



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

ASSET MANAGEMENT POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:

ABBREVIATIONS

AM	: Asset Management
AMS	: Asset Management System
CFO	: Chief Financial Officer
COGTA	: Department of Co-operative Governance and Traditional Affairs
EMES	: Department of Economic Service-Director
EPWP	: Expanded Public Work Programme
GAMAP	: General Accepted Municipal Accounting Practice
GIS	: Geographical Information System
GRAP	: Standard of Generally Recognised Accounting Practice
HR	: Human Resources
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
LM	: Local Municipality
MFMA	: Municipal Finance Management Act
O&M	: Operation and Maintenance
OHSA	: Occupational Health and Safety Act
R	: Rand
SCM	: Supply Chain Management
SDBIP	: Service Delivery and Budget Implementation Plan
TOR	: Terms of Reference
VAT	: Value Added Tax
VKLM	: Victor Khanye Local Municipality

1. PURPOSE OF THIS DOCUMENT

This document indicated the policy of Victor Khanye Local Municipality (VKLM) for the management of its fixed assets. Detailed procedures are provided in a separate document. The policy commits the Municipality to establishing and maintaining an asset register that complies with the latest accounting standards, and managing the assets in a way that is aligned with the Municipality Strategy objectives and recognised good practice.

2. BACKGROUND

1.1 CONSTITUTIONAL AND LEGAL FRAMEWORK

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

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

The manner in which a municipality manages its PPE is central to meeting the above challenges. Accordingly the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities 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 OHS requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its fixed assets safe.

1.2 ACCOUNTING STANDARDS

The MFMA requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP), in line with international practice.

Key changes include the recognition of depreciation of assets as an expense, and conditional grant as revenue when it is utilised. A Government Grant Reserve and a Donations and Public Contribution Reserve are established, based on the source of funding. Immovable assets are unbundled and each significant component is individually recognised and accounted for PPE are measured at cost, though in cases where it is impracticable to establish the cost (e.g. where there are no reliable records, or records cannot be linked to specific assets), the cost is deemed to be the fair value of the immovable PPE. In cases where there is an

active market for assets, valuation is on a market 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 immovable property, plant and equipment over time may be reflected through periodic revaluation.

As a medium capacity municipality, VKLM was required to convert to applicable standard of GRAP on 01 July 2008.

1.3 MANAGEMENT OF INFRASTRUCTURE ASSETS

Effective management of infrastructure and community facilities is central to the municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the manner in which the municipality discharges its responsibilities as a public entity is also important. The municipality must demonstrate good governance and customer care, 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 Rand.

Key themes of the latest generation of national legislation introduced relating to municipal infrastructure management include:

- Long-term sustainability and risk management;
- Services delivery efficiency and improvement;
- Performance monitoring and accountability;
- Community interaction and transparent processes;
- Priority development of minimum basic services for all, and
- The provision financial support from central government in addressing the needs of the poor.

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

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

COGTA 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 as integrated plan for municipality covering all infrastructure . The arrangements outlined in the COGTA guidelines are further strengthened by the provision of National Treasury's Local Government Capital Asset Management Guidelines. This is in line with the practice adopted in national and provincial spheres of government in terms of government –wide Immoveable 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 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

The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager.

Council shall indicate the effective date for implementation of the policy.

5. KEY RESPONSIBILITIES

Municipal Manager

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:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's fixed assets are valued in accordance with the standard of generally recognised accounting practice;
- That the municipality has and maintains a system of internal control for fixed assets, including an asset register; and
- The Directors and their teams comply with this policy.

As accounting officer of the municipality, the Municipal Manager shall be principal custodian of the entire municipality's assets, and shall be responsible for ensuring that this policy is effectively applied on adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and Directors, of procedures to effectively and efficiently apply this policy.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible to the Municipal Manager to ensure that the financial investments in the municipality's assets are safeguarded and maintained.

The CFO, as one of the Directors of the municipality, shall also ensure, in exercising his financial responsibilities that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilised effectively, efficiently, economical and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to immovable assets;
- The systems, procedure and registers required to substantiate the financial values of the municipality's assets are maintained to standards sufficient to satisfy the requirements of the Audit-General;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.
- The Directors and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;

- This policy and support procedures are established, maintained and effectively communicated.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be 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.

Directors

Directors (the managers directly accountable to the Municipal Manager) shall ensure that:

- The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be input to the municipal fixed 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 immovable 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 ensure that they comply with the plans, legislative and municipal requirements.

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

6. POLICY AMENDMENT

Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the CFO in consultation with the Municipal Manager and respective Directors. The recommendations of the CFO shall be considered for adoption by Council.

7. RELATIONSHIP WITH OTHER POLICIES

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

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

- Delegation of Powers
- SCM Policy
- Tariff Policy
- Property Rates Policy
- Risk Management Policy
- Cash and Investment Management Policy

8. REFERENCES

The following references were observed in compiling this document:

- Asset Management Framework, National Treasury, 2004
- 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, 2000
- Municipal Structures Act,1998
- Accounting Standard Board
- MFMA Circular 18 & 44
- Local Government Capital Asset Management Guidelines, National Treasury,2008
- Government Gazettes(30013&31021)
- Generally Recognised Accounting Practise(1 ,3, 5, 9 ,11 ,14 ,16 ,17 ,100 and 102)
- Internationally Accounting Standards(IAS 16 AND IAS 36)
- Exposure draft on Heritage Assets(ED44)
- Municipal transfer and disposal regulations, Government Gazette no.31346

9. POLICY FORMAT

Figure 1 gives an overview to the format of presentation of this policy document, and how it links to a separate document that provides the procedure.

application in	Definit ons and Rules	Extract from the accounting standards and their interpretation for the municipality
POLICY		
in line	Policy statement	DOCUMENT A statement that reflects the specific policy adopted by the municipality, with the applicable accounting standards
policy	Responsibilities	Allocation of key responsibility areas to give effect to the adopted

PROCEDURES Actions to effectively implement the key responsibility areas indicated in the policy
DOCUMENTS

10. POLICY FOR FIXED ASSET ACCOUNTING

10.1. RECOGNITION

a) Definitions and rules

Asset

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits or service potential associated with the item will flow to the entity.

Fixed Asset

A fixed asset (also referred to as "non-current asset") is an asset with an expected useful life greater than 12 months.

PPE

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to other, or for administrative purposes; and are expected to be used during more than one period. This includes items necessary for environment or safety reasons to leverage the economic benefits or service potential from other asset. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the municipality's operations for the purpose of disclosure in the financial statements.

