Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness.

The Municipal Manager must report criminal activities to the South African Police Service.

If any biological asset is lost, stolen or destroyed, the matter shall be reported in writing by the Head of Department concerned in exactly the same manner as though the asset were an ordinary asset.

11. ASSET FINANCIAL CONTROL
11.1. CAPITAL REPLACEMENT RESERVE (CRR)

General

The Capital Replacement Reserve is a reserve account to set aside funds for the financing of property, plant and equipment. The CRR is therefore an asset financing source that represents an alternative to the other funding sources available to the municipality, namely external loans (interest bearing borrowings) and government grants & subsidies. The value of this reserve is not represented by any values of assets under the municipality's control and shall preferably be cash-backed.

Policy

It is the policy of Council to annually make contributions to the CRR to ensure that the CRR remains a capital funding source for the future. The municipality will determine its future capital financing requirements and transfer sufficient cash to its CRR in terms of this determination. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.

Whenever an asset is sold by the municipality, the proceeds on the sale of the assets must be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.

All proceeds on the sale of land will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.

Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased, is transferred from the CRR into accumulated surplus on the Statement of Changes in Net Assets.

Procedures and Rules

The CFO is responsible for creating and maintaining the CRR.

The CFO must ensure the annual transfers to the CRR from the municipality's appropriation account.

The CFO must ensure the transfers from the CRR to the municipality's appropriation account in respect of assets purchased.

The balance on the CRR must always be represented by cash, which must be held in a separately identifiable bank or investment account.

The CRR may only be utilised for the purpose of purchasing items of PPE for the municipality and may not be used for the maintenance of these items.

Interest earned on the CRR investments is recorded as interest earned in the Statement of Financial Performance and must then be transferred to the CRR in the Statement of Changes in Net Assets.

11.2. BORROWING COSTS (GRAP 5)

General

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs.

The capitalisation of borrowing costs should take place when borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

During extended periods in which development of an asset is interrupted, the borrowing costs incurred over that time period should be recognised as an expense when incurred. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Policy

Borrowing costs shall be capitalised, if related to the construction of an asset, when the construction of an asset is expected to take a substantial period of time to get ready for its intended use or resale and an outside agency is used to finance the project.

Procedures and Rules

The CFO should reconcile the borrowing cost to be capitalised with the amount that has been capitalised on a monthly basis.

11.3. FUNDING SOURCES

General

The Municipal Finance Management Act (MFMA) provides guidelines on how to utilise funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

- Grants, Subsidies and Public Contributions;
- Revenue Contributions;
- Capital Replacement Reserve;
- Cash Surplus; and / or
- External / Donor Funds.

Policy

The annual capital budget must be funded and the sources of finance must be disclosed as part of the Council's budget.

Procedures and Rules

The CFO will ensure that the capital budget is financed and that the finance sources have been identified and confirmed in writing.

The CFO will ensure that all legislation and prescripts regarding the various funding sources be adhered to.

11.4. DISASTER

General

In terms of the Disaster Management Act, 2002, Disaster means a progressive or sudden, widespread or localised, natural or human – caused occurrence which causes or threatens to cause:

- death, injury or disease;
- damage to property, infrastructure or the environment; or
- disruption of life of community; and
- is of a magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.

In terms Section 56 (b) of the Disaster Management Act, 2002 the cost of repairing or replacing public sector infrastructure should be borne by the organ of state responsible for the maintenance of such infrastructure. The National, Provincial and Local organs of state may contribute financially to response efforts and post – disaster recovery and rehabilitation.

Policy

The Municipality will correspond with the Waterberg District Municipality to gain funds for repairing assets damaged in disaster events.

Procedures and Rules

The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

12. MANAGEMENT OF IMMOVABLE ASSETS

12.1. LEGAL FRAMEWORK

A municipality exercises its legislative and executive authority by, among others, developing and adopting policies, plans, strategies and programmes, including setting targets for delivery (section 11(3) of the MSA).

Participation by the local community in the affairs of the municipality must take place through, among others, generally applying the provisions for participation as provided for in the MSA (section 17(1) of the MSA).

A municipality must communicate to its community, information concerning, among others, municipal governance, management and development (section 18(1) of the MSA).

