

EMAKHAZENI LOCAL MUNICIPALITY



ASSET MANAGEMENT POLICY

2016/17

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PREAMBLE

Whereas section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued,

- and whereas the Municipal Council of Emakhazeni Local Municipality wishes to adopt a policy to guide the municipal manager in the management of the municipality's assets,

- and whereas the Municipal Manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulate the acquisition, safeguarding and maintenance of all assets,

- and whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes,

- now therefore the Municipal Council of the Emakhazeni Local Municipality adopts the following asset management policy:

ABBREVIATIONS AND DEFINITIONS

AM	Asset Management
AMS	Asset Management System
AR	Asset Register
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
GRAP	Standards of Generally Recognised Accounting Practice
IA	Intangible Assets
IAR	Infrastructure Asset Register
IDP	Integrated Development Plan
IIMM	International Infrastructure Management Manual
IP	Investment Property
LM	Local Municipality
MFMA	Municipal Finance Management Act
MSA	Municipal Services Act
NT	National Treasury
OHSA	Occupational Health and Safety Act
PPE	Property, Plant and Equipment
SDBIP	Service Delivery and Budget Implementation Plan

Accounting Officer means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

Agricultural Produce is the harvested product of the municipality's biological assets.

Biological Assets are defined as living animals or plants.

Capital Assets (assets) are items of Biological Assets, Intangible Assets, Investment Property or Property, Plant or Equipment defined in this Policy.

Carrying Amount is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

Chief Financial Officer (CFO) means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, where applicable, the

amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciable Amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair Value is the amount for which an asset could be exchanged or a liability between knowledgeable, willing parties in an arm's length transaction.

GRAP are standards of Generally Recognised Accounting Practice.

Heritage Assets are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

Infrastructure Assets are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

Intangible Assets are defined as identifiable non-monetary assets without physical substance.

Investment Properties are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

Land and Buildings are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.

MFMA refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

Other Assets are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

Property, Plant and Equipment (PPE) are tangible assets that:-

- (a) Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- (b) Are expected to be used during more than one period.

Recoverable Amount is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

Recoverable Service Amount is the higher of a non-cash generating asset's fair valueless cost to sell and its value in use.

Residual Value is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Useful Life is:-

- (a) The period of time over which an asset is expected to be used by the municipality; or
- (b) The number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

1. OBJECTIVE

The MFMA was introduced with the objective of improving accounting in the municipalities sector in keeping with global trends. Good asset management is critical to any business environment whether in the private or public sector. In the past municipalities used a cash-based system to account for assets, whilst the trend has been to move to an accrual system. With an accrual system the assets are incorporated into the books of accounts and systematically written off over their anticipated lives. This necessitates that a record is kept of the cost of the assets, the assets are verified periodically, and the assets can be traced to their suppliers via invoices or other such related delivery documents. This ensures good financial discipline, and allows decision makers greater control over the management of assets. An Asset Management Policy should promote efficient and effective monitoring and control of assets.

According to the MFMA, the Accounting Officer in the Municipality should ensure:

- a) that the municipality has and maintains an effective and efficient and transparent system of financial and risk management and internal control;
- b) the effective, efficient and economical use of the resources of the municipality;
- c) the management (including safeguarding and maintenance) of the assets of the municipality;
- d) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- e) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and
- f) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

The objective of this Asset Management Policy is to ensure that the municipality:

- a) consistently applies asset management principles;
- b) applies accrual accounting;
- c) complies with the MFMA, GRAP and other related legislation;
- d) safeguards and controls the assets of the municipality; and
- e) optimises asset usage.

2. LEGISLATIVE FRAMEWORK

2.1 LEGAL FRAMEWORK

A municipality exercises its legislative and executive authority by, among others, developing and adopting policies, plans, strategies and programmes, including setting targets for delivery (section 11(3) of the MSA).

Participation by the local community in the affairs of the municipality must take place through, among others, generally applying the provisions for participation as provided for in the MSA (section 17(1) of the MSA).

A municipality must communicate to its community information concerning, among others, municipal governance, management and development (section 18(1) of the MSA).

As head of administration the Municipal Manager is, subject to the policy directions of the municipal council, responsible and accountable for, among others, the following:

- The management of the provision of services to the local community in a sustainable and equitable manner;
- Advising the political structures and political office bearers of the municipality (section 55(1) of the MSA); and
- Providing guidance and advice on compliance with the MFMA to the political structures, political office-bearers and officials of the municipality (section 60 of the MFMA).

As accounting officer of the municipality the Municipal Manager is responsible and accountable for, among others, all assets of the municipality (section 55(2) of the MSA).

The Municipal Manager must take all reasonable steps to ensure, among others, that the resources of the municipality are used effectively, efficiently and economically (section 62(1) of the MFMA).

2.2 RATIONALE FOR MANAGEMENT OF ASSETS

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

- 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.

In terms of the MFMA, the accounting officer is responsible for managing the assets and liabilities of the municipality, including the safeguarding and maintenance of its assets.

The MFMA further requires the accounting officer to ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for its assets and liabilities;
- The municipality's assets are valued in accordance with standards of generally recognised accounting practice; and
- The municipality has and maintains a system of internal control of assets and liabilities.

The Occupational Safety and Health Administration (OSHA) requires the municipality to provide and maintain a safe and healthy working environment, and in particular, to keep its infrastructure assets safe.

According to the International Infrastructure Management Manual (IIMM), the goal of infrastructure asset management 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 of infrastructure asset management are:

1. Taking a life-cycle approach;
2. Developing cost-effective management strategies for the long-term;
3. Providing a defined level of service and monitoring performance;
4. Understanding and meeting the impact of growth through demand management and infrastructure investment;
5. Managing risks associated with asset failures;
6. Sustainable use of physical resources; and
7. Continuous improvement in asset management practices.

