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GREATER MARBLE HALL MUNICIPALITY

INSTRUCTIONS TO MANAGERS

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EXTRACTS FROM THE MINUTES OF THE 7th SPECIAL COUNCIL MEETING OF THE GREATER MARBLE HALL MUNICIPALITY HELD ON THURSDAY THE 30TH AUGUST 2007.

FILES: 6/11/7 x 8/2/1 [05/15/04] x 6/11/7
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FINALISATION BY:

Municipal Manager

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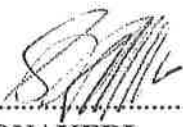
Referred to

by **Municipal Manager**

SC7/04/2007 - FIXED ASSETS MANAGEMENT POLICY 6/11/7 x 8/2/1 [05/15/04]

RESOLVED

1. That the Council takes cognizance of the circulated report.
2. That the Council approves the Fixed Assets Management Policy. Further that the Council instruct that that the policy replaces any policy related to Fixed Assets Management that existed before.
3. That the Council instruct that the policy be implemented with effect from the date of approval by Council.
4. That the Council instructs the Municipal Manager to implement the decision accordingly.



.....
S.R. MONAKEDI
MUNICIPAL MANAGER

3 September 2007

REGISTRATION OFFICE

Official responsible for the circulation of this document (Please print): Reply Mkhwanazi



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Signature

04/09/07

.....
Date received

REPORT OF THE MUNICIPAL MANAGER

PURPOSE

For Council to approve the Fixed Assets Management Policy.

BACKGROUND

The fixed assets management policy has been developed to ensure compliance with the GAMAP/GRAP and to address assets and fleet management and control; the policy is herewith attached as an annexure..

PROPOSED RECOMMENDATIONS

1. That the Council approves the Fixed Assets Management Policy.
2. That the Council instructs the Municipal Manager to implement the fixed assets and vehicle fleet management policy.

COMMENTS OF ACTING MANAGER CORPORATE SERVICES

Support

COMMENTS OF ACTING MANAGER TECHNICAL SERVICES

Support

COMMENTS OF THE MANAGER COMMUNITY SERVICES

Not available for comment

COMMENTS OF THE IDP MANAGER

Support

COMMENTS OF THE CHIEF FINANCE OFFICER

Support

FINAL RECOMMENDATIONS OF THE MUNICIPAL MANAGER

1. That the Council takes cognizance of the circulated report.
2. That the Council approves the Fixed Assets Management Policy. Further that the Council instruct that that the policy replaces any policy related to Fixed Assets Management that existed before.
3. That the Council instruct that the policy be implemented with effect from the date of approval by Council.
4. That the Council instructs the Municipal Manager to implement the decision accordingly.

RECOMMENDATIONS OF THE FINANCE PORTFOLIO COMMITTEE

1. That the Council takes cognizance of the circulated report.
2. That the Council approves the Fixed Assets Management Policy. Further that the Council instruct that that the policy replaces any policy related to Fixed Assets that existed before.
3. That the Council instruct that the policy be implemented with effect from the date of approval by Council.
4. That the Council instructs the Municipal Manager to implement the decision accordingly.

For decision

P.22-48

RECOMMEND TO RESOLVE


Recommendations of the Executive Committee will be circulated during the meeting

For decision

P.22-48

FIXED ASSETS MANAGEMENT POLICY

DOCUMENT APPROVAL

Responsible Person:	Name	Signature	Date
	S.R MONAKEDI		04/09/2007

Date of Approval: 30TH AUGUST 2007

046448

GREATER MARBLE HALL MUNICIPALITY



FIXED ASSETS AND VEHICLE FLEET MANAGEMENT POLICY



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GREATER MARBLE HALL MUNICIPALITY

