



# MUSINA LOCAL MUNICIPALITY

## VISION

*Vehicle of affordable quality services and stability through socio-economic development and collective leadership*

## MISSION

*To be a community driven municipality with a developing and adapting infrastructure, serving all people in a focused, efficient and accountable manner.*

# ASSET MANAGEMENT POLICY ‘

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## **ABBREVIATIONS**

|       |                                                       |
|-------|-------------------------------------------------------|
| AM    | Asset Management                                      |
| AMS   | Asset Management System                               |
| CFO   | Chief Financial Officer                               |
| dplg  | Department of Provincial and Local Government         |
| 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                  |
| 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                      |
| MSA   | Local Government Municipal Systems Act,               |
| LM    | Local Municipality                                    |
| 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                                       |

### **1. PURPOSE OF THIS DOCUMENT**

The purpose of this policy is to ensure the economic, efficient and effective control, utilisation, safeguarding and management of Council's assets. The revision of this policy is necessitated by the requirement that this Municipality shall;

- Implement and comply with Standards of Generally Recognised Accounting Practice (GRAP), specifically the applicable standard GRAP 17 and to some extent GRAP 16.
- Comply with the Asset Transfer Regulations as contained in National Treasury Gazette Number 31346 issues on 22 August 2008.

## **2. BACKGROUND**

Aspects which need to be taken into consideration, and which inform the management of municipal fixed assets are:

- The Constitutional and Legal Framework
- Accounting standards
- Managing of Infrastructure assets

### **2.1 CONSTITUTIONAL AND LEGAL FRAMEWORK**

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

- provide democratic and accountable government for local communities;
- ensure sustainable service delivery;
- promote social and economic development;
- promote a safe and healthy environment; and
- encourage public participation by communities and community organisations in matters of local government.

The Municipal Systems Act (MSA) and the Municipal Finance Management Act, (MFMA) provide the enabling framework for municipalities to provide sustainable services, and to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager.

The Occupational Health and Safety Act (OHSA) requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

The Delegation of Authority System of the municipality must be aligned to include the delegated powers reflected in this policy.

### **2.2 ACCOUNTING STANDARDS**

Presently the MFMA obliges 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) which replaced the Generally Accepted Municipal Accounting Practice (GAMAP).

GRAP 17 on Property, Plant and Equipment is the critical accounting standard that provides guidance on the recognition, measurement, presentation and disclosure of items of PPE in the financial statements of municipalities and municipal entities. Other related standards are Grap 12 and 16 on Inventories and Investment Property, respectively.

Key changes include the recognition of depreciation of assets as an expense, and grants as revenue. A Government Grants Reserve, Donations and Public Contribution Reserve and Capitalisation Reserve need to be established, based on the source of funding of assets. Immovable assets need to be unbundled and each significant component is individually recognised and accounted for. In cases where there is an active and liquid market for assets (such as offices and vehicles) valuation is on a market related basis, whereas specialised buildings (such as community facilities) and infrastructure (such as a water supply network) are valued using a depreciated replacement cost. Significant changes in the value of property, plant and equipment over time need to be reflected through periodic revaluation. Musina Local Municipal has converted to GRAP.

## **2.3 MANAGEMENT OF INFRASTRUCTURE ASSETS**

Good governance and customer care is demonstrated through effective management of infrastructure and community facilities and the processes adopted must be efficient and sustainable. Councillors and officials are custodians on behalf of the public of infrastructure assets, the replacement value of which amounts to several hundred million Rands.

The Integrated Development Plan (IDP) is the principal strategic planning mechanism for municipalities. Therefore the IDP needs to be informed by robust, relevant and holistic information relating to the management of the municipality's infrastructure.

Municipalities face limited resources with which to address the most critical needs. It is crucial that a balance be obtained between maintaining and renewing existing infrastructure whilst also addressing backlogs in basic services.

**DPLG** has prepared guidelines in line with international practice, that propose that an Infrastructure Asset Management Plan (IAMP) is prepared for each sector (such as potable water, roads etc). These plans are used as inputs into a Comprehensive Infrastructure Plan (CIP) that presents an integrated plan for the municipality covering all infrastructures. This is in line with the practice adopted in national and provincial spheres of government in terms of the Government-wide Immovable Asset Management Act (GIAMA).

