



ASSET MANAGEMENT POLICY

2025/2026

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CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
EPWP	Expanded Public Work Program
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
HR	Human Resource
IAM	Infrastructure Asset Management
IAMP	Infrastructure Asset Management Plan
IAMS	Infrastructure Asset Management Strategy
IAR	Infrastructure Asset Register
IAS	International Accounting Standards
IDP	Integrated Development Plan
IT	Information Technology
KPI	Key Performance Indicators
MFMA	Municipal Finance Management Act
OHSA	Occupational Health and Safety Act
O&M	Operation and Maintenance
R	Rand
SDBIP	Service Delivery and Budget Implementation Plan
SCM	Supply Chain Management
TOR	Terms of Reference
VAT	Value Added Tax

- 2.2 investment properties;
- 2.3 Heritage assets and
- 2.4 Intangible assets.

3. BACKGROUND

A. CONSTITUTIONAL AND LEGAL FRAMEWORK

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

- 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.

The manner in which a municipality manages its fixed assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA)

...in requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The Accounting Standards Board (ASB) has approved a number of Standards of Generally Recognised Accounting Practice (GRAP). When compiling a Fixed Asset Register in accordance with the accounting standards, the requirements of GRAP 17 cannot be seen in isolation. Various other accounting standards impact on the recognition and measurement of assets within the municipal environment and should be taken into account during the compilation of a GRAP compliant asset register. The following latest Standards of GRAP (and respective latest directives) significantly impacts on the recognition and measurement of assets within the municipal environment:-

GRAP 05 – Borrowing Costs.

GRAP 11 - Construction Contracts.

GRAP 12 – Inventories.

GRAP 13 - Leases and more specifically, deemed finance leases.

GRAP 16 - Identification of items to be treated as Investment Properties.

GRAP 17 - Property Plant and Equipment.

GRAP 21 – Impairment of Non-Cash-generating assets.

GRAP 26 – Impairment of Cash-generating assets.

GRAP 31 – Intangible assets.

GRAP 100 - Discontinued Operations

GRAP 3 - Accounting Policies, Estimates & Errors

GRAP 103- Heritage Assets

GRAP 1 - Presentation of Financial Statements

IGRAP 2- CHANGES IN DECOMMISSIONING, AND SIMILAR LIABILITIES(Affects GRAP 17). We're including IGRAP 2 because there is a landfill site under construction

- service delivery efficiency and improvement;
- performance monitoring and accountability;
- community interaction and transparent processes;
- priority development of minimum basic services for all; and
- provision for financial support from central government in addressing the needs of the poor.

Legislation has also entrenched the Integrated Development Plan (IDP) as the principal strategic planning mechanism for municipalities. However, the IDP cannot be compiled in isolation for the above objectives to be achieved. The IDP needs to be informed by robust, relevant and holistic information relating to the management of the municipality's infrastructure.

There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintaining and renewing existing infrastructure whilst also addressing backlogs in basic services and facing ongoing changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of departments of the municipality, including infrastructure, community services, financial planning, and corporate services.

Cooperative Government and Traditional Affairs (CoGTA) has prepared

- implement accrual accounting in terms of prevailing accounting standards; and
- apply asset management practices in a consistent manner and in accordance with legal requirements and recognised good practice.

5. APPROVAL AND EFFECTIVE DATE

The Accounting Officer is responsible for the submission of this document to Council to consider its adoption. Council shall indicate the effective date for implementation of the policy.

6. KEY RESPONSIBILITIES

6.1 Accounting Officer

The Accounting officer is responsible for the overall management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.

The Accounting officer shall ensure that:

- An Asset Management policy is established, through which all asset processes and procedures will be implemented.

Council. To this end, the Accounting Officer shall ensure the preparation, in consultation with the CFO and Senior Managers, of procedures to effectively and efficiently apply this policy.

6.2 Chief Financial Officer

The Chief Financial Officer (CFO)'s responsibility is to ensure that the financial investment made in the municipal assets is safeguarded and maintained.

