



**MALUTI-A-PHOFUNG LOCAL  
MUNICIPALITY  
Final Assets Management Policy  
2023/2024**

Issued in terms of Section 17(3)(e) and 24(1)(v) of the MFMA No. 56 of 2003

**Adopted by Council on the: 23 June 2023**

**The policy will take effect from 01 July 2023**

Maluti-a-Phofung Local Municipality  
Assets Management Policy 2023/24 Financial Year

AM	Asset Management
AMS	Asset Management System
CFO	Chief Financial Officer
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
FAR	Fixed Asset Register
MFMA	Municipal Finance Management Act
OHSA	Occupational Health and Safety Act
O&M	Operation and Maintenance
R	Rand
SDBIP	Service Delivery and Budget Implementation Plan
SCM	Supply Chain Management
TOR	Terms of Reference
VAT	Value Added Tax

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## 1 BACKGROUND

### 1.1 CONSTITUTIONAL AND LEGAL FRAMEWORK

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

- providing democratic and accountable government for local communities;
- ensuring the provision of services to communities in a sustainable manner;
- promoting social and economic development;
- promoting a safe and healthy environment; and
- Encouraging the involvement of communities and community organisations in matters of local government.

The manner in which a municipality manages its fixed assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager.

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

### 1.2 ACCOUNTING STANDARDS

The MFMA requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The Accounting Standards Board (ASB) has approved a number of Standards of Generally Recognised Accounting Practice (GRAP). When compiling a Fixed Asset Register in accordance with the accounting standards, the requirements of GRAP 17 cannot be seen in isolation. Various other accounting standards impact on the recognition and measurement of assets within the municipal environment and should be taken into account during the compilation of a GRAP compliant asset register. The following Standards of GRAP significantly impacts on the recognition and measurement of assets within the municipal environment:-

GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases (deemed finance leases);
GRAP 16	Identification of items to be treated as Investment Properties
GRAP 17	Property Plant and Equipment
GRAP 21	Impairment of non-cash generating assets
GRAP 26	Impairment of cash generating assets
GRAP 101	Agriculture
GRAP 102	Intangible assets
GRAP 103	Heritage assets
GRAP 100	Non-Current assets held for sale and Discontinued Operations

## 2 OBJECTIVES

The objective of this policy is to:

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

## 3 Approval and Effective date

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

## 4 KEY RESPONSIBILITIES

### Municipal Manager

The Municipal Manager is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The Municipal Manager shall ensure that:

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

As Accounting Officer of the municipality, the Municipal Manager shall be the principal custodian of all the municipality's fixed assets, and shall be responsible for ensuring that this policy is effectively applied upon adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and Senior Managers, of procedures to effectively and efficiently apply this policy.

### Chief Accounting Officer

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

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

- Appropriate systems of financial management and internal control are established and carried out diligently;

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- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to assets;
- The systems, procedures and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilized through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The Senior Managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- This policy and support procedures are established, maintained and effectively communicated.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made other than by the CFO or by an official acting under the written instruction of the CFO.

*Asset Management Committee*

The Asset Management Committee (AMC) shall ensure that:

- The Asset Management Policy is reviewed on an annual basis to ensure alignment with legislative and prescriptive guidelines;
- The process and procedure guidelines are reviewed on an annual basis to address any shortcomings and incorporate guidance received from the internal and external auditors;
- The Policy and Procedure Guidelines are adhered to;
- The Committee meets at least monthly;
- A detailed action plan is developed for the annual review/verification of all assets; and that this action plan is effectively followed.

*Senior Manager*

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

- Appropriate systems of physical management and control are established and carried out for all fixed assets;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be captured into the municipal asset register;

- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management system, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

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

## 5 POLICY AMENDMENT

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

## 6 RELATIONSHIP WITH OTHER POLICIES

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

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

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

## 7 POLICY FOR FIXED ASSET ACCOUNTING

### 7.1 Fixed Asset Recognition

#### (a) *Definitions and rules*

##### Asset

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

##### Fixed Asset

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

##### Useful Life

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

##### Control

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

##### Past transactions or events

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

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

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

##### Economic benefits

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

##### Service Potential

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

##### Tangible assets

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



### Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Examples are licenses/rights, (such as water licenses), servitudes, and software. The assets must either be separable (able to be sold, transferred, or rented) or arise from contractual rights.