3. POLICY FRAMEWORK:

3.1 POLICY OBJECTIVE

The municipality is committed to providing municipal services for which the municipality is responsible, in a transparent, accountable and sustainable manner and in accordance with sound infrastructure management principles.

The main challenges associated with managing assets can be characterised as follows:

- a) Moveable assets – controlling acquisition, location, use, and disposal (over a relatively short term lifespan)
- b) Immovable assets – life-cycle management (over a relatively long-term lifespan).

The policy approach has been to firstly focus on the financial treatment of assets, which needs to be consistent across both the movable and immovable assets, and secondly to focus on the management of immovable assets as a fundamental departure point for service delivery.

3.2 POLICY PRINCIPLES

The following policy principles serve as a framework for the achievement of the policy objective:

3.2.1 *Effective Governance*

The municipality strives 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 will:

- 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.

3.2.2 *Sustainable Service Delivery*

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

- Identify levels and standards of service that conform to statutory requirements and rules for their application based on the 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 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 an immovable (infrastructure) asset management strategy and immovable (infrastructure) asset management plans to support the achievement of the required performance;
- Prepare and adopt an immovable (infrastructure) asset maintenance strategy and immovable (infrastructure) asset maintenance plans to execute maintenance timeously;
- Allocate budgets that take cognisance of the full life cycle needs of existing and future assets;
- Implement its Tariff and Credit Control and Debt Collection Policies to sustain and protect the affordability of services by the community.

3.2.3 Social and Economic Development

The municipality strives 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 will:

- 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.

3.2.4 Custodianship

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

- 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 a long-term view and life-cycle costs are taken into account in immovable asset management decisions.

3.2.5 Transparency

The municipality strives to manage its immovable assets in a manner that is transparent to all its customers, both now and in the future. To this end, the municipality will:

- Develop and maintain a culture of regular consultation with the community with regard to its management of immovable assets 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.

3.2.6 Cost-effectiveness and Efficiency

The municipality strives to manage its immovable assets in an efficient and effective manner. To this end, the municipality will:

- Assess life-cycle options for proposed new immovable assets;
- Regularly review the actual extent, nature, utilisation, criticality, performance and condition of immovable 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 immovable assets;
- Ensure the proper utilisation and maintenance of existing assets;
- Establish and implement demand management plans;
- Timeously renew immovable assets based on capacity, performance, risk exposure, and cost;
- Timeously dispose of immovable assets that are no longer in use;
- Establish documented processes, systems and data to support effective life-cycle immovable asset management;
- Strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- Conduct annual assessments to support continuous improvement of immovable asset management practice.

4. ASSET RECOGNITION

4.1. CLASSIFICATION OF CAPITAL ASSETS

General

When accounting for Capital Assets, the municipality should follow the various standards of GRAP relating to the capital assets. An item is recognised in the statement of financial position as a Capital Asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Capital Assets are classified into the following categories for financial reporting purposes:

1. Property, Plant and Equipment (GRAP 17)

- Land and Buildings (land and buildings not held as investment)
- Infrastructure Assets (immovable assets that are used to provide basic services)
- Housing Assets (rental stock or housing stock not held for capital gain)
- Other Assets (ordinary operational resources)

2. Investment Property (GRAP 16)

- Investment Assets (resources held for capital or operational gain)

3. Intangible Assets (GRAP 102)

- Intangible Assets (assets without physical substance held for ordinary operational resources)

4. Biological Assets (GRAP 101)

- Biological Assets (livestock and plants held)

5. Heritage Asset (GRAP 103)

- Heritage Assets (assets of a cultural, environmental, historical, natural, scientific, technological or artistic significance)

When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

6. Assets classified as Held-for-Sale (GRAP 100)

- Assets Held-for-Sale (assets identified to be sold in the next 12 months and reclassified as Inventory)

7. Land Inventories (GRAP 12)

- Land Inventories (land or buildings owned or acquired with the intention of selling or distributing such property in the ordinary course of business)

Further asset classification has not been defined in GRAP. The examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks. Current classifications used for infrastructure are limited and do not represent all asset types. To facilitate the practical management of infrastructure assets and asset register data, infrastructure assets have been further classified. The recommended classifications are provided in **Annexure A**.

Policy

The asset classification specified by GRAP shall be adhered to as a minimum standard. The extended asset classification specified in **Annexure A** shall be adopted. The CFO shall ensure that the classifications adopted by the municipality are adhered to.

4.2 IDENTIFICATION OF ASSETS

General

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location.

Policy

An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number. The CFO shall develop and implement an asset identification system, while acting in consultation with the Executive Directors.

4.3 ASSET REGISTER

General

An asset register is a database of information related to all the assets under the control of the municipality. The asset register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the asset register. The data requirements for the asset register are as follows:

Data	Land	Movable	Infrastructure / building
Identification			
•Unique identification number or asset mark	✓	✓	✓
•Unique name	✓	✓	✓

Data	Land	Movable	Infrastructure / building
•Internal Classification	✓	✓	✓
•Descriptive data (make, model, etc.)	✓	✓	✓
•Erf/Registration number	✓	✓	✓
•Title deed reference	✓		
Accountability			
•Department	✓	✓	✓
Performance			
•Age		✓	✓
•Condition		✓	✓
•Remaining Useful life		✓	✓
•Expected Useful Life		✓	✓
Accounting			
•Historic cost	✓	✓	✓
•Take-on value	✓	✓	✓
•Take-on date	✓	✓	✓
•Re-valued amount (where assets were re-valued)	✓	✓	✓
•Valuation difference (for purposes of Revaluation Reserve and depreciation)	✓	✓	✓
•Depreciation method		✓	✓
•Depreciation portion that should be transferred from Revaluation reserve to accumulated depreciation (where assets were re-valued)		✓	✓
•Depreciation charge for the current financial year		✓	✓
•Impairment losses in the current year		✓	✓
•Accumulated depreciation		✓	✓
•Carrying value	✓	✓	✓
•Residual value		✓	✓

Data	Land	Movable	Infrastructure / building
•Source of financing	✓	✓	✓

Assets remain in the asset register for as long as they are in physical existence or until being written off. The fact that an asset has been fully depreciated is not in itself a reason for writing-off such an asset. The asset register does not include assets that belong to other third parties. These assets may be included as separable entities for control purposes.