The CFO, as one of the Senior Manager of the Municipality, shall also ensure, in exercising his/her financial responsibilities, that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the Municipality is collected, for example rental income relating to assets;
- The systems, procedures and registers required to substantiate the financial values of the Municipalities' assets are maintained to standards

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made without CFO's approval or by an official acting under the written instruction of the CFO.

6.3 The Asset Management Policy is reviewed on an annual basis to ensure alignment with legislative

6.4 Senior Managers that serve as head of departments

Senior Managers (the managers directly accountable to the Accounting Officer) are responsible for the following in respect of all assets in their respective departments and shall ensure that:

- Appropriate systems of physical management and control are established and carried out for all fixed assets;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be captured into the municipal asset register;
- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;

proposals in this regard shall be motivated by the Accounting officer in consultation with the CFO and respective Senior Managers. These recommendations shall be considered for adoption by Council.

8. RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, will replace the pre-existing Asset Management Policy and must be read in conjunction with other relevant policies of the municipality, including the following adopted documents:

8.1 Delegations Register

Identifying the processes surrounding the establishment of delegated authority.

8.2 Supply chain management policy

Regulating all processes and procedures relating to acquisitions of assets

8.3 Budget policy

The processes to be followed in respect of the budget for capital expenditure during the budget process as well as pre-determined prioritisation methodology,

8.4 Books of account policy

Governing the process of updating and reconciling the Municipality's books of

- Public Finance and Management Act, 1999;
- Asset Management Framework, National Treasury, 2004;
- Guidelines for Infrastructure Asset Management in Local Government, CoGTA, 2006;
- Municipal Finance Management Act, 2003;
- Disaster Management Act, 2002;
- Municipal Systems Act, 2000;
- Municipal Structures Act, 1998;
- Relevant accounting standards;
- MFMA Circulars;
- Local Government Capital Asset Management Guidelines, National Treasury, 2008;
- Government Gazettes (30013 & 31021).
- **Constitution of the Republic**

10.1.1.1 Asset

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

10.1.1.2 Fixed Asset

A fixed asset is an asset with an expected useful life greater than 12 months.

10.1.1.3 Useful Life

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

10.1.1.4 Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to restrict or regulate access of others to that benefit, and has the ability to secure the future economic benefit of that asset.

10.1.1.5 Past transactions or events

Assets are only recognised from the point when some event or transaction transferred control to an entity.

Tangible assets can be either movable or immovable. Movable assets are assets that can be moved (such as machinery, equipment, vehicles and furniture). Immoveable assets are fixed structures such as buildings and roads. Plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immoveable asset (though it may be temporarily removed for repair).

10.1.1.9 Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Examples are licenses/rights, (such as water licenses), servitudes, and software. The assets must either be separable (able to be sold, transferred, or rented) or arise from contractual rights.

10.1.1.10 *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 (substance over form). Where the risks and rewards of ownership of an asset are substantially transferred, the asset in respect of that finance lease is recognised as a fixed 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. (straight line basis over the lease term)

The municipality shall recognise all fixed assets existing at the time of adoption of this policy, and the development of new, upgraded and renewed fixed assets on an ongoing basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

All plastic refuse bins and plastic chairs with a cost less than R5 000.00 will not be capitalised

10.1.3 Responsibilities

10.1.3.1 The Chief Financial Officer, in consultation with the Accounting Officer and Senior Managers, shall determine effective procedures for the recognition of existing and new fixed assets.

10.1.3.2 Every Senior Manager shall ensure that all fixed assets under their control are correctly recognised as fixed assets.

10.1.3.3 Every Senior Manager shall keep and update a list of items that have a useful life of greater than one year.

10.1.3.4 The Accounting Officer shall make recommendations to the Council as to the threshold monetary value for fixed assets for which accelerated depreciation shall apply.

10.1.3.5 The CFO shall keep a lease register with the following minimum information: name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.