As head of administration, the Municipal Manager is subject to the policy directions of the municipal council, responsible and accountable for, among others, the following:

The management of the provision of services to the local community in a sustainable and equitable manner;

Advising the political structures and political office bearers of the municipality (section 55(1) of the MSA); and

Providing guidance and advice on compliance with the MFMA to the political structures, political office-bearers and officials of the municipality (section 60 of the MFMA).

As accounting officer of the municipality the Municipal Manager is responsible and accountable for, among others, all assets of the municipality (section 55(2) of the MSA). The Municipal Manager must take all reasonable steps to ensure, among others, that the resources of the municipality are used effectively, efficiently and economically (section 62(1) of the MFMA).

12.2. RATIONALE FOR MANAGEMENT OF ASSETS

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

- Providing democratic and accountable government for local communities;
- Ensuring the provision of services to communities in a sustainable manner;
- Promoting social and economic development;
- Promoting a safe and healthy environment; and
- Encouraging the involvement of communities and community organisations in matters of local government.

In terms of the MFMA, the accounting officer is responsible for managing the assets and liabilities of the municipality, including the safeguarding and maintenance of its assets.

The MFMA further requires the accounting officer to ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for its assets and liabilities;
- The municipality's assets are valued in accordance with standards of generally recognised accounting practice; and
- The municipality has and maintains a system of internal control of assets and liabilities.

The OHSA requires the municipality to provide and maintain a safe and healthy working environment, and in particular, to keep its infrastructure assets safe.

12.3. PRINCIPLES OF ASSET MANAGEMENT

According to the International Infrastructure Management Manual (IIMM), the goal of infrastructure asset management is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers. The core principles of infrastructure asset management are:

- Taking a life-cycle approach;
- Developing cost-effective management strategies for the long-term;
- Providing a defined level of service and monitoring performance;
- Understanding and meeting the impact of growth through demand management and infrastructure investment;
- Managing risks associated with asset failures;
- Sustainable use of physical resources; and
- Continuous improvement in asset management practices.

12.4. POLICY OBJECTIVE

A municipality is committed to providing municipal services for which the municipality is responsible, in a transparent, accountable and sustainable manner and in accordance with sound infrastructure management principles.

12.5. POLICY PRINCIPLES

The following policy principles serve as a framework for the achievement of the policy objective stated above:

12.5.1. Effective Governance

The municipality strives to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected. To this end, the municipality will:

- Adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- Regularly review and update amendments to the above legislation;
- Review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and

- Effectively apply legislation for the benefit of the community.

12.5.2. Sustainable Service Delivery

The municipality strives to provide to its customers services that are technically, environmentally and financially sustainable. To this end, the municipality will:

- Identify levels and standards of service that conform with statutory requirements and rules for their application based on the long-term affordability to the municipality;
- Identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- Identify current and future demand for services, and demand management strategies;
- Set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose assets, where applicable in line with national targets;
- Apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- Prepare and adopt an immovable (infrastructure) asset management strategy and immovable (infrastructure) asset management plans to support the achievement of the required performance;
- Prepare and adopt an immovable (infrastructure) asset maintenance strategy and immovable (infrastructure) asset maintenance plans to execute maintenance timeously;
- Allocate budgets based on long-term (20 year) financial forecasts that take cognisance of the full life-cycle needs of existing and future assets and the risks to achieving the adopted performance targets; and
- Implement its Tariff and Credit Control and Debt Collection Policies to sustain and protect the affordability of services by the community.

12.5.3. Social and Economic Development

The municipality strives to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community. To this end, the municipality will:

- Regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- Implement changes to services in response to changing customer needs and expectations where appropriate;
- Foster the appropriate use of services through the provision of clear and appropriate information;
- Ensure services are managed to deliver the agreed levels and standards; and
- Create job opportunities and promote skills development in support of the national EPWP.

12.5.4. Custodianship

The municipality strives to be a responsible custodian and guardian of the community's assets for current and future generations. To this end, the municipality will:

- Establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- Establish appropriate development control measures including community information;
- Cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- Ensure that heritage resources are identified and protected; and
- Ensure a long-term view and life-cycle costs are taken into account in immovable asset management decisions.

