LEPELLE-NKUMPI LOCAL MUNICIPALITY

ASSET MANAGEMENT POLICY

APPROVED ASSET MANAGEMENT POLICY

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ABBREVIATIONS

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

1 PURPOSE OF THIS DOCUMENT

This document indicates the policy of Lepelle-Nkumpi Local Municipality for the management of its fixed assets. Detailed procedures are provided in a separate document.

2 BACKGROUND

2.1 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 matters of local government.

The manner in which a municipality manages its fixed assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) 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 Occupational Health and Safety Act (OHSA) requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

2.2 ACCOUNTING STANDARDS

The accounting standards that apply to municipalities are in transition. The MFMA requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The Accounting Standards Board (ASB) has approved a number of Standards of Generally Recognised Accounting Practice (GRAP) which replace the Accepted Municipal Accounting Practice (GAMAP).

Key changes include the recognition of depreciation of assets as an expense, and grants as revenue. A Government Grants 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. In cases where there is an active and liquid market for assets (such as offices and vehicles) 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 property, plant and equipment over time need to be reflected through periodic revaluation.

Having converted to GAMAP/GRAP on 30 June 2008, Lepelle-Nkumpi, as a low capacity municipality, is allowed to take up the transitional provisions in GAMAP 17. The publication of Government Gazette 31021 effectively replaces GAMAP 17 with GRAP 17 which has specific directives that include the transitional provisions of GAMAP 17.

2.3 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 introduced in national legislation relating to municipal infrastructure management include:

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

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

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

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

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

3 OBJECTIVES

The objective of this policy is for the municipality to:

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

4 APPROVAL AND EFFECTIVE DATE

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

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:

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

As Accounting Officer of the municipality, the Municipal Manager shall be the principal custodian of all the municipality's fixed assets, and shall be responsible for ensuring that 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 Senior Managers, of procedures to effectively and efficiently apply this policy.

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

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

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to assets;
- The systems, procedures and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized 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 Senior Managers 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 the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

Asset Management Committee

The Asset Management Committee (AMC) shall ensure that:

- The policy and procedures are adhered to and reviewed annually
- The Committee meets at least monthly

Senior Manager

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

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

- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

The Senior Managers 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 Municipal Manager in consultation with the CFO and respective Senior Managers. These recommendations shall be considered for adoption by Council.

7 RELATIONSHIP WITH OTHER POLICIES

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

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

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

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, 1998
- Accounting Standards Board
- MFMA Circular 18, 36 & 44
- Local Government Capital Asset Management Guidelines, National Treasury, 2008
- Government Gazettes (30013 & 31021)
- Generally Recognised Accounting Practice (1-14, 16, 17, and 100-102).
- Generally Accepted Municipal Accounting Practice (GAMAP 17)
- International Accounting Standards (IAS 16)

9 POLICY FOR FIXED ASSET ACCOUNTING

9.1 FIXED ASSET RECOGNITION

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

Useful Life
Useful life is defined as the period over which an asset is expected to be available for use by 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 others to that benefit, and has the ability to secure the future economic benefit of that asset

Past transactions or events
Assets are only recognised from the point when some event or transaction transferred control to 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 Senior Manager.

Economic benefits

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

Service Potential

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

Moveable and immovable assets

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

Leased assets

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

Asset custodian

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

Reliable measurement

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

(b) Policy

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

(c) Responsibilities

- The CFO, in consultation with the Municipal Manager and Senior Managers, shall determine effective procedures for the recognition of existing and new fixed assets.
- Every Senior Manager shall ensure that all fixed assets under their control are correctly recognised as fixed assets.
- Every Senior Manager shall keep an inventory of items that have a useful life of greater than one year, and a value less than the threshold value for fixed assets.

The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for fixed assets for which accelerated depreciation shall apply.

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

9.2 CLASSIFICATION OF FIXED ASSETS

(a) Definitions and rules

Fixed asset categories
Fixed assets are grouped for accounting purposes, as follows:

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

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

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

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

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

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

Class of PPE

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

PPE Asset hierarchy

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

PPE: Infrastructure

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

PPE: Community assets

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

PPE: Heritage assets

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

PPE: Other assets

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

PPE: Housing

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

Intangible assets

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

Investment property

Investment property is defined as property (land and/or a building) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks, shopping centres or housing financed and managed by a municipality (or jointly with other parties). There is no asset hierarchy for investment property, each functional item will be

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

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

(b) Policy

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

Accounting Group	Asset Category	Asset Sub-category
Property, plant and equipment	Infrastructure	Electricity network
		Road and storm-water network
		Water supply network
		Sanitation network
	Community Assets	Community facilities
		Sport and recreation facilities
	Heritage assets	Monuments
		Historic buildings
		Works of art
		Conservation areas
	Other assets	Operational buildings
		Vehicles
		Operational plant and equipment
		Office furniture and fittings
		Computer equipment
	Staff Housing	All housing buildings
	Land	Infrastructure land
		Community assets' land
		Heritage assets' land
		Other assets' land
		Housing land
Intangible Assets	Servitudes	All
	Statutory licenses	All
	Software	All
Investment property	Commercial property	All