Policy

An asset register shall be maintained for all assets. In some cases, such as Investment Properties and Intangible Assets, separate asset registers will have to be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The asset register should be continuously updated and asset records should be reconciled to the general ledger on a quarterly basis, where possible.

4.4 RECOGNITION OF CAPITAL ASSETS: INITIAL MEASUREMENT

General

A Capital Asset should be recognised as an asset in the financial and asset records when:

- It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- The cost or fair value of the item to the municipality can be measured reliably;
- The cost is above the municipal capitalisation threshold (if any); and
- The item is expected to be used during more than one financial year.

Spare parts and servicing equipment are usually carried as inventory in terms of GRAP 12 on Inventories and are recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Further guidance for the recognition of assets is provided below:

Capitalisation Threshold

The capitalisation threshold is a **policy decision of the municipality** and is the value above which assets are capitalised and reported in the financial statements as tangible or intangible capital assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. However the capitalisation threshold is regarded as a deviation from GRAP standards and should be determined annually by comparison against materiality and must be

determined at a level that will ensure that the municipality does not deviate materially from the requirements of GRAP 17.

The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset. The municipality has taken the following into account when considering a capitalisation threshold:

- The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
- The cost of maintaining financial and management information on assets when the threshold is very low;
- The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;
- The size of the municipality or the size of its service areas when setting a capitalisation threshold level. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.

Calculation of initial cost price

Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on acquisition of such assets. In such an instance, the municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:

- Costs of employee benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Capital Asset
- The cost of site preparation;
- Initial delivery and handling costs;
- Installation costs;
- Professional fees such as for architects and engineers;
- The estimated cost of dismantling and removing the asset and restoring the site;
- Interest costs when incurred on a qualifying asset in terms of GRAP 5.

When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

Component approach

The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

- Significant cost; and
- Considerable difference in useful life

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

Subsequent Expenses

The municipality should not recognise the costs of day-to-day servicing of the item in the carrying amount of an item of capital asset. These costs are recognised as expenditure as and when incurred. Day-to-day costs are primarily the costs of labour and consumables and may include the costs of small parts. The purpose of these expenditures is usually for the 'repair and maintenance' of the capital asset.

Parts of some capital assets may require replacement at regular intervals. For example, a road may need resurfacing every few years. It may be necessary to make less-frequently recurring replacement of parts, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle, an entity recognises in the carrying amount of the capital asset the cost of replacing the part of such an item when that cost is incurred if the recognition criteria are met. At the same time the part to be replaced should be derecognised.

Rehabilitation/Enhancements/Renewals of capital assets

Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if:

- The expenditure satisfies the recognition criteria;
- that expenditure is enhancing the service provision of that capital asset beyond its original expectation and either that expenditure:
 - increases the useful life of that capital asset (beyond its original useful life);
 - increases the capital asset capacity (beyond its original capacity);
 - increases the performance of the capital asset (beyond the original performance);
 - increases the functionality of that capital asset;
 - reduces the future ownership costs of that capital asset significantly; or
 - increases the size of the asset or changes its shape.

The expenditure to restore the functionality of the capital asset to its original level is a maintenance or refurbishment expense and will not be capitalised to the carrying value of the capital asset. The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

Leased Assets

A lease is an agreement whereby the lesser 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. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital 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.

Policy

All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components. All assets will be capitalised, except those listed as examples in **Annexure B**, but the application thereof will be determined annually by the municipality.

However, the municipality (Municipal Manager or to whom the right is delegated) can determine with an internal memorandum which assets, as mentioned in **Annexure B**, can not be classified as capital assets.

The Council shall specify which kinds of leases the municipality may enter into. A lease register shall be maintained with all the information that is necessary for reporting purposes.

4.5 SUBSEQUENT MEASUREMENT OF CAPITAL ASSETS

General

After initial recognition of Property, plant and Equipment, the municipality values its assets using the cost model, unless a specific decision have been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be re-valued.

When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

When an asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

4.6 RECOGNITION OF INVENTORY ITEMS (NON-CAPITAL ITEMS)

General

Inventories encompass finished goods purchased or produced, or work in progress being produced by the municipality. They also include materials and supplies awaiting use in the production process and goods purchased or produced by the municipality, which are for distribution to other parties for no charge or for a nominal charge. GRAP 12.7 defines Inventories as assets:

- In the form of materials or supplies to be consumed in the production process;
- In the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operations; or
- In the process of production for sale or distribution.

Examples of Inventories may include the following:

- Ammunition
- Consumable stores;
- Maintenance materials;
- Spare parts for plant and equipment other than those dealt with under PPE;
- Strategic stockpiles (e.g. Water reserves);
- Work in progress; and
- Land / Property held for sale.

Cost of inventories shall comprise of all costs of purchase (i.e. purchase price, import duties, other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and supplies), costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Trade discounts, rebates and other similarities are deducted. Taxes recoverable by the entity from the SARS may not be included.

Costs of development for housing or similar developments which are acquired or developed for resale will include costs directly related to the development – e.g. purchase price of land acquired for such developments, surveying, conveyance costs and the provision of certain infrastructure. Infrastructure costs relating to extending the capacity of existing infrastructure are excluded. The costs of inventories of a service provider consisting of direct labour and other costs of personnel directly engaged in providing the service and other attributable overheads are included.