12.5.5. Transparency

The municipality strives to manage its immovable assets in a manner that is transparent to all its customers, both now and in the future. To this end, the municipality will:

- Develop and maintain a culture of regular consultation with the community with regard to its management of immovable assets in support of service delivery;
- Clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- Avail asset management information on a ward basis; and
- Continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

12.5.6. Cost-effectiveness and Efficiency

The municipality strives to manage its immovable assets in an efficient and effective manner. To this end, the municipality will:

- Assess life-cycle options for proposed new immovable assets;
- Regularly review the actual extent, nature, utilisation, criticality, performance and condition of immovable assets to optimise planning and implementation works;
- Assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of immovable assets;
- Ensure the proper utilisation and maintenance of existing assets;
- Establish and implement demand management plans;
- Timeously renew immovable assets based on capacity, performance, risk exposure, and cost;
- Timeously dispose of immovable assets that are no longer in use;
- Establish documented processes, systems and data to support effective life-cycle immovable asset management;
- Strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- Conduct annual assessments to support continuous improvement of immovable asset management practice.

SIGNED AT LEPHALALE ON _____

E M TUKAKGOMO
MUNICIPAL MANAGER

APPENDICES

APPENDIX A - ABBREVIATIONS

GLOSSARY OF TERMS

AM	Asset Management
AMS	Asset Management System
AR	Asset Register
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
DM	District Municipality
EPWP	Expanded Public Work Program
GAMAP	Generally Accepted Municipal Accounting Practice
GIS	Geographical Information System
GRAP	Standards of Generally Recognised Accounting Practice
HR	Human Resource
IAM	Infrastructure Asset Management
IAMP	Infrastructure Asset Management Plan
IAR	Infrastructure Asset Register
IAS	International Accounting Standards
IDP	Integrated Development Plan
IIMM	International Infrastructure Management Manual
LM	Local Municipality
MFMA	Municipal Finance Management Act
MSA	Municipal Services Act
NT	National Treasury
O&M	Operation and Maintenance
OAG	Office of the Accountant General
PPE	Property, Plant and Equipment

APPENDIX B

INFRASTRUCTURE ASSET CLASSIFICATION

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
	Land	Developed Land	Residential Land			N/A	N/A
			Commercial Land			N/A	N/A
			Industrial Land			N/A	N/A
			Government Land			N/A	N/A
			Undetermined Land			N/A	N/A
		Undeveloped Land	Residential Land			N/A	N/A
			Commercial Land			N/A	N/A
			Industrial Land			N/A	N/A
			Government Land			N/A	N/A
			Undetermined Land			N/A	N/A
			Caravans			5-10	
							20
				Structure		25-30	0

Land and Buildings	Building	Dwellings	Children ‘s home	Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter Protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0
			Homes for the aged	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter Protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0
			Hostels	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Hostels	Perimeter Protection		10-25	0
				Parking		25-30	0
		Dwellings		Other		5-15	0
			Mobile homes			5-10	20

Land and Buildings	Buildings		Residential(personnel) Include garages and Parking	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter Protection	10-25	0
				Parking	25-30	0
				Other(Specify)	5-15	0
		Non residential buildings	Bus shelters		10-15	0
			Civic theatres	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter Protection	10-25	0
				Parking	25-30	0
				Other(Specify)	5 -15	0
			Community centres and public entertainment buildings	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other(Specify)	5-15	0
			Clinics and community health facility	Structure	25-30	0
				Electrical	15-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Land and buildings	Buildings	Non-residential buildings	Clinics and community health facility	Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	0
			Driver and vehicle testing centres	Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	0
			Fire station	Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter Protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	0

			Industrial building	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter Protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0
			Libraries	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0

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Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Libraries	Parking		25-30	0
				Other(Specify		5-15	0
			Museums and art galleries	Structure		25-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	
Land and buildings	Buildings	Non residential	Office buildings Including air	Structure		25-30	0
				Electrical		15-30	0

		buildings				
			Conditioning built-in system	Mechanical	15-30	
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0
			Public parking (covered and open)	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0
			Stadiums	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other(Specify	5-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Land and buildings	Buildings	Non residential buildings	Warehouses(storage Facilities, including Data	Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	
			Taxi ranks	Structure/Paving		10-15	0
				Perimeter protection		10-25	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
				Structure		50-60	0
				Electrical		15-30	0

Infrastructure	Electricity	Generation	Power station(coal)	Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other(Specify		5-15	0
			Cooling towers	Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	
				Perimeter protection		10-25	0
				Parking		25-30	0
		HV network	HV substation	Other(Specify		5-15	0
				Site	Earthworks	40-50	
					Perimeter protection	10-25	0
				Building	Structure	25-30	
				Transformers	Power transformer	25-50	0
					Voltage transformer	25-50	0
					Current transformer	25-50	0
					Auxiliary transformer	25-50	0
					Neutral earth capacitor transformer	25-50	0
				Mechanical	HV Panel	3-5	0
					Switch gear	20-30	0
				Battery banks	Substation batteries	10-20	0