Asset and Fleet Management should ensure that if the employee lost or damaged an asset, the amount (equivalent to carrying amount of the lost or damaged asset at date the asset was lost or damaged) is recovered from employee's salary.

- 10.1.3.9 In the instance of failure to recover the value of the lost or damaged asset from the official, the amount (equivalent to carrying amount of the lost asset, at date the asset was lost) should be recovered from Senior Manager or Delegated Official: HR and Senior Accountant: Asset and Fleet Management.

10.2 Classification of Fixed Assets

10.2.1 Definitions and rules

10.2.1.1 Fixed asset categories

Fixed assets are grouped for accounting purposes, as follows:

- Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations, that is shown as a single item for the purposes of disclosure in the financial statements);
- Intangible assets;

In many cases the cost or value of an asset must be estimated; the use of a reasonable estimate is essential. Where a reasonable estimate cannot be made the asset should not be recognised

- Elements of cost

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

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period

- Spares

Major spare parts are recognised as an item of PPE immediately when they are available for use (eg. in the stores). Dedicated spares (spares that can only be used for specific assets or purpose such as transformers) are also recognised as PPE regardless of value.

- Classes of PPE

A class of PPE is defined as a group of assets of a similar nature or

- Motor Vehicles

These are moveable assets used in the ordinary operation such as, sedans, bakkies, SUV etc

- 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 (substance over form).

- PPE: Community assets

Community assets are immovable assets contributing to the general well-being of the community, such as community halls, sport facilities and libraries

- PPE: Furniture and office equipment

These moveable assets are used in the ordinary operational such as office equipments, IT equipment as well as furniture and fittings.

Investment property is defined as property (land and/or a building) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks, shopping centres or housing financed and managed by a municipality (or jointly with other parties).

Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

In the case of a fixed asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

10.2.2 Policy

The following categories and sub-categories shall be used at the highest level of the fixed asset classification structure:

Accounting Group	Asset Category	Asset Sub-category
Property, plant and equipment	Infrastructure	Electricity network

		Conservation areas
	Moveable assets	Vehicles
		Plant and equipment
		Office equipment
		Furniture and fittings
		Computer equipment
	Land	Infrastructure land
		Community assets' land
		Heritage assets' land
		Other assets' land
		Housing land
Intangible Assets	Servitudes	All
	Statutory licenses	All
	Software	All
Investment property	Commercial property (market related rentals charged)	All
	Residential property (market related rentals	All

10.3 Identification of Fixed Assets

10.3.1 Definitions and rules

10.3.1.1 Asset coding

An asset coding system is the means by which the Municipality is able to uniquely identify each fixed asset in order to ensure that it can be accounted for on an individual basis.

10.3.1.2 Sequential asset coding

In addition to the asset coding, the Municipality shall implement a sequential asset numbering system which will begin with the alphabets "GLM" followed by four or more numbers.

10.3.2 Policy

A coding system shall be adopted and applied that will enable each fixed asset to be uniquely and readily identified. Each moveable fixed asset shall be marked with its respective code or number.

10.3.3 Responsibilities

10.3.3.1 The Accounting Officer shall develop and implement a fixed asset coding and numbering system in consultation with the CFO and other Senior Managers to meet the policy objective.

10.3.3.2 Senior Managers shall ensure that all the fixed assets under their

application of the respective accounting standards for each of the asset classes, and the strategic and operational asset management needs of the municipality.

A fixed asset register should include, but not limited to: asset number, asset description, asset code, cost price, useful life, depreciation, accumulated depreciation, carrying amount, purchase date, asset location, asset custodian, asset condition etc.

10.4.1.2 Updating data in the asset register

The updating of the fixed asset register is the responsibility of the Senior Accountant: Asset and Fleet Management or other official as delegated by the CFO. The Chief Admin Officer: Asset and Fleet Management or delegated official is precluded from being a custodian of any assets or be part asset acquiring process.