Accordingly, the asset register adopted by a municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

## **3. OBJECTIVES**

The objective of this policy is for the municipality to:

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

## **4. APPROVAL AND EFFECTIVE DATE**

This policy will take effect on a date to be determined by Council, or on the day following the adoption by Council.

## **5. REVIEW**

This policy shall be reviewed annually as required by the MFMA prescriptions on the budgeting processes, or alternatively, as and when required by circumstantial or legislative changes necessitating review and adoption.

## **6. KEY RESPONSIBILITIES**

### Municipal Manager

In terms of Section 63 of the MFMA, the Municipal Manager is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The Municipal Manager shall ensure that:

- An Asset Management Committee is established, through which all asset processes and procedures will be implemented.
- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with the standards of generally recognised accounting practice (GRAP);
- The municipality has and maintains a system of internal control of assets, including an asset register; and
- The Managers and their teams comply with this policy.

As Accounting Officer of the municipality, the Municipal Manager is the principal custodian of all the municipality's fixed assets, and is responsible for ensuring effective management of the municipality's fixed assets. To this end, the Municipal Manager in consultation with the CFO and other Managers must ensure that procedures are in place for effective and efficient implementation of this policy.

### Chief Accounting Officer

The Chief Financial Officer (CFO) is responsible to the Municipal Manager to ensure that the financial investment made in the municipal assets is safeguarded and maintained.

The CFO, as one of the Managers of the municipality, must ensure that effective Asset Management is maintained through:

- Appropriate systems of financial management and internal control;
- Effective utilization of financial and other resources of the municipality;
- Preventing or avoiding any unauthorized, irregular or fruitless or wasteful expenditure, and losses;
- Diligent collection of revenue, for example rental income relating to assets;
- Maintaining the systems, procedures and registers required to substantiate the financial values to the satisfaction of the Auditor-General;

- Ensuring that the municipality's financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- Appropriately advising The Municipal Manager on the exercise of powers and duties pertaining to the financial administration of assets;
- Appropriately advising the other Managers and senior management teams on the exercise of their powers and duties pertaining to the financial administration of assets;
- Establishing, maintaining and communicating support procedures, in line with this policy for the management of municipal assets.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO is 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 other than by the CFO or by an official acting under the written instruction of the CFO.

#### Asset Management Committee

The Asset Management Committee (AMC) must ensure that:

- The policy and procedures are adhered to and reviewed annually.
- The Committee meets at least monthly to review and monitor the status of assets in the municipality at strategic, institutional, operational and financial levels.

#### Managers

Managers (the managers directly accountable to the Municipal Manager) must 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;
- The asset management system, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Manage the asset life-cycle transactions to comply with the plans, legislative and municipal requirements.

The Managers may delegate or otherwise assign responsibility for performing these functions but they remain accountable for ensuring these activities are performed.

## **7. RELATIONSHIP WITH OTHER POLICIES**

This policy, once effective, will replace the pre-existing Asset Management Policy.

This policy needs to be read in conjunction with other relevant policies of the municipality, including the following adopted documents:

- Delegations Register  
Identifying the processes surrounding the establishment of delegated authority.
- SCM policy  
Regulating all processes and procedures relating to acquisitions, management and disposal of assets
- Budget policy  
The processes to be followed during the budget process as well as pre-determined prioritisation methodology,
- Revenue and tariff policy  
Identifying tariff setting methodology
- Accounting Policy  
Governed by the Accounting standards, the accounting policy determines the basis for recognition, measurement and recording of all transactions.