				Civil	Poles & Structure	20-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Electricity	HV network	HV conductor	Lines	Overhead	20-30	0
				Cables	Underground	25-45	0
					Overhead	25-45	0
					Pilot	25-45	0
				Civil	Mast	20-30	0
		MV network	MV Substation	Site	Earthworks	40-50	0
					Perimeter protection	10-25	0
				Building	Structure	25-30	0
				Transformers	Power transformer	25-50	0
					Voltage transformer	25-50	0
					Current transformer	25-50	0
					Auxiliary transformer	25-50	0
				Mechanical	HV Panel	3-5	0
					Switch gear	20-30	0
				Battery bank	Substation batteries	10-20	0
			MV conductor	Lines	Overhead	20-30	0
				Cables	Underground	25-45	0
					Overhead	25-45	0

					Pilot	25-45	0
					Pole	20-30	0
				Civil	Stay	20-30	0
			MV control outdoor	Mechanical	Switchgear	20-30	0
			MV transformers	Site	Perimeter protection	10-25	0
					Mini-sub	25-50	0
				Transformers	Transformer	25-50	0
				Civil	Apron	25-50	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
				Lines	Overhead	20-30	0
					Underground	25-45	0
					Overhead	25-45	0
		LV network	LV conduct	Cables	Overhead bundle cable	25-45	0
					Pole	20-30	0
				Civil	Stay	20-30	
					Distribution box	20-30	0
					Kiosk	15-25	0
					Supply reticulation	10-20	0
		Connections		Electricity	Meter :Pre-paid	20-25	0
			Service connections		Meter: Conventional	20-30	0
Infrastructure	Electricity			Civil	Pole	20-30	0 0

		Public lighting	Street lighting	Electrical	Lights-Aluminium	20-25	0
					Lights-Other	5-10	0
				Civil	Pole	20-30	0
			Area lighting	Electrical	Lights-Aluminium	20-25	0
				Civil	Mast	20-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Roads pavement Bridges &	Bridges	Vehicles	Bridges-Concrete		60-80	0
				Bridges-Steel		40-50	0
				Bridges-Timber		25-40	0
			Pedestrian	Bridges-Concrete		60-80	0
				Bridges - Steel		40-50	0
				Bridges-Timber		25-40	0
				Bridges-Concrete		60-80	0

	Stormwater	Storm water	Railway	Bridges-Steel		40-50	0
				Bridges-Timber		25-40	0
			Reinforcement retaining walls	Earth		10-15	0
				Concrete		25-30	0
			Expansion and construction joints			15-20	0
			Culverts	Concrete		40-60	0
				Armco		25-40	0
			Storm water pipe	Pipe works	Pipes	25-50	0
				Civil works	Kerb inlet	25-50	0
					Erosion protection	25-50	0
			Storm water canal	Civil works	Catch pit	25-50	0
					Canal: concrete	25-50	0
					Canal: earth	80--100	0
					Erosion protection	40-50	0
					Sub-soil drain	25-50	0
		Roads	Municipal roads	Site	Road reserve	N/A	N/A
					Earth works & formation	30-50	0
					Perimeter protection	10-25	0
					Land scaping	10-15	0

Asset Category	Asset Class	Asset Class	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)

	(Level 1)	(Level 2)					
Infrastructure	Roads, Pavement Bridges & storm water	Roads		Road works	Asphalt surface	10-20	0
					Asphalt layer	30-50	0
			Municipal roads		Concrete surface	10-30	0
					Concrete layer	30-50	0
					Gravel surface	3-10	0
					Subordinate surface(informal road)	3-10	0
				Civil	Kerbs and channels	40-50	0
					Crash barriers	10-30	0
					Retaining walls	30-60	0
					Speed humps	10-20	0
			National roads	Site	Road reserve	N/A	N/A
					Earth works and formation(base structure	30-50	0
					Perimeter protection	10-25	0
					Landscaping	10-15	0
				Road works	Asphalt surface	10-20	0
					Asphalt layer	30-50	0
					Concrete surface	10-30	0
					Concrete layer	30-50	0
					Gravel surface	3-10	0
				Civil works	Kerbs and channels	40-50	0
					Crash barriers	10-30	0
					Retaining walls	30-60	0