10.4.2 Policy

A fixed asset register shall be established to provide the data required to apply the applicable accounting standards, as well as other data considered by the municipality to be necessary to support strategic asset management planning and operational management needs. The fixed asset register shall be updated and reconciled to the general ledger on a monthly basis.

10.4.3 Responsibilities

10.4.5 The CFO must ensure that the fixed assets of the municipality are verified bi-annually. The mid-year verification must involve verification of moveables and the year-end verification involves both moveables and immoveables assets.

10.4.6 The CFO shall ensure proper application of the control procedures.

10.5 Measurement and recognition

10.5.1 Definitions and rules

10.5.1.1 Measurement at recognition of PPE

An item of PPE that qualifies for recognition is initially measured at cost. Where an asset is acquired at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as recognising fixed assets for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

10.5.1.2 Fair value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for assets (for example, land, non-

10.5.1.4 Directly attributable costs

Directly attributable costs are defined as:

- Employee costs arising directly from the construction or acquisition of the item of PPE ;
- Costs of site preparation;
- Initial delivery and handling costs;
- Installation and assembly costs;
- Commissioning; and
- Professional fees (for example associated with design fees, supervision, and environmental impact assessments).

10.5.1.5 Exchanged PPE assets

In cases where assets are exchanged, the cost is deemed to be the fair value of the acquired asset and the disposed asset is de-recognised.

proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life.

Accordingly, the following formula is used:

$$\text{DRC} = ((\text{CRC} - \text{RV}) \times \text{RUL/EUL}) + \text{RV}$$

Replacement costs are “green field”, unless there is evidence of definite cost variance due to “brown-field” modifications. Capital unit costs vary from site to site and provision is made for site specific influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as “supply-and-demand”, economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of rates for escalation to the valuation date are applied.

10.5.1.8 Self-constructed assets

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality. All assets that can be classified as fixed 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. Proper records are kept such that all costs associated with the construction of these assets are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

where available, initial recognition will take place on the cost model. Should relevant cost data not be available, a fair value determination will be made by appointing a valuer.

Subsequent measurement

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

If the Council of the Municipality constructs or develops 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 – whereafter it shall be reclassified as an investment asset.

10.5.1.11 Intangible assets

An item of intangible asset acquired by the municipality is recognised at cost. Where an intangible asset is acquired at no or nominal cost (for example in the case of donated or developer-created), or reliable costs data is not available, its cost is deemed to be its fair value at the date of acquisition.

10.5.2 Policy

Initial measurement

Property, plant and equipment assets that qualify for recognition shall be capitalised at cost in accordance to the cost model.

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

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

10.5.3 Responsibilities

10.5.3.1 The CFO, in consultation with the Accounting Officer and Senior Managers, shall determine effective procedures for the capitalisation of fixed assets on recognition.

10.5.3.2 Every Senior Manager shall ensure that all fixed assets under their control are correctly capitalised.

10.6 Measurement after recognition

10.6.1 Definitions and rules

10.6.1.1 Options

Accounting standards allow measurement after recognition on either a cost or

capitalised. Such expenses are recognised once the Municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) – prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of a fixed asset that ensures that the useful operating life of the asset is attained, shall be considered as operating expenses and are not capitalised, irrespective of the quantum of the expenses concerned.

10.6.1.5 Spares

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

10.6.2 Policy

Council approved the cost model. Therefore, after initial recognition, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

10.6.3 Responsibilities

10.6.3.1 The CFO, in consultation with the Accounting Officer and Senior Managers, shall determine effective procedures for the ongoing capitalisation of fixed assets after recognition.

are not depreciated.

10.7.1.2 Depreciable amount

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

10.7.1.3 Residual value

The residual value 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.

The residual values of assets are indicated in Annexure A in the form of a percentage. In the case of assets measured after recognition on the cost model, the percentage is of the initial cost of acquisition.

The residual values of assets estimated to be 0%, except for Motor vehicles and other Plant and Machinery, which is 10%.