## **8. REFERENCES**

The following references were observed in compiling this document:

- Asset Management Framework, National Treasury, 2004
- Municipal Asset Transfer Regulations, Gazette 31346 issued 22 August 2008
- Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- Municipal Finance Management Act, 2003
- Disaster Management Act, 2002
- Municipal Systems Act, 2000
- Municipal Structures Act, 1998
- Accounting Standards Board
- MFMA Circular 18, 36 & 44
- Local Government Capital Asset Management Guidelines, National Treasury, 2008
- Government Gazettes (30013 & 31021)
- Generally Recognised Accounting Practice (1-14, 16, 17, and 100-102).
- Generally Accepted Municipal Accounting Practice (GAMAP 17)
- International Accounting Standards (IAS 16)

## **9. POLICY FOR FIXED ASSET ACCOUNTING**

### **9.1 FIXED ASSET RECOGNITION**

#### **9.1.1 Definitions and rules**

##### Asset



GRAP 17 defines an asset as a resource controlled by an municipality as a result of past events and from which future economic benefits or service potential associated with the item will flow.

#### Fixed Asset

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

#### Useful Life

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

#### Control

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

#### Past transactions or events

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

#### Probability of the flow of benefits or service potential

The degree of certainty that any economic benefits or service potential associated with an item will flow to the municipality is based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the municipality, in consultation with the CFO and respective Manager.

#### Economic benefits

Economic benefits are derived from assets that generate net cash inflows.

#### Service Potential

Assets have service potential if they have the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality, such as the provision of services.

#### Moveable and immovable assets

A fixed asset can be either moveable or immovable. Moveable assets are assets that can be moved (such as machinery, equipment, vehicles and furniture). Immovable 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 immovable asset (though it may be temporarily removed for repair).

#### 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 incidental 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.

#### Asset custodian

The department that controls an asset, as well as the individual that is responsible for the operations associated with such asset in the department, is identified by the respective Manager and will be responsible for the asset.

#### Reliable measurement

Items are recognised that possess a cost or fair value that can be reliably measured in terms

#### Assets less than 1000

From 1 July 2013, No item with an initial cost or fair value of less than R1 000 (One thousand rand) – 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.

Every head of department shall, however, ensure that any item with a value in excess of R1 000 (one thousand 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.

**N.B** All assets purchased prior to 01 July 2013 with value less than 1000 should be left in The asset register until such time that they are written off, disposed or donated.

#### **The following Office equipment are not covered by the Thresholds.**

##### 1. Computer equipment

- CPU
- Monitor
- Laptops
- Printer (Excluding Token Printers)

##### 2. Office Furniture

- Office chairs (Excluding Plastic chairs and Camping chairs)
- Office Tables.
- Banners (And related items)

### **9.1.2 Policy**

The municipality shall recognise and record all fixed assets existing at the time of adoption of this policy which revises the previous 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.

### **9.1.3 Responsibilities**

- The CFO, in consultation with the Municipal Manager and Managers, shall determine effective procedures for the identification and recording of existing and new fixed assets.
- Every Manager shall ensure that all fixed assets under their control are correctly identified as fixed assets in terms of the recognition criteria in GRAP 17.
- Every Manager shall keep an inventory of items that have a useful life of greater than one year, and a value less than the threshold value for fixed assets. The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for fixed assets for which accelerated depreciation shall apply.
- 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.

## **9.2 CLASSIFICATION OF FIXED ASSETS**

### **9.2.1 Definitions and rules**

#### Fixed asset categories

Fixed assets are grouped for accounting purposes, as follows:

1. 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);
2. Intangible assets;
3. Investment property.

#### Property, plant and equipment (PPE)

PPE are defined as tangible items that are held for use in the production or supply of goods or services, or for administration purposes and are expected to be used for more than one reporting period.

#### Reliability of measurement

*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 as an asset.*

#### Probability of the flow of benefits or service potential

*The degree of certainty that any economic benefits or service potential associated with an item will flow to the municipality is based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the municipality, in consultation with the CFO and respective*

*Manager. In the even that it is not probable that there will be an inflow, the asset should not be recognised.*

#### Spares

Major spare parts (ones that have a value in excess of the recognition threshold) expected to be used more than one reporting period (financial year) are recognised as an item of PPE immediately that they are available for use (ex. in the stores). Dedicated spares (ones that can only be used for specific assets) are also recognised as PPE regardless of value.