	Residential property	All
	Land with undetermined use	All

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

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

(c) Responsibilities

- The CFO shall ensure that the classification of fixed assets adopted by the municipality complies with the statutory requirements.
- The CFO shall consult with the Senior Managers responsible for fixed assets to determine an effective and appropriate asset hierarchy for each asset class of PPE.
- Every Senior Manager shall ensure that all fixed assets under their control are classified correctly.

9.3 IDENTIFICATION OF FIXED ASSETS

(a) Definitions and rules

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

(b) Policy

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

(c) Responsibilities

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

9.4 FIXED ASSET REGISTER

(a) Definitions and rules

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

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

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

(b) Policy

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

(c) Responsibilities

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

9.5 MEASUREMENT AT RECOGNITION

(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 acquired at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is

impracticable to establish the cost of an item of PPE, such asrecognising fixed assets for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

Fair value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for assets (for example land, non-specialised buildings such as offices, motor vehicles, and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost (DRC) approach may be used. Assessments of fair value are to be made by professionals with qualifications and appropriate knowledge and experience in valuation of the respective assets.

Cost of an item of PPE

The capitalisation value comprises (i) the purchase price and (ii) any directly attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT). Only items with an initial cost or fair value greater than the threshold value determined by Council are capitalised. Costs that are less than the threshold value shall be treated as ordinary operating expenses.

Directly attributable costs

Directly attributable costs are defined as:

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

Exchanged PPE assets

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

PPE finance leases

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

Depreciated replacement cost

The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful

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

Accordingly, the following formula is used:

DRC = ((CRC – RV) x RUL/EUL) + RV

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

Self-constructed assets

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

Borrowing costs

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings; finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset to get ready for its intended use or resale and external funding is sourced to fund the project.

Investment property

Where available, initial recognition will take place on the cost model. Should relevant cost data not be available, a fair value determination will be made by appointing a valuer. Subsequent measurement and disclosure will be subject to an annual fair value assessment.

If the council of the municipality constructs or develops a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

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

(b) Policy

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

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

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

(c) Responsibilities

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

9.6 MEASUREMENT AFTER RECOGNITION

(a) Definitions and rules

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

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

Revaluation model
After recognition, an asset (whose value can be measured reliably) is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are

conducted, the entire class of assets should be revalued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations) in the Revaluation Reserve.

The revaluation surplus is transferred to accumulated surpluses/deficits on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer is to be made at the end of each financial year. If the carrying amount based on the revaluation is less than the carrying value of the fixed asset recorded in the fixed asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional depreciation expenses form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

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

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

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

(b) Policy

Measurement after recognition shall be on the following basis:

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

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

(c) Procedures and rules

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

9.7 DEPRECIATION

(a) Definition and rules

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

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

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

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

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

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

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

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

Depreciation charge

Depreciation starts once an asset is recognised and available for use and ceases when it is de-recognised or classified as non-current assets held for sale. Depreciation is initially calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges are calculated monthly.

Carrying amount

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

Capital spares

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

(b) Policy

All fixed assets, except land, heritage assets and servitudes, shall be depreciated over their remaining useful lives. In all cases, the straight line method of depreciation shall be used.

(c) Responsibilities

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

9.8 IMPAIRMENT

(a) Definition

Impairment
Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. For example:

- significant decline in market value;
- carrying amount of an asset far exceeds the recoverable amount or market value;
- there is evidence of obsolescence;
- the deterioration of economic performance of the asset concerned; and
- the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (such as through inadequate maintenance).

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

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

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

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

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

In the event of compensation received for damages to an item of PPE and the item is not to be repaired to its original state, the compensation is considered as the assets ability to

generate income and is disclosed under Sundry Revenue; and the asset is impaired. Should the repairs be performed, the compensation is offset against the repair cost.

(b) Policy

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

(c) Responsibilities

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

9.9 DE-RECOGNITION

(a) Definition and rules

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

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

(b) Policy

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

(c) Responsibilities

- An asset shall be written off only on the recommendation of the Senior Manager of the department controlling the asset, and with the approval of the Municipal Manager.

- Every Senior Manager shall report to the CFO on 31 October and 30 April of each financial year on any fixed assets which such Senior Manager wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly make a submission to the Asset Management Committee with a copy to the Municipal Manager on the fixed assets to be written off. The Asset Management Committee shall consider the submission and make recommendations to the Council for adoption.
- Assets that are replaced should be written off and removed from the asset register.
- The Municipal Manager, in consultation with the CFO and other Senior Managers shall formulate norms and standards from the replacement of all normal operational fixed assets.