Immovable PPE

Immoveable assets are fixed structures such as buildings and roads. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immoveable asset (though it may be temporarily removed for repair)

Heritage Assets

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

Investment Property

Investment property is defined as property (Land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capitals appreciation, or both (rather than for use in the production or supply of goods or services or for administration purpose 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 land has been determined.

Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substances. Examples are

licenses/rights,(such as water licenses),servitudes and software.

Spares

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

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.

Useful life

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

Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

Past transactions or events

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

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 Director.

Economic benefits

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

Service Potential

An asset has service potential if it has 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.

Leased assets

A lease is an agreement whereby the lesser conveys to the lessee (in this case, the municipality) the right to use an asset for an agreed period of time in return for a payment. Leases are categorised into finance and operating leases. A finance lease that transfers substantially all risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the assets are substantially transferred to the municipality, the lease is regarded as a finance lease recognised by the municipality. Where there is no substantial transfer of risks and rewards of ownership to the municipality, the lease is considered an operating lease and payments are expensed in the income statement on a systematic basis (straight-line basis over the lease term).

Asset custodian

The department that controls an asset, as well as the individual (asset custodian) that is responsible for the operations associated with such asset in the department, is identified by the respective Director, recorded, and communicated on recognition of the asset.

Reliable measurement

- b) Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.

c) Policy statement

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

d) Responsibilities

- The CFO, in consultation with the Municipal Manager and Directors, shall determine effective procedures for the recognition of existing and new assets.
- Every Director shall ensure that all assets under their control are correctly recognised as assets.
- The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for assets for which accelerated depreciation shall apply.
- The CFO shall keep a lease register with the following minimum information: name of the lesser. 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.

10.2. CLASSIFICATION OF FIXED ASSETS

a) Definitions and rules

PPE of Asset Categories

The accounting categories of fixed assets are 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 class for the purposes of disclosure in the financial statements);
2. Intangible assets; and
3. Investment property

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. The total balance of each class of assets is disclosed in the notes to the financial statement.

PPE asset hierarchy

An assets hierarchy is adopted for PPE which enables separate accounting of parts (or components) of the 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 criticality 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 component

PPE Infrastructure

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

PPE Community Property

Community property assets are immoveable assets contributing to the general well-being of the community, such as community halls and recreation facilities.

PPE Heritage Assets

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art. Some heritage assets have more than one purpose, e.g. a historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such assessment. The asset should be accounted for as a heritage asset if, and only, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. If a significant portion is used for production, administrative purpose or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

PPE Building Property

PPE building property assets are buildings that are used for municipal operations such as administration building and rental stock or housing not held for capital gain.

Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Example are licenses/right,(such as water licenses), servitudes and software.

Investment Property

Investment property is defined as property (Land and/or a building, or a part thereof) 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 operation). 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 recorder. 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.

Non-current assets held for sale

A non-current asset (or disposal group) is considered to be “held for sale” if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A fixed asset classified as a “non-current asset held for sale” shall be reclassified as a current asset, and will therefore be taken off the Asset Register. This provision does not apply to assets that are abandoned.

To be classified as “Held for sale”, the asset must be available for immediate sale (i.e. to be completed within a year) in its present condition, and it must be highly probable that the sale will take place (management must be committed to a plan to sell the asset and an active programme to locate a buyer must have been initiated). Sale transactions include exchange of non-current assets for other non-current assets when the exchange has commercial substance. If the municipality acquires a fixed asset exclusively for the purpose of selling it, it shall be classified as a “non-current asset held for sale” at its acquisition date only if all the above requirements are met.

An extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the municipality’s control and there is sufficient evidence that the municipality remains committed to its plan to sell the asset. However, if the municipality has classified an asset as held for sale, but the criteria are no longer met, the municipality shall cease to classify the asset as held for sale.

If the criteria are not only met after the reporting date, the municipality shall not classify the non-current asset as held for sale in those financial statements when issued. However when those criteria are met after the reporting date but before the authorisation date reporting, disclose a description of the non-current asset; a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected disposal, and the expected manner and timing of disposal, and if applicable, the segment in which the non-current asset (or disposal group) is presented.

b) Policy Statement

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

CATEGORY	SUB CATEGORY	GROUP
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Infrastructure assets	Electricity Network	HV Network(>33Kv)
		MV Network(< = 33Kv)
		LV Network(<1000V)
	Road and Storm-water Network	Roads
		Roads Structure
		Road Furniture
		Storm-water
	Water Supply Network	Boreholes
		Bulk Mains
		Dams & Weirs
		Distribution
		Distribution Points
		Pump Stations
		Reservoirs
		PRV Stations
		Water Treatment Works (WTW)
	Sanitation Network	Outfall Sewers
		Pump Station
		Reticulation
		Toilet Facilities
		Waste Water Treatment Works (WWTW)
		Halls/Centres

Community Assets	Community Facilities	Crèches
		Clinics/Care Centres
		Libraries/Museums /Galleries/Theatres
		Cemeteries/Crematoria
		Parks
		Public Open space
		Public Ablution Facilities
		Markets/Stalls/Shops
		Landfill Site
		Waste Transfer Stations
		Waste Processing Facilities
		Abattoirs
		Airports
		Bus Terminal/Taxi Ranks/Parking
Heritage Assets	Sport & Recreation Facilities	Indoor Facilities
		Outdoor Facilities
	Monuments	All
	Works of Art	All
	Conservation Area	All
	Historic Building	All
	Other heritage	All

Other Assets	Operational Building	Municipal Offices
		Pay/Enquiry Points
		Fire/Ambulance Stations
		Testing Stations
		Building Plan Office
		Workshops
		Yards/Depots
		Stores
		Laboratories
	Housing	Staff Housing
		Social Housing
	Operational Plant & Equipment	All
	Capital Spares	Capital Spares-Electricity
		Capital Spares-Road, rails and storm-water
		Capital Spares-Water Supply
		Capital Spares-Sanitation
		Capital Spares-Community & Other assets
Investment Property	Investment Property	Improved Property
		Unimproved Property
		Electricity Servitudes

Intangible Assets	Servitudes	Road Access Servitudes
		Rail Servitudes
		Storm-water Servitudes
		Water Servitudes
		Sanitation Servitudes
	Licenses, Rights	Water Rights
		Effluent Licenses
		Solid Waste Licenses

Asset hierarchies shall be adopted for each of the PPE asset group, separately identifying items of PPE at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant. Land associated with Community Property, Heritage Property, Heritage Assets and Building Property shall be included at component level.