#### Items used irregularly

Tangible items that are used in the production or supply of goods or services on an irregular basis (such as standby equipment) are recognised as items of PPE.

#### Class of PPE

A class of PPE is defined as a group of assets of a similar nature or function in the municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

#### PPE Asset hierarchy

An asset hierarchy is adopted for PPE which enables separate accounting of parts (or components) of an asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality, including risk management (in other words, taking into account the materiality of components) and alignment with the strategy adopted by the municipality in asset renewal (for example the extent of replacement or rehabilitation at the end of life). In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and components.

#### PPE: Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets.

#### PPE: Community assets

Community assets are immovable assets contributing to the general well-being of the community, such as community halls.

#### PPE: Heritage assets

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and works of art. The municipality is not required to recognise assets as heritage assets where they would otherwise meet the criteria for PPE (for example a historic building being used as office accommodation).

#### PPE: Other assets

Other assets are ordinary operational assets such as land, administration buildings, vehicles equipment as well as furniture and fittings.

#### PPE: Housing

Rental stock or housing not held for capital gain. This only applies to staff housing.

#### Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Examples are licenses/rights, (such as water licenses), servitudes, and computer software. There is no asset hierarchy for intangible assets; each functional item will be individually recorded.

#### Investment property

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). There is no asset hierarchy for investment property, each functional item will be individually recorded. 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.

### **9.2.2 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             |
|                               |                  | Road and storm-water network    |
|                               |                  | Water supply network            |
|                               |                  | Sanitation network              |
|                               | Community Assets | Community facilities            |
|                               |                  | Sport and recreation facilities |
|                               | Heritage assets  | Monuments                       |
|                               |                  | Historic buildings              |
|                               |                  | Works of art                    |
|                               |                  | Conservation areas              |
|                               | Other assets     | Operational buildings           |
|                               |                  | Vehicles                        |
|                               |                  | Operational plant and equipment |
|                               |                  | Office furniture and fittings   |
|                               |                  | Computer equipment              |
|                               | Staff Housing    | All housing buildings           |
|                               | 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        | All                    |
|                     | Residential property       | All                    |
|                     | Land with undetermined use | All                    |

PPE shall be disclosed in the financial statements at the sub-category level.

Asset hierarchies shall be adopted for each of the PPE sub-categories, separately identifying items of PPE that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant.

### **9.2.3 Responsibilities**

- The CFO shall ensure that the classification of fixed assets adopted by the municipality complies with the statutory requirements and approved accounting standards.
- The CFO shall consult with the Managers responsible class of PPE.
- Every Manager shall ensure that all fixed assets under their control are classified correctly.

## **9.3 IDENTIFICATION OF FIXED ASSETS**

### **9.3.1 Definitions and rules**

#### Asset coding

An asset coding system is the means by which the municipality is able to uniquely identify each fixed asset (at the lowest level in the adopted asset hierarchy) in order to ensure that it can be accounted for on an individual basis.

### **9.3.2 Policy**

A coding system shall be adopted and applied that will enable each fixed asset (at the lowest level in the adopted asset hierarchy) to be uniquely and readily identified. Each moveable fixed asset shall be marked with its respective code.

### **9.3.3 Responsibilities**

- The Municipal Manager shall develop and implement a fixed asset coding system in consultation with the CFO and other Managers to meet the policy objective.
- Managers shall ensure that all the fixed assets under their control are correctly coded.
- Managers shall ensure that the respective asset codes are fixed to all moveable assets under their control.

## **9.4 FIXED ASSET REGISTER**

### **9.4.1 Definitions and rules**

#### Fixed asset register

A fixed asset register is a database of information relating to each fixed asset (at the lowest level in the fixed asset hierarchy). The fixed asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standards for each of the asset classes, and the strategic and operational asset management needs of the municipality.

#### Completeness of data

It is recognised that it may not be practicable to complete all the required fields when compiling the initial asset register when converting to the accrual basis of accounting. However, processes have to be established so that all the data fields can be completed on an ongoing basis on adoption of this policy.