Policy

Assets acquired or owned by the municipality for the purpose of selling or developing such assets with the intention to sell it or utilising the asset in the production process or in the rendering of services shall be accounted for in the municipality's financial statements as inventory items and not as property, plant and equipment.

Inventories are recorded in a dedicated section of the Inventory Register and it is maintained for this purpose. The amount of cost of inventories is recognised and carried forward until related revenues are recognised.

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge, or for consumption in the production process of goods to be distributed at no charge or for a nominal charge.

In cases where the above does not apply, inventories are measured at lower of cost and net realisable value.

5. ASSET TYPES

5.1 PROPERTY, PLANT AND EQUIPMENT: LAND AND BUILDINGS (GRAP 17)

General

Land and Buildings comprise any land and buildings held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes. Land held for a currently undetermined future use, should not be included in PPE: Land and Buildings, but should be included in Investment Properties. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business. This land and buildings include infrastructure reserves.

The municipality shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. If the municipality chooses the cost model for its Land and Buildings, then after recognition as an asset, Land and Buildings shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses

If the municipality chooses the revaluation model for its Land and Buildings, then after recognition as an asset, Land and Buildings whose fair value can be measured reliably shall be carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be 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.

Policy

Subsequent to initial recognition, the Municipality chooses the **cost model** as the accounting policy for its Land and Buildings. Land is not depreciated as it is deemed to have an indefinite useful life.

5.2 PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS (GRAP 17)

General

Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. These assets typically include electricity, sanitation, solid waste, storm water, transport, and water assets. Many infrastructure assets form part of a greater facility e.g. a pump in a pump station.

Level of detail of componentisation

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are very numerous in nature e.g. water meters, street signs, street lights, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- Level 1: Service level (e.g. Belfast Water Supply)
- Level 2: Network level (e.g. Belfast Pump Stations)
- Level 3: Facility level (e.g. Belfast Pump Station)
- Level 4: Maintenance item level (e.g. Pump 1 in Belfast Pump Station)
- Level 5: Component level (e.g. Bearing of Pump 1 in Belfast Pump Station)

The preferred level of detail for the accounting and technical management of infrastructure is level 4 above.

The compilation of a detailed infrastructure asset register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing asset registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

Policy

The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. Infrastructure assets are valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will

be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to Infrastructure assets shall be reviewed regularly, but the cost related to such reviews should be measured against benefits derived to ensure value for money.

Infrastructure Assets shall be recorded under the main categories listed in **Annexure A**;

5.3 PROPERTY, PLANT AND EQUIPMENT: HOUSING ASSETS

General

Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

Policy

Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

Housing Assets shall be recorded under the following main categories;

- Rental Schemes; and
- Selling Schemes.

5.4 PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS

General

Other Assets include a variety of assets that are of indirect benefit to the communities they serve. These assets include equipment, furniture and fittings, bins and containers, emergency equipment, motor vehicles, specialised vehicles, computer equipment and office equipment.

Policy

Other assets are stated at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not re-valued.

Other Assets (general assets) shall be recorded under the main categories listed in **Annexure A**.

5.5 HERITAGE ASSETS (GRAP 103)

General

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets include the following:

- Archaeological sites;
- Conservation areas;
- Historical buildings or other historical structures (such as war memorials);
- Historical sites (for example a historical battle site or site of a historical settlement);
- Museum exhibits;
- Public statues; and
- Works of art (which will include paintings and sculptures).

Policy

Heritage assets are stated at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated impairment losses. Heritage assets are not re-valued. If an asset that might be regarded as a heritage asset cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

5.6 INTANGIBLE ASSETS (GRAP 102)

General

Intangible Assets can be purchased, or can be internally developed, by the municipality and includes, but are not limited to, computer software, website development cost, servitudes and mining rights.

Servitudes

Creation of servitudes through the exercise of legislation

In terms of legislation, municipalities are granted certain rights regarding the creation of servitudes. For example, in proclaiming townships, a municipality may declare that servitudes are to be registered over certain parts of the land falling within the boundaries of the proclaimed township so that it is able to install infrastructure to provide basic services.

A key feature of servitudes created using rights granted in legislation is that no compensation is paid to the landowner for the acquisition of these rights. Costs may however be incurred to register the servitude with the Deeds Office.

Servitudes granted under these conditions **do not meet** the “identifiably’ criteria above for the following reasons:

- They cannot be sold, transferred, rented or exchanged freely and are not separable from the entity.

- They arise from rights granted to the entity in statute and are specifically excluded from GRAP102 as they are “internally generated rights”.

Creation of servitudes through acquisition (including by way of expropriation or agreement)

An entity may need to acquire the rights associated with a specific piece of land, e.g. to span power cables related to an electricity distribution network. When an entity acquires rights associated with land, and registers a servitude, the landowner is usually compensated. Servitudes granted under these conditions are distinguished from those that are created through the exercise of legislation. These servitudes meet the definition of an “identifiable” intangible asset because they arise from contractual or other legal rights that are acquired through a specific arrangement, rather than through rights conferred on an entity in statute. In these instances, an entity would recognise the servitude as an intangible asset at cost. The cost of these servitudes on initial recognition is usually the transaction price, i.e. the compensation paid to the landowner and any other costs that can be capitalised to the cost of the asset in terms of GRAP 102.

Policy

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 102 has been met.

5.7 INVESTMENT PROPERTY (GRAP 16)

General

Investment Property comprise of land or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Investment property does not include property used in the production or supply of service or for administration. It also does not include property that will be sold in the normal course of business. Typical investment properties include:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties);
- Shopping centres (developed along similar lines);
- Housing developments (developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit).

Policy

Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality’s Statement of Financial Position. Investment Property is initially measured at its cost. Transaction costs shall be included in this initial

measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

After initial recognition, all investment property shall be measured at fair value. The fair value of investment property shall be determined annually at reporting date in terms of GRAP 16.88e. The fair value should reflect market conditions and circumstances as at the reporting date.