FIXED ASSETS AND VEHICLE FLEET MANAGEMENT

A BACKGROUND

1. This policy has approved by council to ensure compliance with the following objectives:
 - 1.1 To set criteria for determining when an assets shall be recognised as such
 - 1.2 To set criteria for determining the category and classification of an asset
 - 1.3 To determine the useful life of assets
 - 1.4 To determine the method and rate of depreciation to be used for different classes of assets
 - 1.5 To determine the measurement of fixed assets
 - 1.6 To set criteria for the verification of fixed assets
 - 1.7 To set criteria for the disposal of fixed assets
 - 1.8 To set criteria for the writing off of assets
 - 1.9 To set criteria for the maintenance of fixed assets
 - 1.10 To set criteria for the management and control over fixed assets
 - 1.11 To set criteria for motor vehicle fleet management
2. This policy has been compiled to address asset and vehicle fleet management and control and comply with the requirements and guidelines as set by the following acts and other documents:
 - 2.1 SALGA – Local Government Financial Best Practise Manual
 - 2.2 The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
 - 2.3 The Municipal Systems Act, Act 32 of 2000
 - 2.4 Municipal Finance Management Act, Act No. 56 of 2003

B DEFINITION OF A FIXED ASSET

1. A fixed asset as defined in GAMAP 17:
2. A tangible item of property, plant and equipment held by a Municipality for use in production or for the supply of goods and services, for rental to others, or for administrative purposes and which is expected to be used during more than one reporting period.
3. Therefore a fixed asset has the following characteristics:
 - 3.1 Either moveable or immoveable
 - 3.2 Under the control of the Municipality
 - 3.3 The Municipality expects to derive economic benefits from it or for the use of service delivery
 - 3.4 Over a period of more than one financial year
 - 3.5 The cost of the asset can be measured reliably
4. For an asset to be recognised as a capital asset, it must meet the capitalisation criteria set out in this policy.
5. If the asset is still under a finance lease, it shall still be recognised as an asset, as the Municipality has control over that asset.

C RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT

1. No item with an initial cost of less than R 5 000 shall be recognised as a fixed asset. If the cost of an item is below R 5 000 it will be treated as an ordinary operating expense irrespective of its anticipated expected useful life.
2. An item with a value in excess of R 250 but less than R 5 000 and with an estimated useful life of more than one year shall be recognised as an inventory item. Such items shall be verified from time to time, at least twice a year concurrently with the stock count in terms of the inventory policy.
3. The criteria for recognition of an asset are therefore the following:
 - 3.1 Either moveable or immoveable
 - 3.2 Under the control of the Municipality
 - 3.3 The Municipality expects to derive economic benefits from it or for the use of service delivery
 - 3.4 Over a period of more than one financial year
 - 3.5 The cost of the asset can be measured reliably
4. The following shall be appropriate to satisfy the above criteria:
 - 4.1 All risks and rewards relating to the asset shall be under the control of Council
 - 4.2 Proof of purchase or proof of legal ownership shall exist for the asset
5. No intangible item shall be recognised as fixed asset, except where the Chief Financial Officer complied with all the criteria as set out in IAS 38 and recommend to council that specific development costs shall be recognised and included in the cost of a fixed asset. Expenses incurred for the enhancement of a fixed asset or in the material extension of the useful life of a fixed asset shall be capitalised to the cost of such fixed asset.
6. Expenses with regard to the maintenance of the asset shall be considered as operating expenses in ensuring that the useful operating life of the asset concerned is achieved and shall not be capitalised.
7. Costs to bring the asset into operation may be capitalised as part of the cost of the fixed asset. Such costs may include import duties, forward cover costs, transportation costs, installation, assembly and communication costs.
8. Where an item of property, plant and equipment is made of different component parts which have different useful lives, it shall be accounted for in the following ways:
 - 8.1 The total cost shall be allocated to the different components of the property, plant and equipment,
 - 8.2 Each component part will be capitalised separately, and
 - 8.3 Depreciation will be calculated for each component separately over their useful lives.
9. Property, plant and equipment acquired for safety and environmental purposes will only be capitalised if it will increase the future economic benefits or potential service provision from the related items of property, plant and equipment.
10. In respect of a heritage asset, if no original cost or fair value are available and it is difficult

and expensive to determine the fair value, the Chief Financial Officer may record such an asset in the fixed asset register without an indication of the cost or fair value concerned. For disclosure purposes, the existence of such a heritage asset shall be disclosed with a nil value in the financial statements.