### Leased assets

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

### Asset custodian

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

### Reliable measurement

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

#### **(b) Policy**

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

#### **(c) Responsibilities**

- The CFO, in consultation with the Municipal Manager and Senior Managers, shall determine effective procedures for the recognition of existing and new fixed assets.
- Every Senior Manager shall ensure that all fixed assets under their control are correctly recognised as fixed assets.
- Every Senior Manager shall keep an inventory of items that have a useful life of greater than one year.
- The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for fixed assets for which accelerated depreciation shall apply.
- The CFO shall keep a lease register with the following minimum information: name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.

## 7.2 Classification of Fixed Assets

### (a) *Definitions and rules*

#### Fixed asset categories

Fixed assets are grouped for accounting purposes, as follows:

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

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

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

#### Reliability of measurement

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

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

The degree of certainty that any economic benefits or service potential associated with an item will flow to the municipality is based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the municipality, in consultation with the CFO and respective Senior Manager. In the event that it is not probable that there will be an inflow, the asset should not be recognised.

#### Spares

Major spare parts are recognised as an item of PPE immediately when they are available for use (ex. in the stores). Dedicated spares (ones that can only be used for specific assets) are also recognised as PPE regardless of value.

#### Items used irregularly

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

#### Class of PPE

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

PPE Asset hierarchy

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

Refer to the following annexures for the asset hierarchy/ level of componentisation:

Asset category/class	Annexure
Buildings	B
Electricity	C
Roads and stormwater	D
Sewerage	E
Water	F

PPE: Land

Land encompasses both undeveloped and developed land owned by the municipality.

PPE: Buildings

Buildings are immovable assets and structures other than infrastructure assets and include community assets, administrative buildings, residential, and non-residential dwellings.

PPE: Community assets

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

PPE: Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets and are specialised in nature.

PPE: Other assets

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

PPE: Housing

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

Intangible assets

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

Heritage assets

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and works of art. The accounting treatment of heritage assets is regulated by GRAP 103.

Investment property

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

Non-current asset held for sale

An asset (PPE) will be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The intention must be to sell the assets within a twelve month period

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

**(b) Policy**

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

Category	Sub category
PPE	Land
	Buildings
	Infrastructure
	Assets under construction
	Other (Movables)
	Biological or cultivated assets
Intangible assets	Computer software
	Other
Heritage assets	Heritage assets

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Investment Properties	Rented properties
	Land with undetermined use
Non-current assets held for sale	

PPE shall be disclosed in the notes of the financial statements at the sub-category level. In Appendix B to the financial statements, PPE will be disclosed at asset class level:

Sub category	Asset class
Land	Developed land
	Undeveloped land
Buildings	Residential buildings
	Non-residential buildings
Infrastructure assets	Cemeteries
	Electricity
	Roads and stormwater
	Sewerage
	Solid waste
Assets under construction	Water
	Infrastructure
	Buildings
	Other
Other	Computer equipment
	Finance leased assets
	Furniture and office equipment
	Machinery and equipment
	Transport assets
Heritage assets	Heritage assets
Biological or cultivated assets	Biological or cultivated assets

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

**(c) Responsibilities**

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

**7.3 Identification of Fixed Assets**

**(a) Definitions and rules**

Asset coding

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

**(b) Policy**

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

**(c) Responsibilities**

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

**7.4 Fixed Asset Register**

**(a) Definitions and rules**

Fixed asset register

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

Updating data in the asset register

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

**(b) Policy**

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

**(c) Responsibilities**

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

## 7.5 MEASUREMENT AT RECOGNITION

**(a) Definitions and rules**

Measurement at recognition of PPE

An item of PPE that qualifies for recognition is measured at cost. Where an asset is acquired at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as recognising fixed assets for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

Fair value

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

Cost of an item of PPE

The capitalisation value comprises (i) the purchase price and (ii) any directly attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT).

#### Directly attributable costs

Directly attributable costs are defined as:

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

#### Exchanged PPE assets

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

#### PPE finance leases

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

#### Depreciated replacement cost

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

Accordingly, the following formula is used:

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

Replacement costs are “green field”, unless there is evidence of definite cost variance due to “brown-field” modifications. Capital unit costs vary from site to site and provision is made for site specific



influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as “supply-and-demand”, economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of rates for escalation to the valuation date are applied.