Investment assets are recorded in an Investment Property register.

The following classes of Municipal Property **will be classified** as Investment Property:

- a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations which council intends to sell at a beneficial time in the future.
- b) Land held for a currently undetermined future use.
- c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis.
- d) A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- e) Property that is being constructed or developed for future use as investment property.

The following classes of Municipal Property will **not be classified** as Investment Property:

- a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale. This property is treated as inventory.
- b) Property being constructed or developed on behalf of the Provincial Government: Housing Department.
- c) Owner-occupied property which is defined as property which is held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes as per definition criteria of GRAP 17 which includes all council buildings used for administration purposes.
- d) Property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) are also regarded to be owner-occupied property.
- e) Property that is leased to another entity under a finance lease.
- f) Property held to provide a social service and which also generates cash inflows. For example, if council holds housing stock (letting units) used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.
- g) Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation.

- h) Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

5.8 BIOLOGICAL ASSETS (GRAP 101)

General

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or procreating which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the municipality from its ownership or control of the asset.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to the market. Where the municipality is unable to measure the fair value of biological assets reliably, a biological asset should be measured at cost less any accumulated depreciation and accumulated impairment losses.

Policy

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

5.9 ASSETS CLASSIFIED AS HELD-FOR-SALE (GRAP 100)

General

A non-current asset shall be classified as Assets Held-for-Sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Policy

Assets identified for disposal by way of a sale transaction, be it by public auction, bidding process or sales agreement, within 12 months of the date of identification shall be classified as assets held-for-sale and transferred from the home asset category to held-for-sale category. Such assets shall be measured at the lower of its carrying amount and fair value less costs to sell and is not depreciated any further upon classification as held-for-sale. The municipality shall not classify a non-current asset that is to be abandoned as held-for-sale because its carrying amount will be recovered principally through continuing use.

5.10 INVENTORY PROPERTY (GRAP 12)

General

Inventory Property comprises any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business.

Policy

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the municipality's asset register or Statement of Financial Position. Inventory property shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for:

- a) distribution at no charge or for a nominal charge, or
- b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge, then they shall be measured at the lower of cost and current replacement cost.

Inventory properties shall be recorded in the Inventory register.

6. ASSET ACQUISITION

6.1 ACQUISITION OF ASSETS

General

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing. The date of acquisition of assets is deemed to be the time when control or legal title passes to the municipality.

Policy

Should the municipality decide to acquire a capital asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

- The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;
- The asset meets the definition of a Capital Asset (as defined in GRAP 16, GRAP 17, GRAP 101, GRAP 102 and GRAP 103)
- The asset has been budgeted for;
- The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
- The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
- The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.
- The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
- Space and other necessary facilities to accommodate the asset are in place; and
- The most suitable and appropriate type, brand, model, etc. has been selected.

6.2 CREATION OF NEW INFRASTRUCTURE ASSETS

General

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the municipality in the past.

Policy

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

Work in progress shall be flagged (indicated) as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by

management. Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

6.3 SELF-CONSTRUCTED ASSETS

General

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

Policy

All assets that can be classified as 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. Work in progress shall be flagged (indicated) as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management.

6.4 DONATED ASSETS

General

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

Policy

Donated assets shall be valued at fair value, reflected in the asset register, and depreciated as normal assets. All donated assets shall be approved by the Municipal Manager and ratified by Council prior to acceptance.

7. ASSET MAINTENANCE

7.1 USEFUL LIFE OF ASSETS

General

Useful Life of assets is defined in section 2 of the Policy and is basically the period or number of production units for which an asset can be used economically by the municipality.

Although National Treasury (NT) guidelines exist that includes directives for useful lives of assets, municipalities must use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for particular classes of assets. The calculation of useful life is based on a particular level of planned maintenance.

Policy

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP

3. During annual physical verification of movable assets, an assessment of condition and use shall determine the appropriateness of the remaining useful lives, while for infrastructure assets, the useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets.

7.2 RESIDUAL VALUE OF ASSETS

General

The Residual Value of an asset 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 most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of assets are hardly ever recovered through sale, but rather through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained, as these assets will most probably be replaced in its entirety.

Assets typically not sold by the municipality are land, buildings and infrastructure, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. Residual values will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. Past experiences of municipal auctions held revealed that furniture, computer equipment and other movable assets does not reach selling prices that are material.

Policy

Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. The basis of the residual value estimates shall be determined by the results of past sales of vehicles at auctions when it reaches the end of its useful lives. The residual value of assets shall be reviewed annually at reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

7.3 DEPRECIATION OF ASSETS

General

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation therefore recognises the gradual exhaustion of the asset's service capacity. The depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value. The depreciation method used must reflect the pattern in which economic benefits or service potential of a Capital Asset is consumed by the municipality. The following are the allowed alternative depreciation methods that can be applied by the municipality:

- a. Straight-line;
- b. Diminishing Balance; and
- c. Sum of the Units.

Policy

All PPE assets except land shall be depreciated over their reasonable useful lives. The residual value and the useful life of an asset shall be reviewed at each reporting date. The depreciation method applied shall be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality, or expected to be so controlled or used during the ensuing financial year.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed. Depreciation of an asset shall begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner intended by management. Depreciation of an asset ceases when the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under certain methods of depreciation the depreciation charge can be zero while there is no production. In the case of intangible assets being included as assets, the procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other assets.

7.4 IMPAIRMENT LOSSES

General

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. The following serve as examples of impairment indicators:

- Significant decline in market value;
- Carrying amount of an asset far exceeds the recoverable amount or market value;
- There is evidence of obsolescence (or physical damage);
- 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).