#### Updating data in the asset register

The fixed asset register is updated by an Asset Management Accountant or other official only when authorised to do so by the CFO. The Asset Management Accountant is precluded from being a custodian of any assets.

### **9.4.2 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.

### **9.4.3 Format and contents of Fixed Asset Register**

The Fixed Asset Register shall be in a format and must contain information as determined by the Chief Financial Officer, and the format must comply with the requirements of GRAP and any other formats as may be prescribed. The Fixed Asset Register must reflect, as a minimum, the following information:

- A brief but meaningful description of each asset or class of assets;
- The date on which the asset was acquired or brought into use.
- The location of the asset.
- The department (or vote) within which the asset will be used.
- The title deed number, in the case of fixed property.

- The stand number, in the case of fixed property.
- The identification or code number as outlined in part 9.3(a) above.
- The original cost, fair value or the revalued amount in compliance with parts 9.5(a) and 9.6(a) below.
- The (last) revaluation date of the fixed assets subject to revaluation, only land.
- The revalue value of such fixed assets.
- The name and qualifications of the (last) valuer.
- Depreciation charge or impairment amount for the current financial year.
- The amounts of any reversals in impairment losses or gains.
- The accumulated depreciation or impairment amount to date.
- The carrying value of the asset.
- The method and rate of depreciation.
- The source of funding.
- Whether the asset is required to provide basic municipal service.
- Whether the asset has been encumbered to secure debt and, if so, the nature and duration of such encumbrance.
- If the asset has been disposed of, the date of such disposal.
- The disposal price.
- The date on which the asset has been retired from use, if not disposed of.

#### **9.4.4 Responsibilities**

- The CFO shall define the format of the fixed asset register in consultation with the Municipal Manager and the Managers, and shall ensure that the format complies with the prevailing accounting standards and disclosure requirements.
- Managers shall provide the CFO with the data required to establish and update the asset register in a timely fashion.
- The CFO shall establish procedures to control the completeness and integrity of the asset register data.
- The CFO shall ensure proper application of the control procedures.

### **9.5 MEASUREMENT AT RECOGNITION**

#### **9.5.1 Definitions and rules**

##### Measurement at recognition of PPE

An item of PPE that qualifies for recognition is 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.

##### 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-specialised buildings such as offices, motor vehicles, and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost



(DRC) approach may be used. Assessments of fair value are to be made by professionals with qualifications and appropriate knowledge and experience in valuation of the respective assets.

#### Cost of an item of PPE

The capitalisation value comprises (i) the purchase price and (ii) any directly attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (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). Only items with an initial cost or fair value greater than the threshold value determined by Council are capitalised. Costs that are less than the threshold value shall be treated as ordinary operating expenses.

#### 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).

#### 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.

#### PPE finance leases

Once a lease is deemed to be a finance lease, the asset is capitalised at the lower of the fair value of the asset or the present value of future lease payments, using the relevant discounting rate at the date of signing of the lease agreement.

#### Depreciated replacement cost

The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion of an asset is determined by subtracting the residual value from the CRC. The depreciated replacement cost (DRC) is established by 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:

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

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.

#### 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.

#### Borrowing costs

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. Borrowing costs shall be capitalised if related to construction of a qualifying asset to get ready for its intended use or resale and external funding is sourced to fund the project.

#### Investment property

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 and disclosure will be subject to a fair value assessment after every three years.

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 – where after it shall be reclassified as an investment asset.

#### 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.

### **9.5.2 Policy**

Fixed assets that qualify for recognition shall be capitalised at cost.

In cases where complete cost data is not available or cannot be reliably linked to specific assets, the fair value of fixed assets shall be adopted on the following basis:

- PPE infrastructure, community assets, other assets, staff housing (moveable and immoveable);: depreciated replacement;
- PPE land: values from the valuation roll (or in the event that such is not available, depreciated replacement cost);
- Heritage assets (that do not qualify as any other PPE): no value shall be indicated.
- Investment property: values from the valuation roll ; and
- Intangible assets: depreciated replacement cost.