			Provincial roads	Site	Road reserve	N/A	0
					Earth works and formation(base structure	30-50	0
					Perimeter protection	10-25	0
					Landscaping	10-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Roads, Pavement Bridges & storm water	Roads		Road works	Asphalt surfaces	10-20	0
					Asphalt layer	30-50	0
			Provincial roads		Concrete surface	10-30	0
					Concrete layer	30-50	0
					Gravel surface	3-10	0
				Civil works	Kerbs and channels	40-50	0
					Crash barriers	10-30	0
					Retaining	30-60	0
			Overload control centres	Building		25-30	0
				Electronic hardware		10-15	0
				Other equipment		10-20	0
					Commuter shelter	10-15	0
					Rubbish bins	10-15	0
					Side barrier	10-30	0

		Road reserve furniture	Furniture	Civil works	Trees	N/A	N/A
					Pedestrian footpaths	15-30	0
					Street lighting	25-40	0
		Traffic management	Traffic signal	Civil works	Traffic lights	15-20	0
				Electrical works	Control box	5-15	0
			Street sign	Civil works	Traffic signs	5-15	0
					Street name	5-15	0
			Traffic island			40-50	0
		Subways				40-50	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
				Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	
				Buildings	Structure	25-30	0
					Security system	3-5	0
					Overhead cranes	10-30	0
					Other(Specify)	5-15	0
			Borehole	Civil works	Chamber	30-50	0

Infrastructure	Water	Water source			Drilled well	30-50	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes & fittings	5-15	0
				Mechanical works	Pump	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
			Purification works	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	0
				Buildings	Structure	25-30	0
					Security system	3-5	0
					Overhead cranes	10-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)

Infrastructure	Water	Water source	Purification works	Building	Other (Specify)	5-15	0
				Civil works	Chamber	30-50	0
					Intake structure	30-50	0
				Pipe works	Meter	10-20	0
					Valve	15-25	
					Pipes & fittings	5-15	0
				Mechanical works	Pumps	15-40	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry		
			Pump station	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	0
				Buildings	Structure	25-30	0
					Security system	3-5	0
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Civil works	Reservoir & tank	30-50	0
					Support structure	30-50	0
					Chamber	30-50	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes & fittings	5-15	0

				Mechanical works	Pumps	5-10	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Water	Water source	Pump station	Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
			Dams	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	0
				Buildings	Structure	25-30	0
					Security system	3-5	
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Structure	Concrete	80-100	0
					Earth	30-50	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes & fittings	5-15	0

				Mechanical works	Pumps	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
			Command reservoir	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Command reservoir	Civil works	Reservoir & tank	30-50	0
					Support structure	30-50	0
					Chamber	30-50	0
				Buildings	Structure	25-30	0
					Security system	3-5	
					Other (specify)	5-15	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes fittings	5-15	0

Infrastructure	Water	Storage		Mechanical works	Pumps	5-10	
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
			Service reservoir	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting & furniture	5-15	0
					Access way	10-15	0
					Signage	5-15	0
				Civil works	Reservoir & tank	30-50	0
					Support structure	30-50	0
					Chamber	30-50	0
				Buildings	Structure	25-30	0
					Security system	3-5	0
					Other (specify)	5-15	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Service reservoir	Pipe works	Pipes &fittings	5-15	0
				Mechanical works	Pumps	5-10	0

Infrastructure	Water	Storage		Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	
			Live stock reservoir	Site	Perimeter protection	10-25	0
				Civil works	Reservoir & tanks	30-50	0
					Support structure	30-50	0
					Chamber	30-50	0
				Pipe works	Meter	10-20	
					Valve	15-25	0
					Pipes & fittings	5-15	0
				Mechanical works	Pumps	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
		Reticulation	Bulk supply	Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes & fittings	5-15	
				Civil works	Pipe marker	5-15	0
					Support structure	30-50	0
					Chamber	30-50	0
			Distribution	Pipe works	Meter	10-20	0
					Valve	15-25	0
					Pipes & fittings	5-15	0
				Civil works	Pipe marker	5-15	0

	Asset Class	Asset Class	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)