The impairment amount is calculated as the difference between the carrying value and the recoverable service value. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

If the asset is carried at a re-valued amount the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

Policy

Assets shall be reviewed annually for all assets with impairment indicators. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as an income.

7.5 MAINTENANCE OF ASSETS AND THE ASSET REGISTER

General

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

For linear infrastructure assets, such as pipes, cables and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.
- If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

Policy

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are identified in the asset register.

7.6 RENEWAL OF ASSETS

General

Asset Renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

Policy

Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

7.7 REPLACEMENT OF ASSETS

General

This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

Policy

Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All costs incurred to replace the asset shall be capitalised against the new asset.

8. ASSET DISPOSAL

8.1 TRANSFER OF ASSETS

General

The processes and rules for the transfer of a capital asset to another municipality, municipal entity or national/provincial organ of state are governed by an MFMA regulation namely "the Local Government: Municipal Asset Transfer Regulations".

Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Department can keep track of all assets and ensure that the asset register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

- One Department to another Department;
- One location to another within the same department;

- One building to another; and
- One entity to another.

Policy

The transfer of assets shall be controlled by a transfer process and the asset register shall be updated.

8.2 EXCHANGE OF ASSETS

General

According to GRAP 17.33 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:

- the exchange transaction lacks commercial substance; or
- the fair value of neither the asset received nor the asset given up is reliably measurable.

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Policy

The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

8.3 ALIENATION / DISPOSAL OF ASSETS

General

Alienation / Disposal (alienation) is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of capital assets.

Specifically:

- A municipality may not ...” permanently dispose of a capital asset needed to provide the minimum level of basic municipal services”
- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality’s supply chain management policy.

In addition, the MFMA section 75 (1)(h) requires that the accounting officer of a municipality places on the municipality’s website an information statement containing a list of assets over a

prescribed value that have been disposed of in terms of section 14(2) or (4) during the previous quarter.

Policy

The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality.

Different disposal methods will be necessary for different types of assets. Before deciding on a particular disposal method, the following shall be considered:

- The nature of the asset
- The potential market value
- Other intrinsic value of the asset
- Its location
- Its volume
- Its trade-in price
- Its ability to support wider Government programmes;
- Environmental considerations
- Market conditions
- The asset's life

Appropriate means of disposal may include:

- Public auction
- Public tender
- Transfer to another institution
- Sale to another institution
- Letting to another institution under finance lease
- Trade-in
- Controlled dumping (for items that have low value or are unhygienic)

Other means of alienation include:

- Donations: Donations may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager for approval.
- Destruction: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.
- Scrapping: Scrapping of assets that cannot be alienated otherwise may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager.
- The letting of immovable property, excluding municipal housing for officials and political office bearers, must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.

Once the fixed assets are disposed, the asset shall be removed from the accounting records and the asset register. All gains and losses realised on the disposal of assets shall be accounted for as revenue or expense in the Statement of Financial Performance.

8.4 SELLING OF ASSETS

General

Selling of assets refers to the public sale of municipal assets approved for alienation.

Policy

All assets earmarked for sale must be sold by public auction or tender and the following steps shall be followed:

- A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- The municipality shall appoint an independent appraiser to fix a minimum selling price;
- In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
- In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

Assets earmarked for sale, shall be reclassified as Assets Held-for-Sale in terms of section 5.10 of this Policy and shall not attract any further depreciation. Sold assets shall be written-off in the asset register.

8.5 WRITING-OFF OF ASSETS

General

The write-off of assets is the process to permanently remove the assets from the asset register. Assets can be written-off after approval of the Municipal Manager of a report indicating that:

- The useful life of the asset has expired;
- The asset has been destroyed;
- The asset is out-dated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The asset has been sold; and
- Acceptable reasons have been furnished leading to the circumstances set out above.

Policy

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

9. PHYSICAL CONTROL (MOVABLE ASSETS)

9.1 PHYSICAL CONTROL / VERIFICATION

General

Movable assets require physical control and verification of existence.

Policy

All movable assets shall be actively controlled, including an annual verification process. Annual physical inspections of assets shall be performed to identify items which are missing, damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, impaired, written off or disposed of.

Registers shall be kept for those assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.

9.2 INSURANCE OF ASSETS

General

Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

Policy

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

9.3 SAFEKEEPING OF ASSETS

General

Asset safekeeping is the protection of assets from damage, theft, and safety risks.

Policy

Directives for the safekeeping of assets shall be developed and the safekeeping of assets shall be actively undertaken.

10. ASSET FINANCIAL CONTROL

10.1 BORROWING COSTS (GRAP 5)

General

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. The capitalisation of borrowing costs should take place when borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. During extended periods in which development of an asset is interrupted, the borrowing costs incurred over that time period should be recognised as an expense when incurred. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link a borrowing requirement directly to the nature of the expenditure to be funded, i.e. Capital or Current.

Policy

Borrowing costs shall be capitalised, if directly attributable to the acquisition construction or production of an asset, except when it is inappropriate to do so.

10.2 FUNDING SOURCES

General

The Municipal Finance Management Act (MFMA) provides guidelines on how to utilize funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

- Grants, Subsidies and Public Contributions;
- Revenue Contributions;
- Capital Replacement Reserve;
- Cash Surplus; and / or
- External / Donor Funds.

Policy

The annual capital budget must be funded and the sources of finance must be disclosed as part of the Council's budget.

10.3 DISASTER

General

In terms of the Disaster Management Act, 2002, Disaster means a progressive or sudden, widespread or localised, natural or human – caused occurrence which causes or threatens to cause:

- death, injury or disease;
- damage to property, infrastructure or the environment; or
- disruption of life of community; and
- is of a magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.

In terms Section 56 (b) of the Disaster Management Act, 2002 the cost of repairing or replacing public sector infrastructure should be borne by the organ of state responsible for the maintenance of such infrastructure. The National, Provincial and Local organs of state may contribute financially to response efforts and post – disaster recovery and rehabilitation.