11. In respect of a donated asset, the asset shall be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer.
12. The Municipal Manager shall ensure that the Municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

D CLASSIFICATION OF FIXED ASSETS

1. To comply with the requirements of National Treasury, the Chief Financial Officer shall ensure that all fixed assets are classified in the following categories:
 - 1.1. Property, plant and equipment
 - Land (not held as an investment)
 - Infrastructure assets (assets which are part of a network of similar assets)
 - Community assets (resources contributing to the general well-being of the community)
 - Heritage assets (culturally significant resources)
 - Other assets (ordinary operating resources)
 - 1.2. Inventory
 - Housing (rental stock or housing stock not held for capital gain)
 - 1.3. Investment property
 - Investment assets (resources held for capital gain or operational gain)
2. Investment property shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the financial statements.
3. Investment assets comprises of land or buildings or both, held by the Municipality, as owner, or lessee under a finance lease, to earn rental revenues or for capital appreciation or both. These shall be disclosed in the fixed asset register in the same manner as other fixed assets, but a separate section of the fixed asset register shall be maintained for these purposes.
4. Investment assets shall not be depreciated, but shall be valued annually by an expert valuer, to determine the fair market value and be recorded in the balance sheet at these fair values. Adjustments for the value from the previous year's fair value shall be accounted for as either gains or losses in the accounting records.
5. If Council opt to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use, then it shall be classified as an investment property.
6. Any land or buildings owned or acquired by the Municipality with the intention of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property. Such inventories shall however be recorded in the fixed asset register.

E PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

1. The acquisition of property, plant and equipment must meet the following conditions:
 - 1.1 It shall form part of Council's Integrated Development Plan and approved in the annual budget
 - 1.2 The Municipal Manager as well as the Chief Financial Officer shall approve the acquisition of emergency property, plant and equipment
 - 1.3 Council shall approve capital expenditure in excess of the initial budget
 - 1.4 Tenders and quotations shall be obtained in accordance with the Municipality's Supply Chain Management Policy before an item is purchased.
 - 1.5 Payments shall be made in accordance with the Municipality's Procurement and Supply Chain Management Policy.

F INITIAL MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT

1. Initially an item of property, plant and equipment shall be measured at cost. The cost shall include the following:
 - 1.1 The purchase price of the asset
 - 1.2 Import duties
 - 1.3 Non-refundable purchase taxes
 - 1.4 Other direct attributable costs to bring the asset in working condition as management intended.
2. The cost shall exclude the following:
 - 2.1 Discounts received
 - 2.2 Rebates received
 - 2.3 Any finance costs
3. When the asset is acquired by way of an exchange for another asset the cost of of the asset to be capitalised will be the carrying amount of the asset given up.

G SUBSEQUENT MEASUREMENT OF FIXED ASSETS

1. Fixed assets shall be measured at their original cost or fair value less any accumulated depreciation (referred to as the carrying amount) in the fixed asset register, and appropriately recorded in the annual financial statements at their original cost or fair value less any accumulated depreciation.
2. The only exception to the rule shall be in respect of revalued assets.
3. The basis of revaluation shall be the net replacement value.
4. When land and buildings are revalued upwards, the revaluation shall be treated as follows:
 - 4.1 The accumulated depreciation shall be eliminated against gross carrying amount of the asset
 - 4.2 The net amount shall be restated to the revalued amount
 - 4.3 The amount with which the asset is revalued shall be transferred to a non-distributable reserve in the appropriation account under the heading revaluation surplus
 - 4.4 If the revaluation increase reverses a revaluation decrease of an asset that was previously recognised as an expense, the revaluation shall be recognised as revenue in the income statement.
1. When land and buildings are revalued downwards, the revaluation shall be treated as follows:
 - 5.1 The accumulated depreciation shall be eliminated against gross carrying amount of the asset
 - 5.2 The net amount shall be restated to the revalued amount
 - 5.3 The amount with which the asset is revalued shall be recognised as an expense in the income statement
 - 5.4 If the revaluation decrease reverses a revaluation increase of an asset that was previously recognised as a revaluation surplus, the revaluation shall be off set against the revaluation surplus disclosed in the appropriation account.