### **9.5.3 Responsibilities**

- The CFO, in consultation with the Municipal Manager and Managers, shall determine effective procedures for the capitalisation of fixed assets on recognition.
- Every Manager shall ensure that all fixed assets under their control are correctly capitalised.

## **9.6 MEASUREMENT AFTER RECOGNITION**

### **9.6.1 Definitions and rules**

#### Options

Accounting standards allow measurement after recognition on either a cost or revaluation model. Different models can be applied, providing the treatment is consistent per asset class.

#### Cost model

After recognition, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### Revaluation model

After recognition, an asset (whose value can be measured reliably) is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are 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. When revaluations are conducted, the entire class of assets should be revalued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations) in the Revaluation Reserve.

The revaluation surplus is transferred to accumulated surpluses/deficits on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer is to be made at the end of each financial year. If the carrying amount based on the revaluation is less than the carrying value of the fixed asset recorded in the fixed asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional depreciation expenses 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.

#### Statutory inspections

The cost of a statutory inspection that is required for the municipality to continue to operate an asset is recognised at the time the cost is incurred, and any previous statutory inspection cost is de-recognised.

#### Expenses to be capitalised

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 are 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.

#### Spares

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

### **9.6.2 Policy**

Measurement after recognition shall be on the following basis:

- Immoveable PPE except land: Cost model until first date of revaluation, which may not be longer than 5 years after date of establishing of infrastructure register.
- Moveable PPE: cost model;
- Heritage assets: cost model;
- PPE Land and Investment property: values established in each update of the Valuation Roll; and
- Intangible assets: cost model.

Changes in asset value as a result of revaluation shall be reflected in a Revaluation Reserve.

### **9.6.3 Procedures and rules**

- The CFO, in consultation with the Municipal Manager and Managers, shall determine effective procedures for the ongoing capitalisation of fixed assets after recognition.
- Every Manager shall ensure that all capital expenses associated with fixed assets under their control are correctly capitalised.
- Every Manager shall ensure that revaluations are conducted where applicable to fixed assets under their control.

## **9.7 DEPRECIATION**

### **9.7.1 Definition and rules**

#### Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its remaining useful life. (The amortisation of intangible assets is identical).

Land, servitudes and heritage assets are considered to have unlimited life and are not depreciated.

#### Depreciable amount

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

#### 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. In the case of assets measured after recognition on the revaluation model, the percentage is of the modern equivalent replacement value.

#### Depreciation method

Depreciation of PPE is applied at the component level. A range of depreciation methods exist and can be selected to model the consumption of service potential or economic benefit (for example the straight line method, diminishing amount method, fixed percentage on reducing balance method, sum of the year digits method, production unit method).

#### Remaining useful life

The remaining useful life of a depreciable fixed asset is the time remaining until an asset ceases to provide the required standard of performance or economic usefulness.

The remaining useful life of all depreciable fixed assets at initial recognition is the same as the expected useful life indicated in Annexure A. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions, and operating conditions), the life-cycle strategy of the municipality, potential technical obsolescence, and any legal limits on the use of the asset. Where such are outside the guideline figures provided by National Treasury, motivation is required.

#### Depreciation charge

Depreciation starts once an asset is recognised and available for use and ceases when it is de-recognised or classified as non-current assets held for sale. Depreciation is initially 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 are calculated monthly.

#### Carrying amount

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

### Capital spares

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

### **9.7.2 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.

### **9.7.3 Responsibilities**

- Every Manager shall ensure that a budgetary provision is made for the depreciation of the fixed assets under their control in the ensuing financial year, in consultation with the CFO.
- Every Manager shall review the expected useful life stated in Annexure A of assets that are under their control and motivate to the Municipal Manager and CFO any adjustments if, in the judgement of the Manager, such are not considered appropriate. This should not happen continuously because the accounting principle of consistency would be violated.
- The CFO shall ensure that depreciation charges are debited on a monthly basis and that the fixed asset register is reconciled with the general ledger.

## **9.8 IMPAIRMENT**

### **9.8.1 Definition**

#### Impairment

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. For example:

- significant decline in market value;
- carrying amount of an asset far exceeds the recoverable amount or market value;
- there is evidence of obsolescence;
- 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).