#### Self-constructed assets

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

#### Borrowing costs

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

#### Investment property

Where available, initial recognition will take place on the cost model. Should relevant cost data not be available, a fair value determination will be made by appointing a valuer. Subsequent measurement and disclosure will be on fair value as determined by the valuer during the compilation of the valuation roll this process is aligned with the compilation of the valuation roll cycle and on an annual basis the register will be updated with the amendments as per the supplementary valuation roll where applicable.

If the council of the municipality constructs or develops a property for future use as an investment property, such property shall in every respect be accounted for as Investment Property.

#### Intangible assets

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

### **(b) Policy**

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

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

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

**(c) Responsibilities**

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

## 7.6 MEASUREMENT AFTER RECOGNITION

**(a) Definitions and rules**

Options

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

Cost model

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

Revaluation model

After recognition, an asset (whose value can be measured reliably) is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be revalued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations) in the Revaluation Reserve.

The revaluation surplus is transferred to accumulated surpluses/deficits on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer is to be made at the end of each financial year.

Statutory inspections

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

Expenses to be capitalised

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

Spares

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

**(b) Policy**

Measurement after recognition shall be on the following basis:

- Immoveable PPE except land: Cost model
- Moveable PPE: cost model;
- PPE Land and Investment property: values established in each update of the Valuation Roll; and
- Intangible assets: cost model.
- Non-current asset held for sale: at the lower of its carrying amount and fair value less costs to sell.

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

**(c) Responsibilities**

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

## 7.7 Depreciation

### (a) *Definition and rules*

#### Depreciation

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

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

#### Depreciable amount

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

#### Residual value

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

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

#### Depreciation method

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

#### Remaining useful life

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

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

#### Depreciation charge

Depreciation starts once an asset is recognised and available for use and ceases when it is de-recognised or classified as non-current assets held for sale. 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 usage methods of depreciation the depreciation charge can be zero while there is no production. Depreciation is initially calculated when the asset is available for use, i.e when it is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Carrying amount

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

Capital spares

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

**(b) Policy**

All fixed assets, except land, heritage assets, investment properties, and servitudes, shall be depreciated over their expected useful lives. Computer software that is classified as intangible assets will be depreciated over 5 years to be in line with the economic useful lives of computer hardware utilising it. The remaining useful lives (RUL) of existing intangible assets have been adjusted in terms of the new policy statement.

Refer to **Annexures** for the expected useful lives by asset category.

In all cases, the straight line method of depreciation shall be used. The depreciation charge for each period shall be recognised as an expense.

It is the municipality's intention to utilise all assets, with the exception of motor vehicles, for their full economical life, as a result the residual values for all assets (Except motor vehicles) are set at zero.

Residual values in respect of motor vehicles are set at a percentage of the original cost that will be determined based on the average proceed received on the sale of the assets. This percentage will be reviewed on an annual basis.

The depreciation method, and remaining useful life should be reviewed at each reporting date.

**(c) Responsibilities**

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

- The CFO shall ensure that depreciation charges are debited on a monthly basis and that the fixed asset register is reconciled with the general ledger.

## 7.8 ANNUAL ASSESSMENTS

### (a) *Definition*

#### Impairment

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

#### Indications of impairment

The municipality must each year test assets for impairment losses if, and only if, there has been an indication of any of the following:

- external sources of information:
  - decline or cessation in demand;
  - changes in the technological, legal or government policy environment; or
- internal sources of information:
  - evidence of physical damage;
  - evidence of obsolescence;
  - construction is halted before it is usable or complete; or
  - evidence that service performance is significantly worse than expected; or
- other indications, such as loss of market value.

The municipality must however test all intangible assets that have indefinite useful life and those not yet available for use, annually for impairment irrespective of whether there is an indication of impairment.

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

#### Impairment loss

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

An impairment loss of a cash-generating unit (asset or smallest group of assets that generate cash inflows) is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price and its value in use.

### Non-cash-generating units

Non-cash-generating units are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit, such as infrastructure and community facilities. Typically there will not be an active market for such assets, and in such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit is defined as the present value of the asset's remaining service potential. This can be determined using any of the following approaches:

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

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

### Cash-generating unit

Cash-generating units are those whose assets are held with the primary objective of generating a commercial return (in the municipal arena this would typically apply to investment property). However, when the municipality adopts the fair value model for investment property, impairment does not apply.