10.7.1.4 Depreciation method

Depreciation is provided using the straight-line method to write down the cost less estimated residual value over the useful life of property, plant and equipment.

ceases when it is de-recognised or classified as non-current assets held for sale. 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 usage methods of depreciation the depreciation charge can be zero while there is no production. Depreciation is initially calculated when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

10.7.1.7 Carrying amount

The carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

10.7.1.8 Capital spares

The depreciation of capital spares commences immediately when they are available in the stores. The depreciation continues once they are placed in service, or subsequently removed from service.

10.7.2 Policy

All fixed assets, except land, heritage assets and servitudes, shall be depreciated over their remaining useful lives. In all cases, the straight line method of depreciation shall be used. The depreciation charge for each period shall be recognised as an expense. The depreciation method, residual value and remaining useful life should be reviewed at each reporting date.

depreciation and register is reconciled with the relevant general ledger accounts.

10.7.3.4 The CFO must review and ensure that the monthly depreciation calculations are finalised, captured in the asset register and financial system and reconciled to the relevant general ledger accounts by the 20th (10th) day of each calendar month.

10.8 Annual assessments

10.8.1 Definition

10.8.1.1 Impairment

Impairment is defined as 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.

10.8.1.2 Indications of impairment

The Municipality must each year test assets for impairment losses if, and only if, there has been an indication of any of the following:

- external sources of information:
 - decline or cessation in demand;
 - changes in the technological, legal or government policy environment;

circumstances in each instance must be considered. Where there are indications of impairment, the municipality must also consider adjustment of the remaining useful life, residual value, and method of depreciation.

10.8.1.3 Impairment loss

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

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

10.8.1.4 Non-cash-generating units

Non-cash-generating units are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit, such as infrastructure and community facilities. Typically there will not be an active market for such assets, and in such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit is defined as the present value of the asset's remaining service potential. This can be determined using any of the following

as indicated above, this will normally be the case unless there has been a significant and enduring event as indicated above.

10.8.1.5 Cash-generating unit

Cash-generating units are those whose assets are held with the primary objective of generating a commercial return (in the municipal arena this would typically apply to investment property). However, when the municipality adopts the fair value model for investment property, impairment does not apply.

When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and at the end of its useful life, including factors to reflect risk in the respective cash-flows, and the time value of money.

The municipality is currently using the cost model in the valuation of the investment property.

10.8.1.6 Recognition of impairment

The impairment loss is recognised as an expense when incurred. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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

10.8.1.8 Review of useful life

An entity should assess whether there is any indication that the expected useful life of the asset has changed based on whether the condition of the asset has improved or declined. This is based on any condition assessments undertaken by the entity on its assets during the reporting period. Condition assessments will be undertaken by entities on selected or identified assets as part of its on-going asset management. Instead, any information available from any condition assessments undertaken during the reporting period should be used to assess whether the useful life of particular assets should be changed.

10.8.1.9 Residual value

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

proposed changes to the remaining useful of such assets.

10.8.3.3 The Senior Manager should evaluate all the assets for impairment, taking into consideration any discussions with the Senior Accountants and Operating Managers.

10.8.3.4 The Chief Admin Officer: Asset and Fleet Management should update the fixed asset register with the information received, relating to the financial management system where the impairment journals have been processed.

10.8.3.5 The CFO shall report changes made to the carrying values of these assets in the asset register to the Accounting Officer and Council.

10.9 De-recognition

10.9.1 Definition and rules

De-recognition

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

The carrying amount of an asset and the net disposal proceeds (or cost of de-commissioning and/or disposal of an asset) shall be included in the surplus or deficit when the item is derecognised.

Manager of the relevant department controlling the asset, and with the approval of the Accounting Officer.

10.9.3.2 Every Senior Manager shall report to the CFO on any fixed assets which such Senior Manager wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports and shall promptly make a submission to the Asset Disposal Committee with a copy to the Accounting Officer on the fixed assets to be written off. The Asset Disposal Committee shall consider the submission and make recommendations to the Council for adoption.