#### Impairment loss

An impairment loss of a non-cash-generating unit 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 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.

### Annual review of remaining life

The remaining useful life of each depreciable asset is reviewed every year and changes are effected in terms of these impairment provisions. Due to the continuous adjustments of remaining useful life, an asset will seldom, if ever, be fully depreciated.

### Recognition of impairment

The impairment loss is recognised as an expense when incurred, unless the asset is carried at a revalued amount, in which case the impairment is carried as a decrease in the revaluation reserve. 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.

The impairment value is budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

Once an item of PPE has been impaired to such an extent that no future economic benefit is likely to flow from the asset, it is derecognised and the carrying amount of the asset at the time of recognition, less any economic benefit from the disposal of the asset, is debited to the statement of financial performance as a "Loss on Disposal of Asset"

In the event of compensation received for damages to an item of PPE and the item is not to be repaired to its original state, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired. Should the repairs be performed, the compensation is offset against the repair cost.

## **9.8.2 Policy**

Impairment of fixed assets shall be recognised as an expense and improvements/fair value adjustments as a gain unless it reverses a previous revaluation gain. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets. Impairment losses of immovable PPE shall also be identified as an inherent part of the periodic revaluations.

## **9.8.3 Responsibilities**

- The CFO shall indicate a fixed annual date for the review of remaining useful life of assets under the control of the respective Managers.
- The Managers shall review the remaining useful life of all assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material effect on some or all such assets. The Manager shall motivate to the CFO proposed changes to the remaining useful life of such assets.
- The CFO shall report changes made to the remaining useful life of assets in the asset register to the Municipal Manager and Council.

## **9.9 DE-RECOGNITION**

### **9.8.4 Definition and rules**

Write offs of fixed assets is removing the assets from the asset register.

A fixed asset will remain in the fixed assets register for as long as it is in physical existence or is yet to be written off.

### **9.8.5 Policy**

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

### **9.8.6 Responsibilities**

- An asset shall be written off only on the recommendation of the Manager of the department controlling the asset, and with the approval of the Municipal Manager.
- Every Manager shall report to the CFO on 31 October and 30 April of each financial year on any fixed assets which such 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 Finance Committee with a copy to the Municipal Manager on the fixed assets to be written off. The Finance Committee shall consider the submission and make recommendations to the Council for adoption.
- Assets that are replaced should be written off and removed from the asset register.
- The Municipal Manager, in consultation with the CFO and other Managers shall formulate norms and standards from the replacement of all normal operational fixed assets.

## **9.9 INSURANCE OF FIXED ASSETS**

### **9.9.1 Definition and rules**

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

Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The municipality can however elect to insure certain infrastructure risks, though approval must be obtained from the Council.

The municipality may elect to operate a self-insurance reserve, in which case the CFO 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 Managers concerned.



### **9.9.2 Policy**

The Municipal Manager shall ensure that material movable assets in value and substance are insured at least against destruction, fire and theft, and that all municipal buildings are insured at least against fire and allied perils. 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.

### **9.9.3 Responsibilities**

- 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 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.
- 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.

## **10 POLICY FOR SAFEGUARDING FIXED ASSETS**

### **10.1 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 adopted to control their use and movement.

Budgetary constraints may however constrain the measures adopted.

### **10.2 Policy**

An asset safeguarding plan shall be prepared for all assets indicating measures that are considered effective to ensure that all fixed assets under control of the municipality are appropriately safeguarded from inappropriate use or loss. The impact of budgetary constraints on such measures shall be reported to Council. The existence, condition and location of assets shall be verified bi-annually (in line with the assessment of impairment). No asset may be moved without the prior consent of the respective Manager and notification of the CFO.

### **10.3 Responsibilities**

- Each 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 Managers, determine the impact of any budget shortfall. The CFO shall report the impacts to the Municipal Manager for review, and advise Council. Each Manager shall implement the safeguarding plan within the resources made available.