H SUBSEQUENT MEASUREMENT FOR PROPERTY, PLANT AND EQUIPMENT OTHER THAN REVALUED FIXED PROPERTY

- 1 Subsequent to initial recognition, an item of property, plant and equipment shall be carried at cost less accumulated depreciation (the carrying amount), provided that the carrying amount is not higher than the recoverable amount.
- 2 Depreciation shall be recognised as an expense unless it is included in the carrying amount of another asset. In such case , the depreciation charge will form part of the cost of the other asset.
- 3 The straight line depreciation method will be used to reflect the pattern in which the economic value of an asset is used.
- 4 When an asset needs significant renewal or restoration costs at the end of the asset's useful life, the estimated cost will be recognised over the estimated useful life of the asset until the liability is fully provided. When the cost is actually incurred it shall be off set against the liability.

I CUSTODY OF FIXED ASSETS

Every Head of Department shall be directly responsible for the physical custody of any fixed asset under his/her control.

Every Head of Department shall comply with any written directives issued by the Municipal Manager in regard to the control of or custody of the Municipality's fixed assets.

J VERIFICATION OF FIXED ASSETS

1. Each Head of Department shall verify the existence and condition of all fixed assets controlled or used by his/her department at least once a year.
2. Each Head of Department shall promptly after the asset verification, submit a full report by not later than 30 June of each year to the Chief Financial Officer in the prescribed format, disclosing all relevant results of such fixed asset verification. The asset verification shall be conducted as near as possible to year-end but still meet the aforementioned deadline of 30 June.
3. All fixed assets shall be physically verified at least once a year, with spot checks during the year. Upon physical verification, the following shall be noted:
 - 3.1 Items that could not be physically verified – these shall be circulated to the relevant Heads of Department for assistance with the tracing of such asset.
 - 3.2 Items with no unique asset identification number – all assets shall have a unique asset identification number to ensure that positive physical verification is made possible.
 - 3.3 New items not yet on asset register – a unique identification number shall be allocated to these assets, and that assets shall be added to the asset register. VAT shall be accounted for accurately in terms of prevailing legislation.
 - 3.4 Damaged property that should be written off – the procedures shall be followed as prescribed in Section 14.
4. After the physical verification process and all unresolved issues cleared, new lists of assets per department shall be distributed to the relevant Heads of Department.

K DEPRECIATION

1. All fixed assets, except for land and heritage assets shall be depreciated. The depreciation shall be disclosed as an expenditure in the income statement. Depreciation shall initially be calculated from the day after the asset was acquired or the day after the asset was brought into use, until the end of the calendar month concerned. Thereafter depreciation charges shall be calculated monthly.
2. Each Head of Department shall ensure that reasonable budgetary provision is made annually for the depreciation of all depreciable fixed assets controlled or used during the ensuing financial year. The procedure to be followed for the amortisation of intangible assets shall be identical to those applying to fixed assets.

2.1 Rate of depreciation

- The Chief Financial Officer shall assign a useful operating life to each depreciable asset. In determining the useful life of an asset, refer to Annexure A.
- In the case of an asset not listed in Annexure A, the Chief Financial Officer shall determine a useful operating life.

2.2 Method of depreciation

- Except for cases specifically identified, the Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful life of the assets.

2.3 Amendment of asset lives and impairment of the value of fixed assets

- Only the Chief Financial Officer may amend the useful life assigned to any fixed asset. When material amendment occurs, he/she shall report to Council appropriately.
- The useful lives may be amended when it becomes known that the useful operating life of such an asset has been materially impaired or improperly maintained to such an extent that the asset has been significantly impaired.
- If the value of an asset has been impaired to such an extent that it has no or negligible further useful operating life or value, such an asset shall be fully depreciated in the financial year in which such an event occurs.
- If an asset has been lost or stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such an event occurs. If the asset has physically ceased to exist, it shall be written off and derecognised in the fixed asset register.

L RECOVERY OF THE CARRYING AMOUNT OF FIXED ASSETS

1. When the recoverable amount of a fixed asset has declined below the carrying amount, the accounting treatment shall be as follows:
 - 1.1 The carrying amount of the fixed asset shall be reduced to the recoverable amount, and
 - 1.2 The amount of the reduction shall immediately be recognised in the income statement as an expense.
2. When there is an increase in the recoverable amount, the amount will only be written back:
 8. If the circumstances that led to the write-down, cease to exist; and
 8. There is evidence that the new circumstances will persist in the foreseeable future; and
 8. The amount written back shall be limited to the fixed asset's original amount as if there was no impairment.
- 8 The amount written back shall be recognised in the income statement as revenue.