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

The Director of the Social Services Department will consider the recognition of assets as heritage assets and motivate their recommendation for adoption by council.

c) Responsibilities

- The CFO shall ensure that the classification of assets adopted by the municipality complies with the statutory requirements.
- The CFO shall consult with the Directors responsible for assets to determine an effective and appropriate asset hierarchy for each class of assets to component level and record such in the AM procedures documents.
- Every Director shall ensure that all assets under their control are classified correctly.
- Every Director shall advise the CFO when assets should be re-classified.

10.3. IDENTIFICATION

a) **Definition and Rules**
Asset coding system

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

b) **Policy Statement**

A coding system shall be adopted and applied that will enable each asset (with PPE at the lowest level in the adopted asset hierarchy) to be uniquely and readily identified.

c) **Responsibilities**

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

10.4. ASSET REGISTER

a) Definitions and Rules
Fixed Asset Register

A fixed asset register is a database with information relating to each asset. 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 standard 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 new GRAP standards of accounts. However, processes have to be established so that all the data fields can be completed on an on-going basis on adoption of this policy.

Updating data in the Asset Register

The fixed asset register is updated by an Asset Manager only when authorised and instructed to do so by the CFO. The Asset Register Administrator is precluded from being a custodian of an Asset Register.

b) **Policy Statement**

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 regular basis.

c) Responsibilities

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

10.5. MEASUREMENT RECOGNITION

a) Definitions and rules

Measurement at recognition of PPE

An item of PPE that qualifies for recognition is measured at cost. Where an asset is required 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 on recognising PPE for which there are no records or records cannot be linked to specific assets, its cost is deemed to be its fair value.

Measurement at recognition of investment property

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

Measurement at recognition of intangible assets

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the date acquired.

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 asset (For example: land and some types of plant and equipments). In the case of specialised buildings (Such as community buildings) and infrastructure where there is no such active and liquid market, a depreciation replacement cost (DRC) approach may be used. Assessment of fair value ate to be made by professional with qualifications and appropriate knowledge and experience in valuation of the respective assets.

Cost of an item of infrastructure

The capitalisation value comprises (i) purchase price and (ii) any directly attributable cost 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).

Cost associated with heritage assets

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

Directly Attributable Costs

Directly attributable costs are defined as:

- Cost of employee benefits arising directly from the construction or acquisition of the item.
- Costs of site preparation;
- Initial delivery and handling;
- Installation and assembly costs, cost of testing whether the asset is functioning properly, after deduction the net proceeds from selling ant item produced while bringing the asset to that location and condition;
- Commissioning(Cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling an item produced while bringing the asset to its current condition and location,); and
- Professional fees (for example associated with design fees, supervision, and environmental impact assessments)(in the case of all asset classes)

Changes in the existing decommissioning costs or Restoration costs included in the costs of an item

Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows:

1. If the cost model is used-

- Changes in the liability shall be added to or deducted from the cost of the related asset.
- If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an additional to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the municipality should test the asset for impairment.

2. If the revaluation model is used-

- A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit; and
- An increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset.
- If the decrease in liability exceeds the carrying amount that would have recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit.
- If the change in liability is an indication the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus

or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

Exchange PPE Assets

In cases where assets are exchanged, the cost is deemed to be fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

Finance Leases

A finance lease is recognised by the municipality (the lessee) at the commencement of a lease as an asset and liability in the statement of financial position at equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

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 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:

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

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 assets for escalation to the valuation date are applied.

Self-constructed PPE

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 each component that is part of this asset should be 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 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.

Construction of future investment property

If property is developed 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-then it shall be classified as an investment property.

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 at 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 borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset(one that necessarily takes a substantial period of time to get ready for its intended use or sale) and external funding is sources to fund the project, i.e.: interest during construction”.

In the following cases it is inappropriate to capitalise borrowing costs:

- It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded i.e. capital or current. In such case, the municipality shall expense those borrowing

costs related to a qualifying asset directly to the statement of financial; performance.

- In exceptional cases the municipality is allowed to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. It may be difficult for the municipality to identify a direct relationship between an asset and borrowing costs incurred because the financial activity is controlled centrally and it will not always be possible to keep track of the specific borrowing costs which should be allocated to the qualifying asset. As a reasonable effort and cost may outweigh the benefit of presenting the information, making it inappropriate to capitalise the borrowing cost.

Non-current asset held for sale

Assets classified as non-current assets held for sale shall be measured at the lower of its carrying value and its fair value less cost to sell immediately before meeting the criteria for such classification, it is recognised in the asset register and measured at the lower of:

- Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been as held for sale, or
- Its recoverable amount or recoverable service amount at date of the subsequent decision not to sell.

The municipality shall include any required adjustment to the carrying amount of a fixed asset that ceases to be classified as held for sale in revenue of the continuing operations in the period in which the criteria to be held for sale are no longer met. The municipality shall present that adjustment in the same Statement of Financial Performance used to present a gain or loss.

Deferred payment

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit unless such interest is recognised in the

carrying value of the asset in accordance with the allowed alternative treatment in the Standard on Borrowing Costs, GRAP 5.

b) Policy Statement

Fixed asset that qualify for recognition shall be capitalised at cost. Interest on deferred payment will be expensed.

In cases where complete data is not available or cannot be reliably linked to specific assets:-

- The fair value of PPE infrastructure, community property and building property shall be adopted on the recognition at a fair measurement cost.
- If the cost of heritage assets cannot be measured reliably, this should be disclosed in the notes to the financial statements together with a description of the nature of the asset.
- Investment property and intangible assets shall be measured at fair value on date of acquisition.

d) Responsibilities

- The CFO, in consultation with the Municipal Manager and Director's, shall determine effective procedures for the capitalisation of fixed assets on recognition.
- Every Director shall ensure that all fixed assets under their control are correctly capitalised.
- Every Director shall advise the CFO of any deferred payments from the municipality, providing the relevant details of such.

10.6. MEASUREMENT AFTER RECOGNITION

a) Definitions and Rules

Options

Accounting standards allow measurement after recognition of assets as follows:

- PPE and intangible assets: on either a cost or revaluation model; and
- Investment Property: either cost model or the fair value model.

Different models can be applied, providing the treatment is consistent per asset class.

Cost Model

When the cost model is adopted, a fixed asset is carried after recognition at its cost less any accumulated depreciated and any accumulated impairment losses.

Revaluation Model

When the revaluation model is adopted as asset is carried after recognition at a re-valued 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 re-valued. 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 if the re-valued amount decrease from the previous re-valued amount) in the Revaluation Reserves.

The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account 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 immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. An adjustment of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the fixed asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable 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 sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

Investment Property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair the fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year.