Asset Category	(Level 1)	(Level 2)					
Infrastructure	Water	Reticulation	Distribution	Civil works	Support structure	30-50	0
					Chamber	30-50	0
		Connections	Erf connection	Pipe works	Pipe & fittings	5-15	0
					Meter	10-20	0
			Fire hydrant	Pipe works	Hydrant below ground	15-25	0
					Hydrant above ground	15-25	0
			Stand pipes	Pipe works	Pipe & fittings	5-15	0
					Meter	10-20	0
				Civil works	Apron	30-60	0
			Cattle trough	Pipe works	Pipes & fittings	5-15	0
					Meter	10-20	0
				Civil works	Apron	30-60	0
					Chamber	30-50	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Bulk	Pipe works	Piping	40-50	0
					Meter	10-20	0
					Valves	15-25	
				Civil works	Chamber	30-50	0
					Pipe maker	5-15	0
					Support structure	30-50	

Infrastructure	Sewerage	Reticulation			Manhole	30-50	
			Collection	Pipe works	Piping	40-50	0
					Meter	10-20	0
					Valves	15-25	0
				Civil works	Chamber	30-50	
					Pipe maker	5-15	0
					Support structure	30-50	0
					Manhole	30-50	
				Erf connections	Piping & fittings	40-50	0
			Collection point	Site	Perimeter protection	10-25	0
				Civil works	Collector sump	30-50	0
					Chamber	30-50	0
					Manhole	30-50	
				Buildings	Structure	25-30	0
					Other (specify)	5-15	0
				Pipe works	Meter	10-20	0
					Valve	15-25	0
					Piping	40-50	0
		Pump stations	Pump station	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
					External lighting &	5-15	0

Infrastructure	Sewerage	Pump stations	Pump station	Site	furniture		
					Access road	5-15	0
					Signage	5-15	
				Building	Structure	25-30	0
					Air conditioning	5-10	0
					Fire fighting equipment	3-5	
					Electrical installation	15-25	
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	0
					Overhead cranes	10-30	
					Other (specify)	5-15	0
				Civil works	Collector sump	30-50	0
					Chamber	30-50	
				Pipe works	Meter	10-20	0
					Valve	15-25	
					Pipes & fittings	5-15	
				Mechanical works	Pumps	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	
		Waste water	Plant	Site	Perimeter protection	10-25	0
					Landscaping & irrigation	10-15	0
					External lighting &	5-15	0

		treatment works			furniture		
					Access road	5-15	0
					Signage	5-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Sewerage	Waste water treatment works	Plant	Building	Structure	25-30	0
					Air conditioning	5-10	0
					Fire fighting equipment	3-5	0
					Electrical installation	15-25	0
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	0
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Pipe works	Meter	10-20	0
					Valve	15-25	
					Pipe & fittings	5-15	0
				Civil works	Chamber	30-50	0
					Pipe maker	5-15	0
					Support structure	30-50	0
					Manhole	30-50	
					Structure	25-30	0

			Pump station	Building	Air conditioning	5-10	0
					Fire fighting equipment	3-5	0
					Electrical installation	15-25	0
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Civil works	Collector sump	30-50	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
			Pump station	Civil works	Chamber	30-50	0
				Pipe works	Meter	10-20	0
					Valves	15-25	0
					Pipes & fittings	5-15	0
				Mechanical works	Pumps	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
					Telemetry	10-15	0
					Structure	25-30	0
					Air conditioning	5-10	
					Fire fighting equipment	3-5	0

Infrastructure	Sewerage	Waste water treatment works	Screening	Building	Electrical installation	15-25	0
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Civil works	Channel	30-50	0
					Balancing dam	30-50	0
				Mechanical works	Screen	15-40	0
					Screening conveyor	15-40	0
					Screening press	15-40	
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
			Grit removal	Civil works	Channel	30-50	0
					Degritter	15-40	