M DISPOSAL OF FIXED ASSETS

1. In compliance with the Municipal Finance Management Act, 2003 the transfer of ownership of fixed assets shall be fair, equitable, transparent, competitive and consistent with the Municipality's Supply Chain Management Policy.
2. When an asset is disposed of it shall be derecognised and removed from the fixed asset register as well as the General Ledger of the Municipality.
3. The following procedures shall be followed when an asset is disposed of:
 - 3.1 A report must be submitted to council containing the following required information for council to consider the scrapping and approval for the de recognition and disposal of such assets that have no future economic benefits or use in service delivery for the council:
 - The Chief Financial Officer shall compile a summary of the assets being sold. The following information shall be contained on the summary for each of the assets:
 - The asset number
 - The asset description
 - The date of purchase of the asset
 - The book value of the asset
 - A reason why the asset is being sold
8. A pre-numbered disposal form shall be completed by the Chief Financial Officer for each of the assets to be disposed of. This form shall be completed in duplicate and shall contain the following information:
 - The asset number
 - The asset description
 - The date of purchase of the asset
 - The original purchase price of the asset
 - A reason why the asset is being sold
 - The book value (carrying amount) of the asset
 - The location of the asset
 - The cost centre where the asset was used
 - The name of the department where the asset was used
 - The selling price of the asset
 - The date on which the asset is sold
 - Approved and dated by the relevant Head of Department, Municipal Manager and Chief Financial Officer.

8. The completed, original pre numbered disposal form shall be furnished to the fixed asset clerk once the asset has been disposed of in order to record the transaction and for the de recognition of the asset in the asset register and the General Ledger.
8. When an asset is sold and the proceeds from the sale is less than the carrying value, a loss shall be recognised in the income statement of the department or vote concerned
8. When an asset is sold and the proceeds from the sale is more than the carrying value, a profit shall be recognised in the income statement of the department or vote concerned
8. All gains realised shall be appropriated annually to the Municipality's asset financing reserve. All losses shall remain as an expense on the income statement. If, however, both losses and gains arise in the financial year of any department or vote, only the net gain of such assets shall be appropriated
8. All assets that have been approved by council for the disposal thereof shall be sold on public auction arranged by the Chief Financial Officer for this purpose. The Chief Financial Officer may utilise the services of a professional auctioneer for advertising, conduct of the auction and other related purposes if he/ she deems it expedient to do so under the circumstances. The auction shall be held simultaneously with the auction contemplated in paragraph N(8) below mentioned.

N SCRAPPING OF FIXED ASSETS

1. Fixed assets shall be removed from the fixed asset register as well as from the General Ledger when:
 - 1.1 The asset is damaged beyond economical repair
 - 1.2 Council has approved the scrapping of the asset.
2. Losses arising from an asset that is scrapped shall be accounted for as an expense in the income statement.
3. The following procedures shall be followed where an asset is withdrawn from use and written off:
4. A pre-numbered scrapping form shall be completed for each of the assets that need to be written off. This form shall be completed in duplicate by the Chief Financial Officer. Each form shall contain the following information with regards to each asset scrapped:
 - 4.1 The asset number
 - 4.2 The asset description
 - 4.3 The date of purchase of the asset
 - 4.4 The original purchase price of the asset
 - 4.5 A reason why the asset is being written off
 - 4.6 The book value of the asset
 - 4.7 The location of the asset
 - 4.8 The cost centre where the asset was used
 - 4.9 The name of the department where the asset was used
 - 4.10 The estimated scrap value of the asset
 - 4.11 The date when the asset is scrapped
 - 4.12 Approved and dated by the relevant Head of Department, the Chief Financial Officer and the Municipal Manager.
5. The original scrapping form shall be furnished to the fixed asset clerk once the write-off was approved by Council
6. The finance department shall compile a summary of the assets to be written off. The following information shall be contained on the summary for each of the assets:
 - 6.1 The asset number
 - 6.2 The asset description
 - 6.3 The date of purchase of the asset
 - 6.4 The book value of the asset

6.5 A reason why the asset is being written off

7. Council shall approve the scrapping of all assets in terms of an annual report submitted by the Chief Financial Officer for this purpose.
8. All assets that have been approved by council for the scrapping thereof shall be sold on public auction arranged by the Chief Financial Officer for this purpose within 60 days after obtaining council approval. The Chief Financial Officer may utilise the services of a professional auctioneer for advertising, conduct of the auction and other related purposes if he/ she deems it expedient to do so under the circumstances.