When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and at the end of its useful life, including factors to reflect risk in the respective cash-flows, and the time value of money.

### Recognition of impairment

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

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

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

#### Reversing an impairment loss

The municipality must assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in the surplus/ (deficit), unless the asset is carried at a revalued amount and the impairment loss was previously treated as a revaluation decrease in the Revaluation Reserve, in which case the reversal of the impairment loss is carried to the Revaluation Reserve as a revaluation increase, to the extent that such reserve exists.

#### **(b) Policy**

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

#### **(c) Responsibilities**

- The CFO shall indicate a fixed annual date for the review of remaining useful life of assets under the control of the respective Senior Managers.
- The Senior Managers shall review the remaining useful life of all assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material effect on some or all such assets. The Senior Manager shall motivate to the CFO proposed changes to the remaining useful of such assets.
- The Senior Manager should evaluate all the assets for impairment, taking into consideration any discussions with the Senior Accountants and Operating Managers.
- The Asset register administrator should update the fixed asset register with the information received, relating to the financial management system where the impairment journals have been processed
- The CFO shall report changes made to the carrying values of these assets in the asset register to the Municipal Manager and Council.



## 7.9 PHYSICAL VERIFICATION OF ASSETS

Physical verification is performed at each reporting date. Where it is not possible to conduct all verifications at the time of reporting, a phased programme of verification with the external auditor will be agreed upon.

The physical verification plan indicating the date and responsible person is determined and communicated to all involved.

Physical verification procedures:

- Prior identification of all locations at which assets are located.
- Areas to be counted are allocated to teams of counters as per the verification plan.
- A systematic approach is taken to ensure a full physical verification and that assets are not omitted or double counted
- Verification is performed using scanners
- Once all items in a selected area have been scanned, the scanner is taken to the designated person for downloading and recording on the plan;
- A report of items recorded by the scanner is printed; any barcodes not recognised by the scanner are printed in an exception report and followed up.
- Authorisation for write-off or disposals is obtained from the CFO.
- The necessary approved adjustments should be recorded by the Chief Asset accountant in the asset register.
- The barcode labels are affixed to assets that were not previously on the master list, and steps are taken to ensure the asset register is updated with this information.
- Verification on properties is done by means of a deed search and during the compilation of the valuation process.

## 7.10 DE-RECOGNITION

### (a) *Definition and rules*

#### De-recognition

A fixed asset is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

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

Disposal of assets should be approved by Council and where applicable at market-related value (or auction/tender in the case of moveable assets). Section 14 of the MFMA prohibits the disposal of assets needed to provide the minimum level of basic municipal services.

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

**(b) Policy**

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction, material impairment, or decommissioning of the fixed asset in question. Fixed assets that have not been found during physical verification for three consecutive years will be written off by Council.

**(c) Responsibilities**

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

**7.11 Insurance of Fixed Assets**

**(a) Definition and rules**

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

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

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

**(b) Policy**

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

and allied perils. The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

**(c) Responsibilities**

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

## 8 POLICY FOR SAFEGUARDING FIXED ASSETS

**(a) Definitions and rules**

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

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

**(b) Policy**

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

**(c) Responsibilities**

- Each Senior Manager shall prepare and submit to the CFO, upon request, an annual asset safeguarding plan for the assets under the control of their respective departments, indicating the budget required. The CFO shall confirm the available budget, and in consultation with the respective Senior Managers, determine the impact of any budget shortfall. The CFO shall report the impacts to the Municipal Manager for review, and advise Council. Each Senior Manager shall implement the safeguarding plan within the resources made available.

(d) *Communication of changes*

- All changes must be reported to the Assets section in the Finance Department within 10 working days to maintain accuracy of the fixed asset register. Accurate information in the system is dependent upon the completion by Departments of the Asset Movement forms for additions and transfers to other departments.
- The assets section should be consulted prior to moving the assets to record the asset numbers of the assets being moved and update the inventory list. The asset movement form should be signed by 3 officials as follows:
  - Official from the asset section
  - Official from the department/section moving the assets
  - Official from the department /section receiving the assets
- The signed assets movement forms should be filed by the Asset Section for Audit purposes.