Statutory inspections

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

Expenses to be capitalised

Expenses incurred in the enhancement of PPE (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 PPE 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 PPE that ensures that the useful operating life of the asset is attained, are considered as operating expenses and not capitalised, irrespective of the quantum of the expenses concerned.

Spares

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

b) Policy Statement

Measurement after recognition shall be on the following:-

- Immoveable PPE: Cost Model.
- Moveable PPE: Cost Model.
- Heritage Assets: Cost Model.
- Investment Property: Cost Model.
- Intangible Assets: Cost Model.

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

c) Responsibilities

- The CFO, in consultation with the Municipal Manager and Director's, shall determine effective procedures for the capitalisation of fixed assets on recognition.
- Every Director shall ensure that all fixed assets under their control are correctly capitalised.
- Every Director shall advise the CFO of any deferred payments from the municipality, providing the relevant details of such.

10.7. DEPRECIATION

a) Definition and Rules

Depreciation

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

Land is considered to have unlimited life; therefore it is not depreciated. Heritage assets and investment property are also not depreciated.

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 and B 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 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). The approach used should reflect the consumption of the future economic benefits or services potential, and should be reviewed annually where there has been a change in the pattern of consumption.

Remaining useful life

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

The remaining useful life of all depreciable PPE assets at initial recognition is the same as the expected useful life indicated in ANNEXURE A and B. 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 legal limits on the use of the assets.

Annual review of remaining useful life

The remaining useful lives of depreciable PPE are reviewed every year at the reporting date. Changes may be required as a result of new, updated or more reliable information being available. Changes may also be required as a result of impairments (as contemplated in Section 10.8 of this policy). Depreciation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

Depreciation charge

Depreciation starts once an asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when it is de-recognised. Depreciation is initially calculated from the day when an item of PPE is acquired or-in the case of construction works and plants and machinery- the day in which the PPE is available for use, until the end of the calendar month concerned. Therefore, depreciation charges are calculated monthly.

Carrying Amount

The carrying amount is the cost price/fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

Spares

The depreciation of capital spares commences immediately when it is available and in the location and condition necessary for it to be capable of operating in the manner intended by management. The depreciation continues once they are placed in services, or subsequently removed from services.

Finance Lease

Depreciation assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with the Standard on Property, Plant and Equipment, GRAP 17. If there is no reasonable certainty that the municipality will

obtain ownership by the end of the lease term, the asset will be fully depreciated over the asset's useful life.

b) Policy Statement

All PPE, except land and heritage assets, shall be depreciated over their remaining useful lives. Intangible assets (except servitudes) will be amortised over their remaining useful life. The method of depreciation be reviews on an annual basis, though the straight line basis shall be used in all cases unless Council determines otherwise.

c) Responsibilities

- Every Director shall ensure that a budgetary provision is made for the depreciation of PPE assets under their control in the ensuing financial year, in consultation with the CFO.
- The CFO shall indicate a fixed annual date for the review of the remaining useful life of PPE under the control of the respective Directors.
- Every Director shall annually review the expected useful life and residual values stated in ANNEXURES A and B; and the depreciation method of PPE that are under their control and motivate to the Municipal Manager and CFO any adjustments if, in the judgement of the Director, such are not considered appropriate. Changes should not be made on a continuous basis because the accounting principle of consistency would be violated.
- The CFO shall report changes made to the remaining useful life of PPE in the asset register to the Municipal Manager and Council.
- 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.

10.8. IMPAIRMENT

a) Definition and Rules

Impairment

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the assets future economic benefits or service potential through depreciation.

Indications of impairment

The municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

- External Sources of Information:
- Decline or cessation in demand;
- Changes in the technological, legal or government policy environment;
- The carrying amount on the net assets of the entity is more than its market capitalisation; or
- Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- A halt in construction could indicate impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.
- Internal Sources of Information:
- Evidence of Physical Damage;
- Evidence of obsolescence;
- Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- The actual net cash flow or operating profit or loss flowing from an asset is significantly worse than those budgeted;
- A significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss; flowing from the asset; or
- Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

I. Other indications, such as loss of market value.

Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether

construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postpones to a specific future date, the project may be treated as work in progress and is not considered as halted.

Intangible assets

The municipality must test all intangible assets not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period it is performed at the same time every year.

Significant and Enduring nature

The municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the municipality must estimate the recoverable services amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

Impairment loss

An impairment loss of a non-cash-generating unit or asset is defined as 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 (smallest group of assets that generate cash flows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

Non-cash generating units

Non-cash-generating units are those assets (or group of assets) that are not held the primary objective of regenerating a commercial return. This would typically apply to assets providing goods or services for community or social benefit. The recoverable amount is the higher of the assets fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not

traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount that an entity could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash regenerating assets which are held on an on-going basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the assets value in use as its recordable service amount. The value in use of non-cash regenerating unit/asset is defined as the present value of the assets remaining service potential. This can be determined using any of the following approaches:

- The Depreciated Replacement Cost(DRC) approach(and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciation Replacement Cost(ODRC) approach may be used);
- The restoration cost approach(the Depreciation Replacement Cost less cost of restoration)-usually used in cases where there has been physical damage; or
- The service unit approach(which could be used for example where a production units model of depreciation is used).

Where the present value of an assets remaining service potential(determined as indicated above)exceeds the carrying value, the asset is not impaired-this will normally be the case unless there has been a significant and enduring event as indicated above.

Cash-generating unit

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a “commercial return” indicates that an entity intends to generate positive cash inflows from the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. When the cost model is adopted, fair value is determined in accordance

with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agent fees, legal costs), excluding finance costs and income tax expenses. The value in use determined by estimating the future cash inflows and outflows from the continuing use of the asset and the net cash flows to be received or (paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

Judgement

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be non-cash generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating-or a cash-generating asset. Judgement is needed in these circumstances.

Recognition of impairment

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the assets revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow ab asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, s debited to the Standard of Financial Performance as a “ Loss on Disposal of Asset”.

In the event of compensation received for damage to an item of immovable PPE, the compensation is considered as the assets ability to generate income and is disclose under Sundry Revenue; and the asset is impaired/de-recognised.