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

10.9.3.4 The Accounting Officer, in consultation with the CFO and other Senior Managers shall formulate norms and standards from the replacement of all normal operational fixed assets.

10.10 Insurance of Fixed Assets

10.10.1 Definition and rules

Insurance provides selected coverage for the accidental loss of asset value.

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.

10.10.3 Responsibilities

10.10.3.1 The Accounting Officer shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality, and where applicable asset classes shall be prioritised in terms of their risk exposure and value.

10.10.3.2 In the event that the CFO is directed by Council to establish a self-insurance reserve, 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.

11 POLICY FOR SAFEGUARDING FIXED ASSETS

11.1 Definitions and rules

The Municipality applies controls and safeguards to ensure that fixed assets are protected against improper use, loss, theft, malicious damage or accidental damage.

The existence of assets is physically verified from time to time, and measures

- Each Senior Manager shall prepare and submit to the CFO, upon request, an annual asset safeguarding plan for the assets under the control of their respective departments, indicating the budget required. The CFO shall confirm the available budget, and in consultation with the respective Senior Managers, determine the impact of any budget shortfall. The CFO shall report the impacts to the Accounting Officer for review, and advise Council. Each Senior Manager shall implement the safeguarding plan within the resources made available.
- Each Senior Manager shall report, within the time frame indicated by the CFO, the existence, condition, location and appropriate use of fixed assets under the control of their respective departments at the review date.
- The CFO shall establish procedures for the effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and reporting damage, in consultation with the Senior Managers.
- Senior Managers shall enforce the application of the procedures for controlling the movement of assets as prescribed by the CFO.
- Senior Managers shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- Malicious damage, theft, and break-ins must be reported to the Accounting Officer or delegated person within 48 hours of its occurrence or awareness by the respective Senior Manager

which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

12.1.2 Asset management

The goal of asset management of PPE 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 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.

12.2 Policy

- 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.

12.2.2 Sustainable service delivery

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

- identify a suite of levels and standards of service that conform with statutory requirements and rules for their application based on 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 infrastructure assets, where applicable in line with national targets;
- apply a risk management process to identify service delivery risks at asset level and appropriate responses;

The Municipality shall strive 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 shall:

- 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.

12.2.4 Custodianship

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

- establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;

- develop and maintain a culture of regular consultation with the community with regard to its management of infrastructure in support of service delivery;
- clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- will make available asset management information on an onward basis; and
- continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

12.2.6 Cost-effectiveness and efficiency

The Municipality shall strive to manage its infrastructure assets in an efficient and effective manner. To this end, the Municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
- regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;

risk exposure, and cost;

- timeously dispose of infrastructure assets that are no longer in use to provide basic municipal services;
- review management and delivery capacity, and procure external support as necessary;
- establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
- strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

12.3 Responsibilities

- 12.3.1 The Accounting Officer shall establish procedures to ensure that legislative requirements regarding the management of capital assets, including but not limited to health and safety, and environmental protection, are documented and advised to Senior Managers. Senior Managers shall address legislative needs in their strategies and plans, and shall enforce implementation.

Pavements	Roads and parking areas	10 - 100	0
Roads	Gravel, concrete and bituminous	10 - 100	0
Bridges	Main and low water bridges – Structure and barriers	10 - 100	0
Earthworks	Cut and fill earthworks	10 - 100	0
Road drainage	Kerbs and drains	10 - 100	0
Signs and meters	Street names, traffic signs and parking meters	5	0
Retaining walls	Anchored and retaining walls	10 - 100	0
Storm-water & Conveyance	Canal lining, culverts, gabions etc.	10 - 100	0

b) Mechanical and electrical plant

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
Mechanical plant	Pump		15 – 20	0
	Engine		15 – 20	0
	Dozer		15 – 20	0
	Generator		15 - 20	0
	Waste compactor		15 – 20	0
	Weighbridge		15 – 20	0
	Gas monitoring equipment		15 – 20	0
	Baler		15 - 20	0
Electrical plant	Motor		15	0
	Telemetry		15	0
	Control panel		30	0
	Isolator		30	0
	Power factor equipment		20	0