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
				Pipe works	Pipes & fittings	5-15	0
				Mechanical works	Pump	5-10	0
					Sluice gate	15-40	0
					Grit classifier	15-40	0
			Grit removal	Electrical	Motor	5-10	0

				works	Switch gear	5-10	
			Flow system	Pipe works	Meter	10-20	0
				Civil works	Hydraulic structure	10-30	0
			Primary sedimentation tanks	Civil works	Sedimentation tanks	10-30	0
				Mechanical works	Bridge	10- 30	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
Infrastructure	Sewerage	Waste water treatment works	Biological reactor	Civil works	Weir	10-30	0
					Reactor tank	10-30	0
				Pipe works	Valve	15-25	0
					Sluice gates	10-30	
				Mechanical works	Mixers	10-30	0
					Aerators	15-40	0
					Diffused air system	15-40	0
					Pumps	5-10	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	0
			Biological filter	Civil works	Filter structure	10-30	0
				Mechanical works	Distributors	15-40	0
			Secondary sedimentation tanks/final Clarifiers	Civil works	Sedimentation tanks	10-30	0
				Mechanical works	Bridge	10-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Sewerage	Waste water treatment works	Secondary sedimentation tanks/final Clarifiers	Electrical works	Motor	5-10	0
					Switch gear	5-10	0
			Disinfection	Civil works	Channel	30-40	0
				Building	Structure	25-30	0
					Air conditioning	5-10	0
					Fire fighting equipment	3-5	
					Electrical installation	15-25	0
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	0
					Overhead cranes	10-30	0
					Other (specify)	5-15	0
				Mechanical works	Disinfectant system	10-30	0
				Pipe works	Meter	10-30	0
				Electrical works	Switch gear	10-20	0
			Anaerobic digester	Civil works	Tank	10-30	0
				Pipe works	Pipes & fittings	5-15	0
				Mechanical works	Mixing system	10-30	0
					Heating system	10-30	0
				Electrical	Switch gear	5-10	0

				works			
			Aerobic digester	Civil works	Dam	30-50	0
				Mechanical works	Aerator	10-30	0
				Electrical works	Motor	5-10	0
					Switch gear	5-10	
			Sludge drying beds	Civil works	Drying bed structure	20-30	
			Belt filter press	Electrical works	Motor	5-10	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Sewerage	Waste water treatment works	Belt filter press	Electrical woks	Switch gear	5-10	0
				Building	Structure	25-30	0
					Air conditioning	5-10	0
					Fire fighting equipment	3-5	0
					Electrical installation	15-25	0
					Plumbing	5-10	0
					Elevator system	15-20	0
					Security system	3-5	0
					Overhead cranes	10-30	0
					Other (specify)	5-15	0

			Ponds	Civil works	Structure	30-50	0
					Lining	30-50	0
			Ancillary equipment	Electrical works	Generator	5-10	0
					Motor	5-10	0
				Mechanical works	Blower	5-10	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Infrastructure	Sanitation	Collection	Collection area X	Vehicles		5-10	0
				Containers bins		10-15	0
		Transfer Stations and processing facilities	Transfer station X	Building	Structure	30-50	0
				Electrical works	Electrical	15-40	0
				Mechanical works	Mechanical	15-40	0
				Site	Perimeter protection	10-25	0
		Landfill site	Landfill site X	Building	Structure	30-50	0
				Weighbridge	Mechanical works	15-40	0
					Electrical works	15-40	0
				Site	Perimeter protection	10-25	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)

Infrastructure	Railways	Railway sidings	25-30	0
		Railway tracks	15-20	0
		Signalling system	15-20	0
		Shunting yards	25-30	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Community assets	Recreational facilities	Swimming pool		Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
	Sporting	Grass sport		Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0

	facilities	field			
			Parking	25-30	0
		Tennis court	Structure	25-30	0
			Electrical	15-30	0
			Mechanical	15-30	0
			Perimeter protection	10-25	0
			Parking	25-30	0
	Parks	Public parks	Structure	25-30	0
			Lighting	5-15	0
			Perimeter protection	10-25	0
			Parking	25-30	0

Asset	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)

Category						
Housing assets	Building	Dwellings	Social housing	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other (specify)	5-15	0
			Rental schemes	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other (specify)	5-15	0
			Selling schemes	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other (specify)	5-15	0
			Staff housing	Structure	25-30	0
				Electrical	15-30	0
				Mechanical	15-30	0
				Perimeter protection	10-25	0
				Parking	25-30	0
				Other (specify)	5-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Heritage assets	Archives					N/A	N/A
	Archaeological sites					N/A	N/A
	Conservation areas					N/A	N/A
	Culturally significant buildings					N/A	N/A
	Historical sites					N/A	N/A
	Historical sites					N/A	N/A
	Museum exhibits					N/A	N/A
	National monuments					N/A	N/A
	National parks/reserves					N/A	N/A
	Public statues					N/A	N/A
	Other antiques and collections					N/A	N/A
	Works of art/paintings					N/A	N/A
	Sculptures					N/A	N/A

