



**SISONKE DISTRICT MUNICIPALITY**

**FINAL DRAFT**

**ASSETS MANAGEMENT POLICY**

**ADOPTED: 29 MAY 2012**

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## **1. DEFINITION OF A FIXED ASSET**

1.1 A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

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

1.3 To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, Annexure I and II below.

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

## **2. ROLE OF MUNICIPAL MANAGER**

As accounting officer of the municipality, the municipal manager shall be the principal custodian of all the municipality's fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

## **3. ROLE OF CHIEF FINANCIAL OFFICER**

3.1 The chief financial officer 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.

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

## **4. FORMAT OF FIXED ASSET REGISTER**

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

4.2 The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset;
- the date on which the asset was acquired or brought into use;
- the location of the asset;
- the department(s) or vote(s) within which the assets will be used;

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

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

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

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

## **5. CLASSIFICATION OF FIXED ASSETS**

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

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

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

### **INVENTORY**

- housing (rental stock or housing stock not held for capital gain)

### **INVESTMENT PROPERTY**

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

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

## **6. INVESTMENT PROPERTY**

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

6.2 Investment assets shall comprise 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.

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

6.4 Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

6.5 An expert valuer shall be engaged by the municipality to undertake such valuations.

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

## **7. FIXED ASSETS TREATED AS INVENTORY**

7.1 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, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

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

## **8. RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER**

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

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

## **9. RECOGNITION OF DONATED ASSETS**

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

## **10. SAFEKEEPING OF ASSETS**

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

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

## **11. IDENTIFICATION OF FIXED ASSETS**

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

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

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

## **12. PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS**

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

## **13. CAPITALISATION CRITERIA: MATERIAL VALUE**

13.1 No item with an initial cost or fair value of less than R5 000 (five thousand rand) with exemption furniture and IT equipment – or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager - shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

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

## **14. CAPITALISATION CRITERIA: INTANGIBLE ITEMS**

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

## **15. CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

15.1 Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

15.2 Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

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

## **16. MAINTENANCE PLANS**

16.1 Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100, 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

16.2 If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

16.3 The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

## **17. DEFERRED MAINTENANCE**

17.1 If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.

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

## **18. GENERAL MAINTENANCE OF FIXED ASSETS**



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

## **19. DEPRECIATION OF FIXED ASSETS**

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

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

19.3 Depreciation shall generally 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.

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

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

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

## **20. RATE OF DEPRECIATION**

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

20.2 In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

## **21. METHOD OF DEPRECIATION**

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

## **22. AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS**

22.1 Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

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

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

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

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

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

## **23. ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES**

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

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

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

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

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

## **24. CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION**

24.1 The chief financial officer shall ensure that in respect of all fixed assets financed from the municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalised value of each fixed asset in question.

24.2 The chief financial officer shall thereafter ensure that in the case of depreciable fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the municipality's appropriation account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the chief financial officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

## **25. CARRYING VALUES OF FIXED ASSETS**

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

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

## **26. REVALUATION OF FIXED ASSETS**

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

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

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

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

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

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

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

## **27. VERIFICATION OF FIXED ASSETS**

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

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

## **28. ALIENATION OF FIXED ASSETS**

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

28.2 Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal

manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

28.3 The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).

28.4 The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R2 000 (two thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2003 (see Annexure II below).

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

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

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

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

## **29. OTHER WRITE-OFFS OF FIXED ASSETS**

29.1 A fixed 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 council of the municipality.

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

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

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

## **30. REPLACEMENT NORMS**

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

## **31. INSURANCE OF FIXED ASSETS**

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

31.2 If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

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

31.4 The chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

## **32. BIOLOGICAL ASSETS**

32.1 Accounting for biological assets shall take place in accordance with the requirements of IAS 41.

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

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

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

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

## ANNEXURE I: FIXED ASSET USEFUL LIVES

The following is the list of assets lives as per government gazette no 31346 dated the 22<sup>nd</sup> of August 2008.