Reversing the impairment loss

The municipality must assess each year from the source of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increase to its recoverable amount (providing that it does not exceeds the carrying amount that would have determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

b) Policy Statement

Impairment if fixed assets shall be recognised as an expense in the Statement of Financial Performance when it occurs. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

In this regard, the municipality considers itself an entity whose primary objective is to provide goods and services for community or social benefits, and where positive cash flows are generated(such as from sale of trading services such as water services), these are with view to support the primary objective rather than for financial return to equity holders. Consequently the municipality adopts the impairment treatment for non-cash generating units in the impairment o fits PPE and associated intangible assets.

c) Responsibilities

- The CFO shall indicate a annual date for the review of any impairment that may have occurred on assets under the control of the respective Directors.
- The Directors shall review ant impairment on the PPE 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 negative effect on the performance of these assets. The Directors shall motivate to the CFO proposed changes to the performance of such assets and the necessary impairment that needs to be recognised on such assts.
- The Directors should evaluate all fixed assets for impairment, taking into consideration ant discussions with Senior Accountants and Operating Managers.
- The Asset Register Administrator should update the fixed asset register with the information received, relating to the impairment, from the financial system where the impairment journal have been processed.

- The CFO shall report changes made to the carrying value of these assets in the asset register to the Municipal Manager and Council.

10.9 DE-RECOGNITION

a) Definition and rules

De-recognition

Assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

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

PPE that is associated with the provision of basic services cannot be disposed without the approval of Council.

Government Gazette no 31346 sets out the regulations regarding municipal asset transferred and disposals, for example type of assets that need approval to be disposed or transferred, timeframes and Council approval.

Disposal of fixed assets should be at fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent (the total proceeds discounted to the present value as at the transaction date). The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

b) Policy Statement

Assets for which no future economic benefits or service potential are expected shall be identified and method of disposal and the association costs or income considered by Council. The carrying amount of the asset shall be derecognised when no future economic benefits or service potential are expected from its use or its disposal.

c) Responsibilities

- Fixed assets shall be derecognised only on the recommendation of the Director of the department controlling the asset, and with the approval of the Municipal Manager.

- Every Director shall report to the CFO on fixed assets which such Director wishes to have derecognised, stating in full the reason for such recommendation, indicating whether or not the assts are associated with the provision of basic services. The CFO shall consolidate all such reports, and shall promptly make a submission to the Disposal Committee with a copy to the Municipal Manager on the fixed assets to be derecognised, the proposed method of disposal, and the estimated cost or income from such disposal the Disposal Committee shall consider the submission and make recommendations to the Council for adoption.
- Assets that are replaced in the nominal course of the life-cycle renewal should be derecognised and removed from the asset register.
- The Municipal Manager, in consultation with the CFO and the Directors shall formulate norms and standard from the replacement of all fixed assets.
- Every Director shall advise the CFO of any deferred payment to the municipality, providing the relevant details of such.

10.10 INSURANCE

a) Definition and rules

Insurance provides selected coverage for the accident 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, through approval must be obtained from the Council. The CFO must conduct a risk assessment of all assets and after considering the risks involved, report to council, which assets must be insured. The risk assessment must be based on a loss probability analysis and there is no capacity within the municipality to conduct the analysis, the CFO should be authorised to obtain external professional assistance.

The municipality may elect to operate a self-insurance reserve, in which case the CFO shall annually determine the premiums payable by the department or votes after having received a list of assets and insurable values of all relevant assets from the Directors concerned.

Assets must be insured internally or externally and coverage must be based on the loss probability analysis. All insurance

claims must be assessed by an official, charged with the responsibility for the insurance of assets, to determine whether the damage to the assets can be recovered from possible third parties involved.

If damage was caused by an identifiable third party the CFO should compile a report advising the Municipal Manager of the facts thereof and any possible further action.

b) Policy Statement

The municipality must adhere to the disaster management plan from prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster. The Municipal Manager shall decide on insurance cover for assets each financial year based on consultation with the CFO, and advise Council accordingly.

c) Responsibilities

- The Municipal Manager consult with the CFO on the basis of insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the asset concerned. The approach 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.
- The Municipal Manager shall advise Council on the insurance approach taken.
- In the event that the CFO is directed by Council to establish a self-insurance reserve, the CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

11. POLICY FOR SAFEGUARDING

a) Definitions and rules

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

The existence of fixed assets physical verified from time-to-time, and measures adopted to control their use. Budgetary constraints may however constrain the measures adopted.

The municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such in the asset register.

b) Policy Statement

An asset safeguarding plan shall be prepared for all fixed assets indicating measures that are considered effective to ensure that all assets under control of the municipality are appropriately safeguarded from inappropriate use or loss, including the identification of asset custodians for all assets. The impact of budgetary constraints on such measures shall be reported to Council. The existence, condition and location of these assets shall be verified annually(in line with the assessment of impairment).

c) Responsibilities

- Each Director shall prepare and submit to the CFO, upon request, an annual asset safeguarding plan for the fixed 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 Directors, determine the impact of any budget shortfall. The CFO shall report the impacts to the Municipal Manager for review, and advise Council. Each Director shall implement the safeguarding plan within the resource made available.
- Each Director 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 report damage, in consultation with the Executive Managers.
- Executive Managers shall enforce the application of the procedure for controlling the movement of assets as prescribed by the CFO.
- Executive Manager shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Director.

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

12. POLICY FOR LIFE-CYCLE MANAGEMENT OF IMMOVABLE PPE ASSETS

13.

a) Definitions and rules

Service Delivery

Immovable 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 immovable 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 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 the immovable PPE asset management practices.

b) Policy Statement

The municipality shall provide municipal services for which the municipality is responsible, 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:

- I. Continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- ii. Regularly review updates and amendments to the above legislation;
- iii. Review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- ii. Effectively apply legislation for the benefit of the community.

- Sustainable Service Delivery

The Municipality shall strive to provide to its customer services that are technically, environmentally and financially sustainable

To this end, the municipality shall:

- Identify a suite of level 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 measure, 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 takes cognisance of the full life-cycle needs of existing and future infrastructure

assets and risks to achieving the adopted performance targets;

- Strive for alignment of the financial statement 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 delivery municipality services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the municipality shall:

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

- **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

- 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 resource are identified and protected; and
 - Ensure that a long-term view is taken into account in infrastructure asset management decisions.
- Transparency
The municipal 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 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 immovable PPE 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 standard.
- 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 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 asset 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.
- Responsibilities
 - Upon delegation from Council, the Municipal Manager shall establish as Asset Management Steering Committee to meet regularly and to take measures to effectively implement this policy and to report to Council on progress made at a frequency indicated by Council;
 - Within 2 years adoption of this policy, Directors shall develop, and update at least every 3 years thereafter, an Asset Management Plan(AMP) for each service involving immovable PPE that shall assess level and standards of service, future demand, risk determine a life-cycle plan for a minimum 10 years 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 Directors, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and utilisation for that are common and applicable to all services. Where necessary, the Directors shall interpret the grading scales for the immovable PPE assets under their control. Directors shall determine the grading of all immovable PPE assets under their control. Directors shall determine the grading of all immovable PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at least every 5 years.
- Within 2 years of the adoption of this policy, Directors shall prepare, and review at least every 3 years thereafter, an Operation and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption. The municipality shall engage contractors when necessary to support in the implementation of maintenance actions and adopt a system that assists in managing such maintenance.
- Within 2 years of the adoption of this policy, Directors shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption and inclusion in the Service Delivery and budget Implementation Plan. Directors 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 immovable PPE assets, including but not limited to health and safety, and environmental protection, are documented and advised to directors. Directors shall address legislative needs in their strategies and plans, and shall enforce implementation.