Policy

The Municipality will correspond with the Provincial organs to gain funds for repairing assets damaged in disaster events. 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.

ANNEXURES

11 ANNEXURE A:

ACCOUNTING GROUP	ACCOUNTING CATEGORY	CATEGORY	GROUP	DESCRIPTION	EUL (MONTHS)	EUL (YEARS)
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	AIRPORT	BUILDING AND FACILITIES	CONCRETE SLAB	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	BUILDING AND FACILITIES	BUILDING	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	CONSUMER ELECTRICITY METERS	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	CONSUMER PREPAID METERS	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	DISTRIBUTION / PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	LV CONDUCTOR	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	OVERHEAD LINES	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	PUBLIC LIGHTING	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	STREET LIGHTS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	LV NETWORK	UNDERGROUND CABLES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	BUILDING	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	DISTRIBUTION / PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	METERS	300	25
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	MV MINI-SUB STATION	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	MV POLE TRANSFORMER	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	MV SWITCH STATION	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ELECTRICITY	MV NETWORK	SUBSTATION	360-540	30-45
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	BUILDING AND FACILITIES	ACCES ROADS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	BUILDING AND FACILITIES	BUILDING	720	60

PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	BUILDING AND FACILITIES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	DISTRIBUTION/RETICULATION NETWORK	PIPE WORKS	240-720	20-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	LV NETWORK	DISTRIBUTION/PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	MV NETWORKS	BUILDING	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	MV NETWORKS	SUBSTATION	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	ROAD STRUCTURES	ROAD SURFACE	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	ROAD STRUCTURES	ROAD BASE STRUCTURE	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	STORAGE	CHLORINE TANKS	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	STORM WATER	CHANNELS	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	STORM WATER	SLABS	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	STORM WATER	STORM WATER PIPES	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	OTHER STRUCTURES	WATER PUMP STATION	WATER PUMPS	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	RAILWAY	RAILWAY	RAILWAY	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	BRIDGES	PEDESTRIAN BRIDGE	960	80
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	BRIDGES	VEHICLE BRIDGE	960	80
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	BUILDING AND FACILITIES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	FOOTPATHS	120-600	10-50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	GUARD RAILS	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	KERBING	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	PARKING BAYS	120-180	10-15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	PAVEMENTS	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	ROAD SURFACE	120-480	10-40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	ROADS BASE STRUCTURE	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	ROAD STRUCTURES	WASTE BINS	240	12
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	STORM WATER	CATCH PIT	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	STORM WATER	CHANNELS	720	60

PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	STORM WATER	CULVERTS	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	STORM WATER	GRID INLETS	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	STORM WATER	SLABS	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	TRAFFIC MANAGEMENT	ROAD SIGNS	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	TRAFFIC MANAGEMENT	SPEED HUMPS	120-480	10-40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	TRAFFIC MANAGEMENT	TRAFFIC ISLANDS	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	ROADS	TRAFFIC MANAGEMENT	WIND SOCK	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	COLLECTION/RETICULATION NETWORK	GRAVITY SEWER PIPES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	COLLECTION/RETICULATION NETWORK	MANHOLES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	COLLECTION/RETICULATION NETWORK	PIPE WORKS	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	BUILDING	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	DISTRIBUTION/PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	DRYING BED	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	EXTERNAL LIGHTING	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	LV CONDUCTOR	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	MV POLE TRANSFORMERS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	PIPE WORKS	240-360	20-30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	SEWER PUMPS	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SEWER PUMP STATION	STREET LIGHTS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	SOLID WASTE DISPOSAL	LANDFILL	180-252	15-21
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	BUILDING	360-720	30-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	CONCRETE SLAB	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	DISTRIBUTION/PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	DRYING BED	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	FLOW METERS	240	20

PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	LV CONDUCTOR	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	MV POLE TRANSFORMER	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	OXIDATION POND	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	PIPE WORKS	120-720	10-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	ROAD SURFACE	120-360	10-30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	ROADS BASE STRUCTURE	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	SEWER PUMPS	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	SANITATION	WASTE WATER TREATMENT	STREET LIGHTS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	BUILDING	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	CAGE	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	CHLORINE TANKS	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	CONCRETE SLAB	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	DISTRIBUTION/PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	EXTERNAL LIGHTING	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	LV CONDUCTOR	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	M VPOLE TRANSFORMERS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	PIPE WORKS	240-360	20-30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	STREET LIGHTS	480	40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	TELEMETRY	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BOREHOLES	WATER PUMPS	180-480	15-40
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BUILDING AND EXTERNAL FACILITIES	BUILDING	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	BUILDING AND EXTERNAL FACILITIES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	DISTRIBUTION/RETICULATION NETWORK	PIPE WORKS	360-720	30-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	DISTRIBUTION/RETICULATION NETWORK	WATER HOUSE CONNECTION	240	20

PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	DISTRIBUTION/RETICULATION NETWORK	WATER PIPE	600-720	50-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	BUILDING	360-720	30-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	CONCRETE SLAB	720	60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	ELEVATED STORAGE	60-360	5-30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	EXTERNAL LIGHTING	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	PIPE WORKS	240-360	20-30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	RESERVOIR	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	ROAD SIGNS	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	ROAD SURFACE	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	STORAGE	TELEMETRY	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER PUMP STATION	WATER PUMPS	180-720	15-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	BUILDING	360-720	30-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	CHLORINE TANKS	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	DISTRIBUTION/PILLAR BOXES	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	ELEVATED STORAGE	60	5
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	EXTERNAL LIGHTING	180	15
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	FOOTPATHS	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	GENERATOR	84	7
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	KERBING	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	PARKING BAYS	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	PIPE WORKS	240-720	20-60
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	RESERVOIR	360	30
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	ROAD SURFACE	120	10
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	SUBSTATION	360-540	30-40

PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	VEHICLE BRIDGE	600	50
PROPERTY, PLANT AND EQUIPMENT	INFRASTRUCTURE ASSETS	WATER	WATER TREATMENT	WATER PUMPS	180-480	15-40
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	COMMUNITY FACILITIES	BUILDINGS	360-720	30-60
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	COMMUNITY FACILITIES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	COMMUNITY FACILITIES	SPORT FACILITY	180-720	15-60
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	OPERATING FACILITIES	BUILDINGS	360	30
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	BUILDINGS	OPERATING FACILITIES	PERIMETER PROTECTION	240	20
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	LAND	MUNICIPAL LAND	UNDEVELOPED LAND	0	0
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	EMERGENCY EQUIPMENT	EMERGENCY / RESCUE EQUIPMENT	FIRST AID KIT	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	EMERGENCY EQUIPMENT	FIRE FIGHTING EQUIPMENT	EXTINGUISHER FIRE	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	EMERGENCY EQUIPMENT	FIRE FIGHTING EQUIPMENT	FIRE HOSE	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	CABINET	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	CREDENZA	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	CUPBOARD	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	LOCKER	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	PEDESTAL	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CABINETS AND CUPBOARDS	TENDER BOX	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CHAIRS AND COUCHES	CHAIRS	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	CHAIRS AND COUCHES	COUCHES	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	BIN	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	BINDER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	BOARD	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	LETTER TRAY	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	LADDER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	PIANO	180	15
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	COMPUTER STAND	60	5

PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	TROLLEY	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	OTHER FURNITURE AND FITTINGS	VCR	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	SHELVING AND BOOKCASES	BOOK CASE	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	SHELVING AND BOOKCASES	SHELF/RACK	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	TABLES AND DESKS	DESK	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	FURNITURE AND FITTINGS	TABLES AND DESKS	TABLE	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	EMERGENCY VEHICLES	EMERGENCY VEHICLES	180	15
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	PASSENGER VEHICLES	PASSENGER VEHICLES	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	SPECIALISED VEHICLES	SPECIALISED VEHICLES	180	15
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	TRACTORS	TRACTORS	180	15
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	TRAILERS	TRAILERS	120	10
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	TRUCKS	TRUCKS	180	15
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	MOTOR VEHICLES	DLV	DLV	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AIR CONDITIONERS	AIR CONDITIONER	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AIR CONDITIONERS	FAN	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AUDIOVISUAL EQUIPMENT	TELEVISION	48-60	4-5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AUDIOVISUAL EQUIPMENT	EYE TESTER TRAFFIC	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AUDIOVISUAL EQUIPMENT	SPEAKER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	AUDIOVISUAL EQUIPMENT	PROJECTOR	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	MONITOR	48-72	4-6
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	UPS	48-60	4-5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	PRINTER	48-60	4-5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	ROUTER/SWITCH	48-60	4-5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	DESKTOP	48-72	4-6
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	COMPUTER HARDWARE	LAPTOP	48-72	4-6
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	STOVE	60	5

PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	REFRIGERATOR	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	VACUUM	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	TELEVISION	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	HEATER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	DOMESTIC EQUIPMENT	KETTLE	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	OFFICE EQUIPMENT	OFFICE MACHINES	TELEPHONE	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	COMPRESSORS	COMPRESSOR	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	EARTH MOVING EQUIPMENT	PAVEMENT BREAKER	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	GENERATORS	GENERATOR	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	LAB EQUIPMENT	TURBIDMETER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	SPEED CAMERA	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	SOUND LEVEL METER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	BEACON LIGHT	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	LAW ENFORCEMENT EQUIPMENT	TESTER MOTORCYCLE BALANCE	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	GARDENING EQUIPMENT	LAWNMOWER	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	GARDENING EQUIPMENT	CHAINSAW	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	GARDENING EQUIPMENT	WEEDEATER	48	4
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	OTHER	SPRAYER	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	OTHER	WHEELBARROW	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	OTHER	WATER TESTER KIT	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	OTHER	TOOLBOX	84	7
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	RADIO EQUIPMENT	RADIO 2 WAY	48-60	4-5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	RADIO EQUIPMENT	SATELLITE RECEIVER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	DRILL	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	GRINDER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	SAW	60	5

PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	LADDER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	WELDER	60	5
PROPERTY, PLANT AND EQUIPMENT	OTHER ASSETS	PLANT AND EQUIPMENT	WORKSHOP EQUIPMENT AND TOOLS	CUTTING TORCH	60	5
INTANGIBLE ASSETS	INTANGIBLE ASSETS	INTANGIBLE ASSETS	COMPUTER SOFTWARE	MS OFFICE	48	4
INTANGIBLE ASSETS	INTANGIBLE ASSETS	INTANGIBLE ASSETS	COMPUTER SOFTWARE	SYSTEM SEBATA	Indefinite	Indefinite
INTANGIBLE ASSETS	INTANGIBLE ASSETS	INTANGIBLE ASSETS	COMPUTER SOFTWARE	SYSTEM TGIS	Indefinite	Indefinite

12 ANNEXURE B: EXAMPLES OF ASSET TYPES NOT CAPITALISED DUE TO THEM BEING UTILISED LESS THAN 12 MONTHS

- Kitchenware, eg. Kettles, toasters, two-plate stove, etc.
- Stationery equipment, eg. Punches (not heavy duty), staplers (not heavy duty), etc.
- Garden equipment, eg. Brooms, rakes, spade, etc.
- Machines (not heavy duty), eg. Spanners, screw drivers, etc.
- Electrical equipment, eg. Extension lead, multi plug, etc.
- Mattresses
- Cutlery & crockery
- Other, as may be determined by management