9.10 INSURANCE OF FIXED ASSETS

(a) Definition and rules

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

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

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

(b) Policy

The Municipal Manager shall ensure that material movable assets in value and substance are insured at least against destruction, fire and theft, and that all municipal buildings are insured at least against fire and allied perils. The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

(c) Responsibilities

- The Municipal Manager shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality, and where applicable asset classes shall be prioritised in terms of their risk exposure and value.
- In the event that the CFO is directed by Council to establish a self-insurance reserve, the CFO shall annually submit a report to the Council on any reinsurance

cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

10 POLICY FOR SAFEGUARDING FIXED ASSETS

(a) Definitions and rules

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

The existence of assets is physically verified from time–to-time, and measures adopted to control their use and movement.

Budgetary constraints may however constrain the measures adopted.

(b) Policy

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

(c) Responsibilities

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

- Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Senior Manager.
- The Municipal Manager must report criminal activities to the South African Police Service.

11 POLICY FOR LIFE-CYCLE MANAGEMENT OF PPE ASSETS

(a) Definitions and rules

Service delivery
PPE assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

Asset management
The goal of asset management of PPE is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers. The core principles are:

- taking a life-cycle approach;
- developing cost-effective management strategies for the long-term;
- providing a defined level of service and monitoring performance;
- understanding and meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset failures;
- sustainable use of physical resources; and
- continuous improvement in asset management practices.

(b) Policy

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:

- continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- regularly review and update amendments to the above legislation;
- review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- effectively apply legislation for the benefit of the community.

- **Sustainable service delivery**

The municipality shall strive to provide to its customers services that are technically, environmentally and financially sustainable.

To this end, the municipality shall:

- identify a suite of levels and standards of service that conform with statutory requirements and rules for their application based on long-term affordability to the municipality;
- identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- identify current and future demand for services, and demand management strategies;
- set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose infrastructure assets, where applicable in line with national targets;
- apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- allocate budgets based on long-term financial forecasts that take cognisance of the full life-cycle needs of existing and future infrastructure assets and the risks to achieving the adopted performance targets;
- strive for alignment of the financial statements with the actual service delivery potential of the infrastructure assets; and
- implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

- **Social and economic development**

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

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

- **Transparency**

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

To this end, the municipality shall:

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

- **Cost-effectiveness and efficiency**

The municipality shall strive to manage its infrastructure assets in an efficient and effective manner.

To this end, the municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
- regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;
- assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of infrastructure assets;
- continue to secure and optimally utilise governmental grants in support of the provision of free basic services;
- implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
- ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
- establish and implement demand management plans;
- timeously renew infrastructure assets based on capacity, performance, risk exposure, and cost;
- timeously dispose of infrastructure assets that are no longer in use;
- review management and delivery capacity, and procure external support as necessary;
- establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
- strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

(c) Responsibilities

- Asset Management Committee should convene regularly and take measures to effectively implement this policy, and report to Council on progress made at a frequency indicated by Council.

- Within 2 years of adoption of this policy, Senior Managers shall develop, and update at least every 3 years thereafter, an Asset Management Plan (AMP) for each service involving fixed assets that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the Municipal Manager to Council for adoption. AMPs shall be used to inform the preparation of a Comprehensive Municipal Infrastructure Plan and budgets through the IDP process.

- The CFO shall, in consultation with Senior Managers, determine grading scales for the measurement of asset condition, performance, cost-of–operation, and utilisation applicable to all services. Where necessary, the Senior Managers shall interpret the grading scales for the PPE assets under their control. Senior Managers shall determine the grading of all PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at least every 5 years.

- Within 2 years of the adoption of this policy, Senior Managers shall prepare, and review at least every 3 years thereafter, an Operations and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption.

- Within 2 years of the adoption of this policy, Senior Managers shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption. Senior Managers shall establish a monitoring regime, and report actual performance each financial year.

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

12 POLICY IMPLEMENTATION

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

ANNEXURE A:
EXPECTED USEFUL LIVES AND RESIDUAL VALUES OF ASSETS

1. PROPERTY PLANT AND EQUIPMENT

a) Roads and storm-water

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
Pavements	Bituminous surface - thick		12	0
	Bituminous surface - medium		9	0
	Bituminous surface - thin		5	0
	Gravel surface		3	0
	Concrete/block surface		20	0
	Structural layers – paved arterial/distributors		30	30
	Structural layers - paved collectors		50	30
	Structural layers – paved access roads		80	30
Earthworks	Cut and fill earthworks		100	50
Road drainage	Kerbs- Arterial/Distributor		20	0
	Kerbs - Collector/Access		50	0
	Kerb inlets		20	0
	Lined open drain		50	0
Road Furniture	Guard Rail		15	0
	Commuter shelter		15	0
	Road marking		5	0
	Mini roundabout		20	0
	Speed hump		20	0
	Traffic island		20	0
	Footpaths		20	0
	Street Signs		20	0
	Traffic Signs		7	0
	Traffic signal		15	0
Bridges	Super-structure		100	0
	Sub-structure		100	0
	Side barrier		60	0
	Abutment		100	0
Culverts	Major Culvert		60	0
Retaining walls	Anchored wall		50	0
	Retaining wall		60	0
Storm-water Conveyance	Canal lining		50	0
	Gabions		50	0
	Rip rap		20	0