14. POLICY IMPLEMENTATION

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

ANNEXURE A: EXPECTED USEFUL LIVES AND RESIDUAL VALUES

Immovable Assets

Component Type	Description Type	EUL (yrs)	Residual Value (%)
Air Conditioning	Air conditioning units server rooms Downflow unit	5	0
Air Conditioning	Air conditioning units rooms Midwall units	5	0
Air Conditioning	Chillers	5	0
Air conditioning	Standard installation (wall or split units)	5	0
Anchored wall		50	0
Auxiliary Equipment	HV substation control infrastructure (AC, DC, cabling etc)	60	0
Auxiliary Equipment	HV substation control infrastructure (AC, DC, cabling etc)	60	0
Auxiliary Equipment	Prepaid vending master stations	10	0
Auxiliary Equipment	Prepaid vending stations	10	0
Auxiliary Equipment	QoS equipment Minigraph	20	0
Auxiliary Equipment	QoS equipment Netlog 300	20	0
Auxiliary Equipment	QoS equipment Netlog 400	20	0
Auxiliary Equipment	QoS equipment Netlog 500	20	0
Auxiliary Equipment	QoS equipment Provograph	20	0
Auxiliary Equipment	QoS equipment Vectograph	20	0
Baler	Baler – H10	15	0
Baler	Baler – H20D	15	0
Batterles	Rectangeable	3	0
Battery Charger		10	0
Bin / Container	Open top skip	10	0
Bin / Container	Open top skip	10	0
Bin /Container	Plastic bin	10	0
Bin / Container	Roll on/off open steel	10	0
Bin / Container	Roll on/off open steel	10	0
Billboards		15	0
Battery Charger		10	0
Bowling green		20	0
Carports	Shade net	7	0
Circuit Breaker Panel	Bus-section panel – double busbar	50	0
Circuit Breaker Panel	Bus-section/coupler panel	50	0

Circuit Breaker Panel	Freeder panel	50	0
Circuit Breaker Panel	Freeder-panel – double busbar	50	0
Circuit Breaker Panel	Indoor switch in swtchboard	45	0
Circuit Breaker Panel	Incomer panel	50	0
Circuit Breaker Panel	Incomer panel- double busbar	50	0
Control Cable	Fibre Optic	50	0
Control Cable	Pilot cable	50	0
Channel	Lined Open (Lined area)	30	0
Channel	Unlined open	5	0
Chemical Toilet		10	0
Compressor	Workshop type - fixed	10	0
Commuter shelter		15	0
RC Structure	Above ground structure	50	0
RC Structure	Below ground structure	50	0
RC Structure	Mass concrete	50	0
Component Type	Description Type	EUL (yrs)	Residual Value (%)
RC Structure	Shuttered RC eng structure	80	0
RC structure	Shuttered RC eng structure – water retaining	50	0
Control panel	Network and equipment control panel	50	0
Control panel	Network and equipment control panel	50	0
Control panel	Equipment control panel	50	0
Compactor	Compactor – C5	15	0
Compactor	Compactor – C9	15	0
Culvert		60	0
Current Transformer		45	10
Dozer		15	50
LV Cable	LV Underground Service Connection – Single Phase (Per 30m Service)	60	0
LV Cable	LV Underground Service Connection – Three Phase (Per 30m Service)	60	0
LV Cable	Underground cable Commercial	60	0
LV Cable	Underground cable Domestic 2	60	0
LV Cable	Underground cable Domestic 3	60	0
Electrical Installation		30	0
Electric service connection	LV Overhead	50	0
Electric service connection	LV Underground	45	0

Electricity Meter	Credit LPU (Large Power Users) meter	20	0
Electricity Meter	Credit LPU 3 – 0 HV including metering unit	20	0
Electricity Meter	Credit meter	20	0
Electricity Meter	Prepayment meters	10	0
Electricity Meter	Remote meters	10	0
Engine	Petrol / diesel	15	0
Erosion Protection	Gabions	50	0
Erosion Protection	Rip Rap	20	0
Earth Structure		50	50
Earthworks	Falt terrain	50	50
Earthworks	Mountainous terrain	100	50
Earthworks	Rolling terrain	50	50
External furniture	3 seater concrete bench	20	0
External furniture	Children's play equipment (jungle gym)	20	0
External furniture	Concrete table (rectangular)	20	0
External furniture	Larger planter pot (>1m diameter)	20	0
External furniture	Medium planter pot (<1m diameter)	20	0
External furniture	Playground equipment	20	0
External furniture	Water feature (Small)	20	0
External furniture	Water Feature - park	20	0
Fabricated Steel	Galvanised steel	20	0
Fabricated Steel	Mild steel	10	0
Fabricated Steel	Stainless steel	40	0
Filter media	Silica sand	10	0
Finishes, fixtures & fittings	Civic centre's, community halls, chambers	15	0
Finishes, fixtures & fittings	Clinics and day hospitals	15	0
Finishes, fixtures & fittings	General offices, libraries, etc	15	0
Finishes, fixtures & fittings	Stores, workshop, garages, depots	15	0
Fire protection	Extinguishers, hose reels only	20	0
Fire protection	Extinguishers, hose reels, full sprinkler system with booster pump	20	0
Fire protection	Extinguishers, hose reels, limited sprinklers	20	0
Component Type	Description Type	EUL (yrs)	Residual Value (%)
External lighting	Bollard - type	45	0