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Other assets	Bins & containers					5- 8	0
	Other machinery and equipment			Audiovisual equipment		5-10	0
				Building air conditioning system		5-10	0
				Cellular phones (Over R5000)		1-2	0
				Cellular routes		3-5	0
				Domestic equipment(non kitchen appliances		3-5	0
				Electric wire and power distribution equipment(compressors & generators		5-7	0
				Emergency /rescue equipment		5-10	0
				Elevator system		15-20	0
				Farm/agricultural equipment		5-15	0
				Fire fighting equipment		3-5	0
				Gardening equipment		2-4	0
				Irrigation equipment		10-15	0
				Kitchen appliances		5-7	0
				Laboratory equipment-agriculture		5-7	0
				Laboratory equipment-medical testing		5-7	0

				Laboratory equipment-roads & transport		5-7	0
				Laundry equipment & industrial sewing machines		10-15	0
				Learning, training support & library material(curriculum equipment)		5-10	0
				Machines for metallurgy		5-10	0
				Machines for mining and quarrying		5-10	0
				Machines for textile production		10-15	0
				Medical and allied equipment		5-10	0
				Music equipment		10-15	0
				Photographic equipment		5-7	0
				Pumps, plumbing, purification & sanitation		5-10	0
Asset Category	**Asset Class (Level 1)**	**Asset Class (Level 2)**	**Asset Type (Level 3)**	**Component (Level 4A)**	**Component (Level 4B)**	**EUL**	**RV (%)**
	Other machinery and			Radio equipment		5-7	0
				Road construction and maintenance equipment		10-15	0
				Saddles and other tack		5-7	0
				Security equipment/system/materials(fixed)		3-5	0
				Security equipment/system/materials(movable)		3-5	0

Other assets	machinery	Ship and marine equipment	5-10	0
		Sport and recreational equipment	5-10	0
		Survey equipment	5-7	0
		Telecommunication equipment	3-5	0
		Tents, flags, and accessories	5-10	0
		Woodworking machinery and equipment	5-10	0
		Workshop equipment and loose tools(fixed)	5-10	0
		Workshop equipment and loose(movable)	3-5	0
	Furniture and Office equipment	Adverts boards	3-5	0
		Air conditioners(individual fixed & portable)	3-5	0
		Cutlery and crockery	5-10	0
		Domestic and hostel furniture	10-15	0
		Linen and soft furnishing	5-10	0
		Office equipment(including fax machines)	5-8	0
		Office furniture	5-8	0
		Paintings, sculptures, ornaments(home and office)	5-10	0
	Computer equipment	Computer hardware including operating system	5-10	10
		Network s	5-10	10
	Library Books		5-15	0
		Aircraft	10-15	0

	Transport assets	Aircraft engines	5-7	0
		Airport transport equipment(stairs and luggage)	5-10	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Other assets	Transport assets			Busses		10-15	3-30
				Cycles		5-10	3-30
				Emergency vehicles(Special Vehicles)		10-15	3-30
				Mobile clinics		10-15	3-30
				Motor vehicles		5-8	3-30
				Railway rolling stock		10-15	3-30
				Ships		15-20	3-30
				Ships engines		5-7	0
				Trailers and accessories		5-8	3-30
				Trucks		10-15	3-30

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Intangible assets	Intangible assets			Capitalised development cost		5-8	0
				Computer software		5-8	0
				Mastheads and publishing titles		5-8	0
				Patents, licenses, copyrights, brand names, and trademarks		5-8	0
				Recipes, formulae, prototypes, design and models		5-8	0
				Services and operating rights		5-8	0
				Water rights		N/A	N/A

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Investment property	Land	Undeveloped	Residential land			N/A	N/A
			Commercial land			N/A	N/A
			Industrial land			N/A	N/A
			Government land			N/A	N/A
			Undetermined land			N/A	N/A
	Buildings	Dwellings	Residences include garages and parking	Structure		25-30	0
				Electrical		15-30	0
				Mechanical		15-30	0
				Perimeter protection		10-25	0
				Parking		25-30	0
				Other		5-15	0

Asset Category	Asset Class (Level 1)	Asset Class (Level 2)	Asset Type (Level 3)	Component (Level 4A)	Component (Level 4B)	EUL	RV (%)
Biological assets				N/A		N/A	N/A