b) Mechanical and electrical plant

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

c) Civil infrastructure

ASSET TYPE	COMPONENT TYPE	EUL	Residual (%)
Name	Name		
Civil Structure	Mild Steel structure	30	0
	Timber structure	15	0
	Masonry structure	30	0
	Concrete structure	50	0
	Earthfill dam wall	80	0
	Rockfill dam wall	150	0
	Rollcrete dam wall	200	0
	Filter media	20	0
	Tank – plastic	15	0
	Tank – steel	30	0
	Tank – concrete	50	0
	Landfill lining	50	0
	Mild steel fittings	20	0
	Stainless steel fittings	40	0
	Borehole well & lining	30	0
Pipe-work	uPVC pipe	60	0
	Steel pipe	80	0
	HDPE pipe	80	0
	Clay	100	0
	Concrete	40	0
	Asbestos-cement pipe	40	0
	Sub-soil drains	60	0
	Valve	20	0
	Hydrant	20	0
	Meter	10	0
	Erf connection - water	50	0
	Erf connection - sewer	50	0
	Communal Pedestal	10	0

d) Electrical Infrastructure

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	**Name**			
MV Lines	MV Cable		50	0
	MV Conductor		50	0
MV Transformer	Transformer		45	0
	Mini sub		45	0
MV Switchgear	Main Ring Unit		45	0
	Panel		45	0
LV Distribution	Cable		50	0
	Conductor		50	0
Electricity Service Connection	Overhead		50	0
	Underground		45	0
	Meter		20	0
Lighting	Steetlights		45	0
	Highmasts		45	0

e) Buildings

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	**Name**			
Building Elements	Air conditioning		20	0
	Electrical installation		30	0
	Finishes		10	0
	Fire protection		20	0
	Fixtures & fittings		15	0
	Plumbing		20	0
	Security system		20	0
	Lifts		10	0
Service Connections (on site)	Sewer connection		50	0
	Water connection		50	0
	Electricity		50	0
	VIP Latrine		5	0
	Septic tank		40	0

f) Open spaces

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
External improvements	Perimeter wall		30	0
	Fence - wire		15	0
	Landscaping		30	0
	Lawns		30	0
	Irrigation		10	0
	Flood lights		30	0
	Light bollards		30	0
	External furniture		20	0
Sports facilities	Tennis court		15	0
	Bowling green		20	0
	Sportsfield		30	0
	Swimming pool		20	0
	Golf course		50	0
	Stadium		50	0

g) Moveable assets

ASSET TYPE	COMPONENT TYPE		EUL	Residual (%)
Name	Name			
Bins and containers	Bulk refuse containers		10	0
Emergency equipment	Emergency lights		5	0
	Fire hoses		5	0
	Fire-fighting equipment		15	0
Furniture and fittings	Chairs		7	0
	Cabinets and cupboards		10	0
	Tables and desks		10	0
Motor vehicles	Ambulances		10	0
	Fire Engines		20	0
	Motor cycles		3	0
	Ordinary motor vehicles		7	0
	Trucks and light delivery vehicles		7	0
	Tippers		15	0
	Skips		10	0
	Honey-suckers		10	0
	Rear-end loader		10	0
	Truck		10	0
	Mechanical horses		10	0
	Tractor-trailers		10	0
	Bowser		10	0
Office equipment	Air conditioners		5	0
	Office machines		5	0
	Computer hardware		5	0
Plant and equipment	Compressors		5	0
	Filling equipment		15	0
	Firearms		5	0
	Graders		10	0
	Lawn mowers		2	0

	Lathes		15	0
	Radio equipment		5	0
	Telecommunications equipment		5	0

2. INVESTMENT PROPERTY

CATEGORY	SUB-CATEGORY	ASSET GROUP
Name	**Name**	**Name**
Investment Property	Offices	All
	Commercial centres	All
	Rental housing	All
	Land	All

3. INTANGIBLE ASSETS

CATEGORY	SUB-CATEGORY	ASSET GROUP
Name	**Name**	**Name**
Intangible Assets	Licenses/Rights	All
	Servitudes	All
	Software	All
	Other intangibles	All