**Data updates are required for the following changes:**

- a) change in Department ownership
  - b) change from location on record
  - c) change in usage of equipment
  - d) change in operating conditions (impairment)
  - e) change in property title
  - f) change in estimated useful life
  - g) disposal or retirement
  - h) replacement of damaged / lost barcodes
- Departments must reconcile and motivate discrepancies between the fixed asset register and the physical inventory count results.
  - Each Senior Manager shall report, within the time frame indicated by the CFO, the existence, condition, location and appropriate use of fixed assets under the control of their respective departments at the review date.
  - Senior Managers shall enforce the application of the procedures for controlling the movement of assets as prescribed by the CFO.
  - Senior Managers shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
  - Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Senior Manager.
  - The Municipal Manager must report criminal activities to the South African Police Service.

## 9 POLICY FOR LIFE-CYCLE MANAGEMENT OF PPE ASSETS

### (a) *Definitions and rules*

#### Service delivery

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

#### Asset management

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

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

### (b) *Policy*

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

- **Effective governance**

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected.

To this end, the municipality shall:

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

- **Sustainable service delivery**

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

To this end, the municipality shall:

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

- **Social and economic development**

The municipality shall strive to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the municipality shall:

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

- **Custodianship**

The municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations.

To this end, the municipality shall:

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

- **Transparency**

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

To this end, the municipality shall:

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

- **Cost-effectiveness and efficiency**

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

To this end, the municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
- regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;

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

**(c) Responsibilities**

- Asset Management Committee should convene regularly and take measures to effectively implement this policy, and report to Council on progress made at a frequency indicated by Council.
- Within 2 years of adoption of this policy, Senior Managers shall develop, and update at least every 3 years thereafter, an Asset Management Plan (AMP) for each service involving fixed assets that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the Municipal Manager to Council for adoption. AMPs shall be used to inform the preparation of a Comprehensive Municipal Infrastructure Plan and budgets through the IDP process.
- The CFO shall, in consultation with Senior Managers, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and common utilisation and which is applicable to all services. Where necessary, the Senior Managers shall interpret the grading scales for the PPE assets under their control. Senior Managers shall determine the grading of all PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at least every 5 years.



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- Within 2 years of the adoption of this policy, Senior Managers shall prepare, and review at least every 3 years thereafter, an Operations and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption.
- Within 2 years of the adoption of this policy, Senior Managers shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption. Senior Managers shall establish a monitoring regime, and report actual performance each financial year.
- The Municipal Manager shall establish procedures to ensure that legislative requirements regarding the management of capital assets, including but not limited to health and safety, and environmental protection, are documented and advised to Senior Managers. Senior Managers shall address legislative needs in their strategies and plans, and shall enforce implementation.

## 10 POLICY IMPLEMENTATION

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

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**ANNEXURES**

Maluti A Phofung Local Municipality Useful lives suggestions						
Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB	
Building	Building	Air conditioning	5	5	5	
		Building	29	29	29	
			31	above NT Guideline	31	
			35	above NT Guideline	35	
			36	above NT Guideline	36	
			37	above NT Guideline	37	
			41	above NT Guideline	41	
			42	above NT Guideline	42	
			43	above NT Guideline	43	
			44	above NT Guideline	44	
			46	above NT Guideline	46	
			48	above NT Guideline	48	
			49	above NT Guideline	49	
				51	above NT Guideline	above NT Guideline
				52	above NT Guideline	above NT Guideline
				55	above NT Guideline	above NT Guideline
				60	above NT Guideline	above NT Guideline
			Earthworks	100	above NT Guideline	above NT Guideline
			Electrical installation (building)	30	30	30
			Finishes, fixtures & fittings	15	15	15
			Fire protection	20	20	20
			Floor	50	above NT Guideline	50
			Plumbing	20	20	20
			Roof	30	30	30
			Security system	5	5	5
			Server	5	5	5
			Walls	60	above NT Guideline	above NT Guideline
		Civil structure	Erosion Protection	20	20	20
			Masonry structure	50	above NT Guideline	50
			RC Structure	80	above NT Guideline	above NT Guideline
			Tank	15	15	15
		Drainage	Channel	5	5	5
		30	30	30		
Electrical equipment	Control panel	50	above NT Guideline	50		
	Motor	0	0	0		
External facilities	External furniture	20	20	20		
	External lighting	45	above NT Guideline	45		
	Landscaping	50	above NT Guideline	50		
	Paving	20	20	20		
	Perimeter Protection	30	30	30		
	Security system	5	5	5		