O CONTROL AND MANAGEMENT OF FIXED ASSETS

1. A fixed asset register shall be maintained in the format determined by the Chief Financial Officer. This format shall comply with the requirements of:
 - 1.1 Generally Recognised Accounting Practice (GRAP)
 - 1.2 Generally Accepted Municipal Accounting Practice (GAMAP)
 - 1.3 Any other requirements which may be prescribed
2. The fixed asset register shall reflect the following information:
 - 2.1 A description of the asset
 - 2.2 The date the asset was acquired or bought into use
 - 2.3 The location of the asset
 - 2.4 The department or vote in which the asset will be used
 - 2.5 The title deed number of the asset, in the case of fixed property
 - 2.6 The stand number, in the case of fixed property
 - 2.7 The unique identification number of the asset
 - 2.8 The original cost of the asset or the revalued amount, or the fair value if the cost is not available
 - 2.9 The last valuation date of the asset subject to revaluation
 - 2.10 The revalued value of such assets
 - 2.11 The name of the last valuer
 - 2.12 The accumulated depreciation to date
 - 2.13 The depreciation charge for the current year
 - 2.14 The depreciation rate and method used
 - 2.15 The carrying value of the asset
 - 2.16 Impairment losses during the financial year
 - 2.17 The source of financing
 - 2.18 Current insurance arrangements
 - 2.19 The purpose for which the asset was acquired
 - 2.20 Whether the asset has been used to secure any debt
 - 2.21 The date on which the asset was disposed of
 - 2.22 The disposal price

2.23 Recognition and derecognition of fixed assets.

3. An asset shall be recorded in the fixed asset register as soon as the asset is acquired. If the asset is constructed over a period of time, it shall be accounted for as work-in-progress until it is available for use. When it is brought into use, it shall be capitalised as an asset.
4. The fixed asset shall remain in the fixed asset register for as long as it is in use. The asset shall not be removed from the asset register even if it is fully depreciated.
5. Every Head of Department shall ensure that in the event of loss, theft, destruction or impairment, he/she shall promptly report in writing to the Chief Financial Officer, and in cases of suspected theft or malicious damage, to the South African Police Service.
6. The Chief Financial Officer shall ensure that the general ledger is reconciled monthly to the fixed asset register. The reconciliation shall be done before the 25th of each following month. The Chief Financial Officer shall sign the reconciliation as proof of the verification function having been performed.

P INSURANCE OF FIXED ASSETS

The Chief Financial Officer shall ensure that all fixed assets are adequately insured in order to reduce the council's risk to an acceptable and affordable level.

The Municipal Manager shall yearly, concurrently with the preparation of the annual budget, recommend to Council, the basis of insurance to be applied to each type of asset, either the carrying value or the replacement value of the asset concerned as well as the risk coverage on each category of asset, whether comprehensive, fire, theft and third party or whatever other means deemed expedient under the circumstances.

Q MAINTENANCE OF FIXED ASSETS

1. Maintenance plans

- 1.1 The relevant Heads of Department shall ensure that maintenance plans in respect of all the assets exceeding R100 000 under their control are in place and submitted to Council for approval.
- 1.2 The maintenance plan shall be submitted to and approved by Council before the asset is acquired.
- 1.3 The relevant Head of Department shall no later than 31 July of each year, submit to council a progress report on the maintenance of all fixed assets under his/ her control in terms of the approved maintenance plan. Where deviations to the maintenance plan occurred, the reason therefore and the effect thereof as well as recovery plans to remedy the situation must be disclosed in the report for consideration by the council.