CLASSES OF ASSETS	USEFUL LIFE IN YEARS
PROPERTY, PLANT AND EQUIPMENT LAND:	
Developed land	N/A
Undeveloped land	N/A
BUILDINGS:	
Dwellings:	
Caravans	10
Children's homes	30
Foreign mission dwellings	30
Homes for the aged	30
Hostels	30
Military personnel dwellings	30
Mobile homes	10
Places of safety (Children)	30
Prisons and rehabilitation facilities	30
Residences (presidential, embassies)	30
Residences (personnel) include garages and parking	30
Secure care centres	30
Non Residential Dwellings:	
Airport and associated buildings (control towers, transfer halls, parking, hangars and warehousing)	30
Border and custom control points	30
Bus terminals	30
Bus shelters	15
Civic theatres	30
Clinics and community health facilities	30
Community centres and public entertainment buildings	30
Driver and vehicle testing centres	30
Fire stations	30
Foreign mission offices	30
Hospitals and ambulance stations	30
Industrial buildings	30
Laboratories	30
Libraries	30
Mortuaries	30
Museums and art galleries	30
Office buildings (including air conditioning systems)	30
Public parking (covered and open)	30



Police stations (and associated buildings)	30
Railway and associated buildings	30
Research facilities (including weather)	30
Stadiums	30
Taxi ranks	15
Universities, colleges, schools etc	30
Warehouse (Storage facilities, including data)	30

OTHER STRUCTURES (INFRASTRUCTURE ASSETS):

ELECTRICITY:

Cooling towers	30	
Mains	20	
Meters:		
	Prepaid	20
	Credit	25
Power stations:		
	Coal	60
	Gas	60
	Hydro	60
	Nuclear	60
Supply/reticulation	80	
Transformers	25	
Lines:		
	Underground	45
	Overhead	30
Cables	45	
Substations:		
	Switchgear	30
	Equipment:	
	Outdoor	30
	GIS	30
	Indoor	40
Electric panels	5	
Telemetry	15	

ROADS (Roads, Pavements, Bridges, Storm Water):

BRIDGES

Vehicle:

Bridges - Concrete	80
Bridges - Steel	50
Bridges - Timber	40

Pedestrian:

Bridges - Concrete	80
Bridges - Steel	50

Bridges - Timber	40
Railway:	
Bridges- Concrete	80
Bridges - Steel	50
Bridges - Timber	40
Reinforced retaining walls:	
Earth	15
Concrete	30
Expansion and construction joints	20

## STORM WATER

Culverts:	
Concrete	40
Armco	60
Drains:	
Earthworks	100
Concrete lining	50
Stop banks	50
Pipes	50
Coastal:	
Structure (Retaining walls)	40
Piers	80
Storm water outfalls	80

## ROADS

Kerb and channels	50
Municipal roads – Asphalt surface	20
-Asphalt layer	50
Concrete surface	30
Concrete layer	50
Gravel surface	10
National roads - Asphalt surface	20
- Asphalt layer	50
Concrete surface	30
Concrete layer	50
Gravel surface	10
Provincial roads - Asphalt surface	20
- Asphalt layer	50
Concrete surface	30
Concrete layer	50
Gravel surface	10
Crash barriers	30
Retaining walls	60
Overload control centres	20
Electronic hardware	15
Other equipment	20
Pedestrian footpaths	30

	Street lighting	40
	Subways	50
	Traffic Islands	50
	Traffic Lights	20
	Traffic lights - coastal	15
	Traffic signs	15
	Toll road plazas	30
AIRPORTS:		
	Airports and radio beacons	30
	Aprons	30
	Runways	20
	Taxiways	20
	Specialised equipment:	
	Luggage movement equipment	25
	Communication equipment	15
WATER:		
	Dams:	
	Structure:	
	- Concrete	100
	- Earth	50
	Mechanical and electrical	40
	Meters	20
	Standpipes	20
	Metalwork (Steel stairs, ladders, handrails, weirs)	30
	Pump stations:	
	Structure	55
	Electrical	40
	Mechanical	40
	Perimeter protection	25
	Reservoirs:	
	Structure	50
	Electrical	40
	Mechanical	40
	Perimeter protection	25
	Supply/reticulation:	50
	Underground chambers:	
	Valves	25
	Meters	20
	Transition	15
	Other	10
	Water purification works:	
	Structure	55
	Electrical	40
	Mechanical	40
	Perimeter protection	25
	Meters	15

	Telemetry	15
SEWERAGE:		
	Bulk pipelines (outfall sewers):	
	Rising mains	50
	Gravity mains	50
	Sewerage pump stations:	
	Structure	55
	Electrical	40
	Mechanical	40
	Perimeter protection	25
	Metalwork	30
	Sewers/reticulation	60
	Structure	55
	Electrical	40
	Mechanical	40
	Perimeter protection	25
	Meters	15
SOLID WASTE DISPOSAL:		
	Collection:	
	Vehicles	10
	Containers / Bins	15
	Transfer stations and processing facilities:	
	Structure	55
	Electrical	40
	Mechanical	40
	Perimeter Protection	25
	Landfill site:	
	Earthmoving and compaction	15
	Landfill preparation	N/A
	Structure	55
	Weighbridge:	
	Mechanical	40
	Electrical	40
	Perimeter protection	25
RAILWAYS:		
	Power supply units	30
	Railway sidings	30
	Railway tracks	20
	Signalling systems	20
	Shunting yards	30
GAS SUPPLY SYSTEMS:		
	Structure	50
	Electrical	25
	Mechanical	25
	Perimeter protection	15