	Name	Name	ai (%)
Civil Structure	Mild Steel structure		10 – 100
	Timber structure		10 – 100
	Masonry structure		10 – 100
	Concrete structure		10 – 100
	Earthfill dam wall		10 - 100
	Rockfill dam wall		10 – 100
	Rollcrete dam wall		10 - 100
	Filter media		10 – 100
	Tank – plastic		10 – 100
	Tank – steel		10 – 100
	Tank – concrete		10 – 100
	Landfill lining		10 – 100
	Mild steel fittings		10 – 100
	Stainless steel fittings		10 – 100
	Borehole well & lining		10 – 100
Pipe-work	uPVC pipe		10 – 80
	Steel pipe		10 - 80
	HDPE pipe		10 - 80
	Clay		10 - 80
	Concrete		10 - 80
	Asbestos-cement pipe		10 - 80
	Sub-soil drains		10 - 80
	Valve		10 – 80
	Hydrant		10 – 80
	Meter		10 – 80
	Erf connection – water		10 – 80
	Erf connection – sewer		10 - 80
	Communal Pedestal		10 - 80

	HV Switchgear – Isolators	20 – 50	0
MV Conductors	Cable	20 – 50	0
	Pilot Cables	20 – 50	0
	MV Overhead Line	20 – 50	0
MV Substation	Transformer	20 – 50	0
	VTs (voltage transformer)	20 – 50	0
	CTs (current transformer)	20 – 50	0
	AUX Transformer	20 – 50	0
	MV Switchgear – Breakers	20 – 50	0
	MV Switchgear – Isolators	20 – 50	0
	Panel	20 – 50	0
	Ring Main Unit	20 – 50	0
MV Switchgear	Breakers	20 – 50	0
	Isolator	20 – 50	0
	Panel	20 – 50	0
MV Transformer	Mini-Sub	20 – 50	0
	Pole Transformer	20 – 50	0
LV Conductors	LV Cable	20 – 50	0
	LV Overhead Lines	20 – 50	0
Public Lighting	Street Light	20 – 50	0
	High mast	20 – 50	0
Municipal Service Connection	LV Cable	20 – 50	0
	LV Overhead Line	20 – 50	0
	Electricity Meter	20 – 50	0

e) Buildings

f) Open spaces

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
External improvements	Perimeter wall		10 - 30	0
	Fence – wire		10 – 30	0
	Landscaping		10 – 30	0
	Lawns		10 – 30	0
	Irrigation		10 – 30	0
	Flood lights		10 – 30	0
	Light bollards		10 – 30	0
	External furniture		10 – 30	0
Sports facilities	Tennis court		10 – 30	0
	Bowling green		10 – 30	0
	Sports field		10 – 30	0
	Swimming pool		10 – 30	0
	Golf course		10 – 30	0
	Stadium		10 – 30	0

g) Moveable assets

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
Bins and containers	Bulk refuse containers		10 - 15	0
Emergency equipment	Emergency lights		5 – 15	0
	Fire hoses		5 – 15	0
	Fire-fighting equipment		15	0
Furniture and	Chairs		7 – 15	0

Plant and equipment	Compressors		5 – 15	10
	Filling equipment		5 – 15	10
	Firearms		2 – 15	0
	Graders		5 – 15	10
	Lawn mowers		2 – 15	0
	Lathes		2 – 15	10
	Radio equipment		2 – 15	0
	Telecommunications equipment		2 – 15	0

CATEGORY	SUB-CATEGORY	EUL
Name	Name	
Investment Property	Buildings	30 years

Accounting Officer
Sewape MO