2. Deferred maintenance

- 2.1 In the event of a material variation between the expenses actually incurred for maintenance and the amount budgeted for maintenance of infrastructure assets, the Chief Financial Officer shall disclose the extent and possible effect of such deferred maintenance in an appropriate note in the financial statements. The note shall also include the possible implications and plans to rectify such postponement of maintenance requirements.
- 2.2 The Chief Financial Officer shall in any event yearly reconsider the useful operating life of all fixed assets and recalculate the annual depreciation of such an asset.

3. General maintenance of fixed assets

- 2.4 Every Head of Department shall be responsible for ensuring that all assets are properly maintained to ensure that assets reach their useful operating lives.

R RESEARCH AND DEVELOPMENT COSTS

1. Research costs shall not be recognised as an asset.
2. Development costs may be recognised as an asset, when all of the following criteria are met:
 - 2.1 The intention for the development of the asset is to use it or to sell it
 - 2.2 The Municipality has the ability to use or sell the asset
 - 2.3 The technical feasibility of the asset can be demonstrated
 - 2.4 The project is clearly defined and the cost relating to the project can be reliably measured
 - 2.5 The availability of adequate technical, financial and other resources to complete the asset
 - 2.6 It can be determined what the future economic benefit or usefulness of the asset will be
3. Development cost originally recognised as an expense may later not be capitalised as an asset.
4. The development cost capitalised may not exceed the recoverable amount of the asset, after deducting the following expenditure:
 - 4.1 Further development costs
 - 4.2 Related production or delivery costs
 - 4.3 Selling and administrative costs directly related to marketing the asset.

S ROLE OF MUNICIPAL MANAGER AND CHIEF FINANCIAL OFFICER

1. Municipal Manager

The Municipal Manager shall be responsible for ensuring that the fixed asset policy is applied and adhered to.

2. Chief Financial Officer

The Chief Financial Officer shall be the fixed asset registrar of the Municipality and shall ensure that a complete, accurate and up-to-date asset register is maintained on the computer system. All adjustments to the fixed asset register shall be made by the Chief Financial Officer.

T MOTOR VEHICLE FLEET MANAGEMENT

1. It is important that proper control exists over vehicles and equipment of the Council as these items are susceptible to theft, damage and misuse with high replacement costs. The Council's motor vehicle fleet consists of the following:
 - 1.1. Motor vehicles;
 - 1.2. Light delivery vehicles;
 - 1.3. Trucks;
 - 1.4. Trailers;
 - 1.5. Vehicles for special purposes;
 - 1.6. Tractors,
 - 1.7. Motor cycles
 - 1.8. Other self propelled vehicles
2. The following shall apply to the vehicle fleet:
 - 2.1. All vehicles shall be properly insured against theft, damage and third party claims.
 - 2.2. Each vehicle shall be controlled by an individual log book containing the following information:
 - Full description of the vehicle;
 - Vehicle registration number and / or unique asset number;
 - Date of use;
 - Name and the signature of the vehicle driver or operator;
 - Kilometres travelled or hours that the machine was used;
 - Department/s and expense vote that the vehicle was used for;
 - Approval signature of the relevant head of the department.
 - 2.3. The detailed information of each individual vehicle must be captured onto the vehicle management system.
 - 2.4. Costs in respect of each vehicle must be allocated to the various departments on a monthly basis according to the predetermined kilometre / hourly tariff.
 - 2.5. The vehicle log sheets must be signed by the relevant Head of department as well as the vehicle control officer on a monthly basis.
 - 2.6. Log sheets of the individual vehicles must be approved by the relevant head of department before information on the log sheets can be captured onto the vehicle management system.
 - 2.7. Monthly vehicle cost budgetary control procedures must be adhered to.
 - 2.8. All vehicle acquisitions must be budgeted for and the actual expenditure transaction must be approved by the Head of department..
 - 2.9. The disposal / scrapping of vehicles must be approved by the Council as per Section 13 and 14 of this policy.

- 2.10. Council vehicles may not be utilised for any other reason than official council business.
- 2.11. The detailed information of all vehicles must be captured onto the Council's fixed asset register within two working days after the vehicles are received / delivered to the Council.
- 2.12. The vehicle control officer will on a monthly basis reconcile fuel and oil consumption in terms of the inventory system for all vehicles to actual distance/ hours utilised according to the log sheets in order to conduct a reasonability test based on predetermined bench marks for each vehicle.