Stations:		
Trunk receiving		50
District regulating		50
Mains/ pipelines		20
Meters		20
Storage facilities		20
Supply / reticulation		20
CEMETERIES:		30
CAPITAL/INFRASTRUCTURE WORK IN PROGRESS (N/A):		
Buildings		N/A
Infrastructure		
Other		
OTHER MACHINERY AND EQUIPMENT:		
Audiovisual equipment		10
Building air conditioning systems		5
Cellular phones (over R5 000)		2
Cellular routers:		
Domestic equipment (non kitchen appliances)		5
Electric wire and power distribution equipment (Compressors, generators & allied equipment)		7
Emergency / rescue equipment		10
Elevator systems		20
Farm/agricultural equipment		15
Fire fighting equipment		5
Gardening equipment		4
Irrigation equipment		15
Kitchen appliances		10
Laboratory equipment – Agricultural		7
- Medical testing		7
- Roads and transport		7
Landry equipment and industrial sewing machines		15
Learning, training support and library material (Curriculum equipment)		10
Machines for metallurgy		10
Machines for mining and quarrying		10
Machines for textile production		15
Medical and allied equipment		10
Music instruments		15
Photographic equipment		7
Pumps, plumbing, purification and sanitation equipment		10
Radio equipment		7
Road construction and maintenance equipment		15

Saddles and other tack	7
Security equipment / systems / materials - Fixed	5
Movable	5
Ship and marine equipment	10
Sport and recreational equipment	10
Survey equipment	7
Telecommunication equipment	5
Tents, flags and accessories	10
Woodworking machinery and equipment	10
Workshop equipment and loose tools - Fixed	10
Movable	5

FURNITURE AND OFFICE EQUIPMENT:

Advertising boards	5
Air conditioners (individual fixed & portable)	5
Cutlery and crockery	10
Domestic and hostel furniture	15
Linen and soft furnishings	10
Office equipment (including fax machines)	7
Office furniture	7
Paintings, sculptures, ornaments (home and office)	10

COMPUTER EQUIPMENT:

Computer hardware including operating systems	5
Networks	10

TRANSPORT ASSETS:

Aircraft	5
Aircraft engines	7
Airport transport equipment (stairs and luggage)	15
Busses	15
Cycles	7
Emergency vehicles (Ambulances and fire engines)	10
Mobile clinics	15
Motor vehicles	7
Railway rolling stock	15
Ships	20
Ship engines	7
Trailers and accessories	10
Trucks	7

HERITAGE ASSETS:

Archives	N/A
Areas of land of historic or specific significance (i.e. world heritage site)	N/A
Culturally significant buildings (parliamentary buildings)	N/A

National monuments	N/A
National parks/reserves (i.e. Kruger Park)	N/A
Paintings	N/A
Sculptures	N/A
Municipal Jewellery	N/A
Works of art	N/A
Other antiques and collections	N/A

BIOLOGICAL OR CULTIVATED ASSETS:

Dairy cattle	N/A
Feathered animals (for eggs and feathers)	N/A
Forests and plantations	N/A
Fruit trees	N/A
Game animals	N/A
Animals for reproduction (cattle, goats, sheep, pigs)	N/A
Animals for wool or milk (goat and sheep)	N/A
Dogs (law enforcement and security)	N/A
Horses (law enforcement and working)	N/A
Plants (for production of seeds)	N/A
Vines	N/A
Other animals	N/A

INVESTMENT PROPERTY:

INTANGIBLE ASSETS:

Capitalised development costs	N/A
Computer software	5
Mastheads and publishing titles	N/A
Patents, licenses, copyrights, brand names and trademarks	N/A
Recipes, formulae, prototypes, designs and models	N/A
Service and operating rights	N/A
Other intangibles	N/A

## **ANNEXURE II: SUMMARY OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003**

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

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

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

### **COUNCIL APPROVAL AND EFFECTIVE DATE**

Approval of Policy by Council and Effective date: 01 July of every year.