External lighting	Floodlights	30	0
External lighting	Streetlight with its network	45	0
Floor	Shuttered RC suspended floor slab	50	0
Floor	RC surface bed	50	0
Paving	Paved area	20	0
Fuse		0	0
Gas installation		20	0
Gearbox	Drive motor	15	0
Generator		20	0
Golf course	Municipal	50	0
Grid Inlet		30	0
Guard rail	Steel	20	0
Guard rail	Wood	15	0
High mast lighting		45	0
Speed hump		50	0
Honey sucker		10	0
HV Busbar Indoor	Cooper	60	0
HV Busbar Indoor	GIS bus bar	50	0
HV Busbar Indoor	Strung conductor(m)	60	0
HV Busbar Indoor	Tubular Conductor	50	0
HV Cable	Al PILC three core	50	0
HV Cable	Al XLPE single core	50	0
HV Cable	Cu PILC three core	50	0
HV Cable	Cu XLPE single	50	0
HV Cable	Cu XLPE three core	50	0
HV Cable	HV Al/Cu oil coiled cable	50	0
HV Cable	HV Al/CU single core XLPE cable	50	0
HV Overhead Line Conductor	Bear	50	0
HV Overhead Line Conductor	Fox	50	0
HV Overhead Line Conductor	Goat	50	0
HV Overhead Line Conductor	Hare	50	0
HV Overhead Line Conductor	Pelican	50	0
HV Overhead Line Conductor	Wolf	50	0
HV Overhead Line Insulators	Ceramic	50	0
HV Overhead Line Insulators	Composite	50	0
HV Overhead Line Insulators	Glass	50	0

HV Overhead Line Support structure	Concrete pole	50	0
HV Overhead Line Support structure	Steel lattice tower	50	0
HV Overhead Line Support structure	Wooden pole	50	0
HV Power Transformer	Auto wind	50	0
HV Power Transformer	Double wind	50	0
HV Switchgear – Circuit Breaker	Indoor GIS bays	50	0
HV Switchgear – Circuit Breaker	Outdoor	50	0
HV Switchgear – Isolating Link	Earth switches	50	0
HV Switchgear – Isolating Link	Indoor	50	0
HV Switchgear – Isolating Link	Indoor	50	0
HV Switchgear – Isolating Link	Outdoor hand operator	50	0
HV Switchgear – Isolating Link	Outdoor motorised	50	0
HV Switchgear – Isolating Link	Outdoor motorized – AIS Pantograph	50	0
HV Switchgear – Isolating Link	Above Ground – “Woodlands” type	20	0
Component Type	Description Type	EUL (yrs)	Residual Value (%)
Hydrant	Below Ground	20	0
Irrigation	Automatic sprinkler system	10	0
Kerb Inlet		20	0
Kerb	Barrie kerb	20	0
Kerb	Mountable kerb	50	0
Land		N/A	0
Landfill restoration	Restored area		0
Load Control Set	Load control Master Station-Injection	20	0
Landscaping	Flower beds, shrubs & trees	30	0
Landscaping	Lawns	50	0
Lifts		30	0
Lining – Landfill		50	0
Local Transformer	HV primary	45	0

Local Transformer	HV primary	45	0
Load Shed Relay	Load control Controllers	20	0
LV Cable	LV underground service connection – single phase (per 30m service)	60	0
LV Cable	LV underground service connection – three phase (per 30m service)	60	0
LV Cable	Underground cable- commercial	60	0
LV Cable	Underground cable- domestic 2	60	0
LV Cable	Underground cable- domestic 3	60	0
LV Overhead Line	LV- Open Wire	45	0
LV Overhead Line	LV aerial bundle conductor- commercial	45	0
LV Overhead Line	LV aerial bundle conductor- domestic 1	45	0
LV Overhead Line	LV aerial bundle conductor- domestic 2	45	0
LV Overhead Line	LV aerial bundle conductor- network	45	0
LV Overhead Line	LV overhead service connection – single phase (per 30m service)	45	0
LV Overhead Line	LV overhead service connection – three phase (per 30m service)	60	0
LV Switchgear – Circuit Breaker	Freeder panel	30	0
Masonry Structure	General	50	0
Masonry Structure	Manholes	50	0
Min round-about		20	0
Motor	sewer	15	0
Motor	water	15	0
Mini-Sub	Mini-Sub with ring main unit	45	0
Mini- Sub	Mini-Sub without ring main unit	45	0
Mini-Sub	Mini-Sub with ring main unit	45	0
Mini-Sub	Mini-Sub without ring main unit	45	0
MV Bustar Indoor	Copper bar	60	0
MV Bustar Outdoor	Strung conductor (m)	60	0
MV Bustar Outdoor	Tubular Conductor	50	0
MV Cable	MV Cu & Al cable	50	0
MV Overhead Line	11Kv ABC	45	0
MV Overhead Line	Aerial Bundled Conductor	45	0
MV Overhead Line	Heavy conductor overhead line(>70 sqmm)	45	0
MV Overhead Line	Light conductor overhead line (<70 sqmm)	45	0
MV Power Transformer	Enclosed transformer	45	0
MV Power	Substation transformer	45	0

Transformer			
MV Switchgear-Breakers	Bussection panel Double busbar	45	0
Component Type	Description Type	EUL (yrs)	Residual Value (%)
MV Switchgear-Breakers	Bus- Section / Coupler panel	45	0
MV Switchgear-Breakers	Bus- Section / Coupler panel	45	0
MV Switchgear-Breakers	Feeder panel Double busbar	45	0
MV Switchgear-Breakers	Income panel	45	0
MV Switchgear-Breakers	Income panel Double busbar	45	0
MV Switchgear- Circuit Breaker	Bus- section panel- double busbar	45	0
MV Switchgear- Circuit Breaker	Bus-section/ coupler panel	45	0
MV Switchgear- Circuit Breaker	Freeder panel	45	0
MV Switchgear- Circuit Breaker	Freeder panel – double busbar	45	0
MV Switchgear- Circuit Breaker	Income panel	45	0
MV Switchgear- Circuit Breaker	Incomer panel- double busbar	45	0
MV Switchgear- Isolators	Ring main unit	45	0
MV Switchgear- Isolating Link	MV isolator	45	0
MV Switchgear- Isolating Link	Mv isolator	45	0
MV Switchgear- Isolating Link	Ring main unit	45	0
LV Overhead Line	LV-Open Wire	45	0
LV Overhead Line	LV ABC	45	0
LV Overhead Line	LV Overhead Services connection- Single phase (per 30m Service)	45	0
LV Overhead Line	LV Overhead Services connection- Three phase (per 30m Service)	45	0
LV Overhead Line	Low voltage aerial bundle conductor Commercial	45	0
LV Overhead Line	Low voltage aerial bundle conductor	45	0