GREATER MARBLE HALL MUNICIPALITY**U FIXED ASSETS LIFE EXPECTANCY FOR DEPRECIATION PURPOSES****Infrastructure assets**

Electricity	
Power stations	30 years
Cooling towers	30 years
Transfer kiosks	30 years
Meters	20 years
Load control equipment	20 years
Switchgear	20 years
Supply/reticulation	20 years
Mains supply	20 years
Roads	
Motorways	15 years
Other roads	10 years
Traffic islands	10 years
Traffic lights	20 years
Street lights	25 years
Overhead bridges	30 years
Stormwater drains	20 years
Bridges, subways and culverts	30 years
Car parks	20 years
Bus terminals	20 years
Water	
Mains	20 years
Supply and reticulation networks	20 years
Reservoirs and storage tanks	20 years
Meters	20 years
Rights to draw water from a source belonging to another party	15 years

Gas	
Supply and reticulation networks	20 years
Storage tanks	20 years
Mains	20 years
Meters	20 years
Sewerage	
Sewer mains	20 years
Outfall sewers	20 years
Sewerage purification works	20 years
Sewerage pumps	15 years
Sludge machines	15 years
Pedestrian malls	
Footways	20 years
Kerbing	20 years
Paving	20 years
Airports	
Runways	20 years
Aprons	20 years
Taxiways	20 years
Airport and radio beacons	20 years
Security measures	
Access control systems	5 years
Security systems	5 years
Security fencing	3 years

Community assets

Buildings and other assets	
Ambulance stations	30 years
Care centres	30 years
Cemeteries	30 years
Civic theatres	30 years
Clinics and hospitals	30 years
Community centres	30 years
Fire stations	30 years
Game reserves and rest camps	30 years

Indoor sports	30 years
Libraries	30 years
Museums and art galleries	30 years
Parks	30 years
Public conveniences and bath houses	30 years
Recreation centres	30 years
Sports and related stadiums	30 years
Zoos	30 years
Recreation facilities	
Bowling greens	20 years
Tennis courts	20 years
Swimming pools	20 years
Golf courses	20 years
Jukskei pitches	20 years
Outdoor sports facilities	20 years
Organs	20 years
Lakes and dams	20 years
Fountains	20 years
Flood lightning	20 years

Heritage assets

No asset lives are prescribed for heritage assets

Investment assets

Office parks – developed by the Municipality	30 years
Shopping centres	30 years
Housing developments	30 years

Other assets

Buildings	
Abattoirs	30 years
Asphalt plant	30 years
Cable stations	30 years
Caravan parks	30 years
Compacting stations	30 years
Hotels to accommodate public/tourists	30 years
Hostels for Municipal employees	30 years
Housing schemes	30 years
Kilns	30 years
Laboratories	30 years

Fresh produce and other markets	30 years
Nurseries	30 years
Office buildings	30 years
Old age homes	30 years
Quarries	30 years
Tip sites	30 years
Training centres	30 years
Transport facilities	30 years
Workshops and depots	30 years
Office equipment	
Computer hardware	5 years
Computer software	3 years
Office machines	3 years
Air conditioners	5 years
Furniture and fittings	
Chairs	7 years
Tables and desks	7 years
Cabinets and cupboards	7 years
Bins and containers	
Household refuse bins	5 years
Bulk refuse containers	10 years
Emergency equipment	
Fire hoses	5 years
Other fire-fighting equipment	15 years
Emergency lights	5 years
Motor vehicles	
Ambulances	5 years
Fire engines	20 years
Busses	15 years
Trucks and light delivery vehicles	5 years
Ordinary motor vehicles	5 years
Motor cycles	3 years
Plant and equipment	
Graders	10 years
Tractors	10 years
Mechanical horses	10 years
Farm equipment	5 years
Lawn mowers	2 years
Compressors	5 years

Laboratory equipment	5 years
Radio equipment	5 years
Firearms	5 years
Telecommunication equipment	5 years
Cable cars	15 years
Irrigation systems	15 years
Cremators	15 years
Lathes	15 years
Filling equipment	15 years
Conveyers	15 years
Feeders	15 years
Tippers	15 years
Pulverising mills	15 years
Other	
Aircraft	15 years
watercraft	15 years