- Each 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 Managers.
- Managers shall enforce the application of the procedures for controlling the movement of assets as prescribed by the CFO.
- Managers shall ensure that leased 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 Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Manager.
- The Municipal Manager must report criminal activities to the South African Police Service.

## **11 POLICY FOR LIFE-CYCLE MANAGEMENT OF PPE ASSETS**

### **11.1 Definitions and rules**

#### Service delivery

PPE assets (such as infrastructure and community facilities) are the means by 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.

#### 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.

## **11.2 Policy**

The municipality shall provide municipal services, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

- **Effective governance**

The municipality shall strive 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 shall:

- continue to 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.

- **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;
- prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- allocate budgets based on long-term financial forecasts that take cognisance of the full life-cycle needs of existing and future infrastructure assets and the risks to achieving the adopted performance targets;
- strive for alignment of the financial statements with the actual service delivery potential of the infrastructure assets; and
- implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

- **Social and economic development**

The municipality shall strive to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meets 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.

- **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;
- 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 that a long-term view is taken into account in infrastructure asset management decisions.

- **Transparency**

The municipality shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future.

To this end, the municipality shall:

- 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);

- 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.

- **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;
- 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 infrastructure assets;
- continue to secure and optimally utilise governmental grants in support of the provision of free basic services;
- implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
- ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
- establish and implement demand management plans;
- timeously renew infrastructure assets based on capacity, performance, risk exposure, and cost;
- timeously dispose of infrastructure assets that are no longer in use;
- 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.

### **11.3 Responsibilities**

- The Asset Management Committee (Finance Committee) should convene regularly and take measures to effectively implement this policy, and report to Council on progress made at a frequency indicated by Council.
- Managers shall develop, and update at least every 3 years thereafter, an Asset Management Plan (AMP) for each service involving fixed assets that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the Municipal Manager to Council for

adoption. AMPs shall be used to inform the preparation of a Comprehensive Municipal Infrastructure Plan and budgets through the IDP process.

- The CFO shall, in consultation with Managers, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and utilisation applicable to all services. Where necessary, the Managers shall interpret the grading scales for the PPE assets under their control. Managers shall determine the grading of all PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at least every 5 years.
- Managers shall prepare, and review at least every 3 years thereafter, an Operations and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption.
- Managers shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption. Managers shall establish a monitoring regime, and report actual performance each financial year.
- The Municipal Manager 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 Managers. Managers shall address legislative needs in their strategies and plans, and shall enforce implementation.

## **12 POLICY IMPLEMENTATION**

Detailed procedures shall be prepared and adopted by the Municipal Manager, in consultation with the CFO and Managers, to give effect to this policy.

## ANNEXURE A

### EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF ASSETS

#### INFRASTRUCTURE ASSETS

The following is a list of infrastructure assets, with the assigned or estimated useful lives in years in brackets:

##### **\*Infrastructure.**

##### **Infrastructure assets**

|                                                              |         |
|--------------------------------------------------------------|---------|
| -Roads, Pavement, Double seals, Road signs and Road markings | (15-40) |
| -Street names, signs and parking meters                      | (5)     |
| -Car parks bus terminals and taxi ranks                      | (20)    |
| -Electricity-Mass lights                                     | (15)    |
| -Electricity Transformers                                    | (15)    |
| -Electricity street lights                                   | (15)    |
| -Housing                                                     | (30)    |
| -Street Lighting                                             | (25)    |
| -Refuse sites                                                | (30)    |

##### **\*Community assets**

|                        |      |
|------------------------|------|
| -Parks and Gardens     | (30) |
| -Sport Fields          | (30) |
| -Community Halls       | (30) |
| -Libraries             | (30) |
| -Recreation facilities | (30) |
| -Clinics               | (30) |
| -Fire services         | (30) |
| -Cemeteries            | (30) |

##### **Other assets**

|                      |      |
|----------------------|------|
| -Motor Vehicle       | (5)  |
| -Plant and Equipment | (5)  |
| -Security            | (3)  |
| -Buildings           | (30) |
| -IT Equipment        | (3)  |
| -Office Equipment    |      |
| -Skip Bins           | (15) |