	Domestic 1		
LV Overhead Line	Low voltage aerial bundle conductor	45	0
	Domestic 2		
Paving	Paved area	20	0
Pedestrian bridge superstructure		50	0
Pilot cables		50	0
Pesstrian bridge substructure		50	0
Communal standpipe-Pedestal		10	0
Power Factor Equipment	Capacitor bank	50	0
Power Factor Equipment	Single phase, 20 min batter back-up	30	0
Pipe- Sewer	Clay	100	0
Pipe- Sewer	Concrete	40	0
Pipe- Sewer	Steel	40	0
Pipe- Sewer	uPVC	80	0
Pipe-Water	AC	40	0
Pipe-Water	GRP	80	0
Pipe-Water	HDPE	80	0
Pipe-Water	Steel	80	0
Pipe-Water	uPVC	80	0
Plumbing	Standard installation	20	0
Pump- hand		15	0
Pump- water		15	0
Pump- submersible		15	0
Pole Transformer	Pole transformer	12	0
Pole Transformer	Pole transformer	45	0
Perimeter Protection	1.2m high diamond mesh	15	0
Perimeter Protection	1.8m high brick wall	30	0
Perimeter Protection	1.8m high diamond mesh	15	0
Perimeter Protection	Concrete palisade fence	30	0
Perimeter Protection	Precast concrete wall	30	0

Component Type	Description Type	EUL (yrs)	Residual Value (%)
Pipe- Storm water	Concrete	50	0
Road Bridge abutments		89	0
Road bridge side barrier		80	0
Road bridge sub-		80	0

structure			
Road marking		2	0
Road reserves		N/A	0
Road bridge super-structure		80	0
Reactor		0	0
Retaining wall		60	0
Ring Main Unit	Ring Main Unit – 3 way	45	0
Ring Main Unit	Ring Main Unit – 4 way	45	0
Roof	Sheet metal	30	0
Roof	Thatch	40	0
Roof	Tilled	40	0
Roof	Flat concrete (170mm thick)	40	0
Small building / enclosure	Brick, block walls & concrete roof slab	50	0
Small building / enclosure	Brick, Block walls & other roof	50	0
Small building / enclosure	Steel cage	20	0
Small building / enclosure	Steel cage	20	0
Security system	Security and access control	5	0
Septic Tank		40	0
Servitude		N/A	0
Sign- General	Large	15	0
Sign-General	Standard	15	0
Sign- General	Very large	15	0
Signals		0	0
Sign- regulatory	Large	7	0
Sign-regulatory	Standard	7	0
Sports field	Cricket	30	0
Sports field	Netball / basketball	15	0
Sports field	Rugby / soccer	30	0
Squash court	Regulation size- indoor	15	0
Road surface	Bituminous (Medium)	9	0
Road surface	Bituminous (Thick)	12	0
Road surface	Bituminous (Thin)	7	0
Road surface	Concrete block surface	15	0
Road surface	Concrete	20	0
Road surface	Gravel	5	0
Sub-soil drain	Dewatering sub-soil drain	50	0
Stadium	Brick structure with roof and terraces	50	0
Stadium	Open structure with stepped terraces	50	0

Stadium	Structure with roof and stepped terraces	50	0
Street Light	Streetlight shared with LV network	45	0
Street Light	Streetlight with own network	45	0
Street rubbish bin		10	0
Road structural layer	Access	80	0
Road structural layer	Arterial / Distributor	30	0
Road structural layer	Collector	50	0
Surge Arrestor		0	0
Swimming pool	10m x 5m	20	0
Tank	Galvanised steel panel	30	0
Component Type	Description Type	EUL (yrs)	Residual Value (%)
Tank	Plastic	15	0
Communal standpipe-Tap		5	0
Telemetry	Advanced system	15	0
Telemetry	Intermediate system	15	0
Telemetry	Standard system	15	0
Tennis court	Floodlit	15	0
Tennis court	Standard	15	0
Timber structure	Timber	15	0
Transformer NEC		45	0
Transformer NER		45	0
Traffic Island		30	0
Traffic signal	C1 – 3 head	15	0
Traffic signal	C2 - 5 head	15	0
Traffic signal	C3 – 3 to 5 head overhead	15	0
Valve	Air release	15	0
Valve	Butterfly	20	0
Valve	Non-return	15	0
Valve	Pressure Reducing	15	0
Valve	Resilient seal	20	0
Vending Station		0	0
VIP Latrine	Double	10	0
VIP Latrine	Single	10	0
Voltage Transformer	MV	45	0
Walls	Complete building (Internal and external)	60	0
Walls	Face brick	60	0
Walls	Fibre cement board, timber frame, plaster board	60	0
Walls	Metal sheet, plaster board	30	0

Walls	Plastered brick	60	0
Walls	Semi-face brick	60	0
Weigh bridge	12m	15	0
Weigh bridge	8m	15	0
Well	Well & lining	30	0
Water Meter	Mag-flow	10	0
Water Meter	Mechanical	10	0
Water Meter	Prepaid	10	0

ANNEXURE B: EXPECTED USEFUL LIVES AND RESIDUAL VALUES

Movable Assets

Component Type	Description Type	EUL (yrs)	Residual Value (%)
Furniture and Fittings	Bed	7	0
Furniture and Fittings	Bench	7	0
Furniture and Fittings	Bookcase	7	0
Furniture and Fittings	Cabinet	7	0
Furniture and Fittings	Chair	7	0
Furniture and Fittings	Credenza	7	0
Furniture and Fittings	Cupboard	7	0
Furniture and Fittings	Desk	7	0
Furniture and Fittings	Rack Filling	7	0
Furniture and Fittings	Board	7	0
Furniture and Fittings	Pigeon Hole	7	0
Furniture and Fittings	Table	7	0
Furniture and Fittings	Trolley	7	0
Communication Equipment	Two Way Radio	3	0
Computer Equipment	CPU	3	0
Computer Equipment	Screen	3	0
Computer Equipment	Laptop	3	0
Computer Equipment	Modem	3	0
Computer Equipment	UPS	3	0
Office Machine	Printer	5	0
Office Machine	Air Conditioner	5	0
Office Machine	Calculator	5	0
Office Machine	Cash Register	5	0
Office Machine	Refrigerator	5	0
Office Machine	Microwave	5	0
Office Machine	Fan	5	0
Office Machine	Heater	5	0
Office Machine	Television	5	0
Office Machine	Radio	5	0

Vehicle	Utility Vehicle (Bakkies)	5	10
Vehicle	Minibus	5	10
Vehicle	Passenger Vehicle	5	10
Vehicle	Truck	5	
Specialised Vehicle	Tractor	10	15
Specialised Vehicle	Trailer	5	15
Specialised Vehicle	Emergency Trucks	20	15
Specialised Vehicle	Ambulance	5	15
Plant and Equipment	Generator	5	0
Plant and Equipment	Ladder	5	0