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Maluti A Phofung Local Municipality Useful lives suggestions						
Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB	
Building	Building	Air conditioning	5	5	5	5
	Improved/Business	Improved/Business	43	above NT Guideline	43	43
			44	above NT Guideline	44	44
			46	above NT Guideline	46	46
			51	above NT Guideline	above NT Guideline	
			59	above NT Guideline	above NT Guideline	
			60	above NT Guideline	above NT Guideline	
	Improved/Educational	Improved/Educational	48	above NT Guideline	48	48
	Improved/Industrial	Improved/Industrial	37	above NT Guideline	37	37
	Improved/Municipal Properties	Improved/Municipal Properties	60	above NT Guideline	above NT Guideline	
			43	above NT Guideline	43	43
			44	above NT Guideline	44	44
			52	above NT Guideline	above NT Guideline	
	59	above NT Guideline	above NT Guideline			
	60	above NT Guideline	above NT Guideline			
	Improved/Public Service Infrastructure	Improved/Public Service Infrastructure	43	above NT Guideline	43	43
			49	above NT Guideline	49	49
			52	above NT Guideline	above NT Guideline	
			54	above NT Guideline	above NT Guideline	
	59	above NT Guideline	above NT Guideline			
	60	above NT Guideline	above NT Guideline			
	Improved/Residential	Improved/Residential	37	above NT Guideline	37	37
			39	above NT Guideline	39	39
			42	above NT Guideline	42	42
			43	above NT Guideline	43	43
			44	above NT Guideline	44	44
			45	above NT Guideline	45	45
			46	above NT Guideline	46	46
			47	above NT Guideline	47	47
			48	above NT Guideline	48	48
			49	above NT Guideline	49	49
			51	above NT Guideline	above NT Guideline	
	52	above NT Guideline	above NT Guideline			
	53	above NT Guideline	above NT Guideline			
	57	above NT Guideline	above NT Guideline			
	59	above NT Guideline	above NT Guideline			
	60	above NT Guideline	above NT Guideline			
Mechanical Equipment	Pump - water	15		15	15	
Metal work	Fabricated Steel	20		20	20	
MV Switch Kiosk	Electrical installation (building)	30		30	30	
Pipe work	Hydrant	20		20	20	
	Pipe - water	80	above NT Guideline	above NT Guideline		
Service connection on site	Pipe - water	80	above NT Guideline	above NT Guideline		
Sports facilities	Sports field	15		15	15	
		30		30	30	
		20		20	20	
	Swimming pool	20		20	20	

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB
Electrical	Alarm data recorder	Alarm data recorder	30	30	
	Battery Charger	Battery Charger	30	30	
			36	36	
	Battery control unit	Battery control unit	30	30	
	Building	Building	60	Above NT Guideline	
	Busbar	Busbar	30	30	
	Circuit Breaker	Circuit Breaker	30	30	
			36	36	
	Construction Makgolokweng Switching Station	Construction Makgolokweng Switching Station	45	45	
	Current Transformer	Current Transformer	30	30	
	Electrical service connection	Electrical service connection	30	30	
	Electricity meters	Electricity meters	10	10	
			20	20	
	Electricity pole	Electricity pole	25	25	
			30	30	
			36	36	
			40	40	
	Flood Light	Flood Light	20	20	
	High mast	High mast	40	40	
			46	46	
	High Mast Lights	High Mast Lights	40	40	
	Install 11m pole - upgrading of 11kv feerder mayor	Install 11m pole - upgrading of 11kv feerder mayor	25	25	
	Isolator	Isolator	30	30	
	Kiosk	Kiosk	20	20	
	LV conductors	LV Overhead Line	45	45	
	Mains	Mains	30	30	
	Meter	Meter	30	30	
	Meter cabinet	Meter cabinet	30	30	
	Metering box	Metering box	30	30	
	Metering cabinet	Metering cabinet	30	30	
	Metering Kiosk	Metering Kiosk	20	20	
			24	24	
			25	25	
	Minisub	Minisub	50	50	
	MV Conductor	Conductor	45	45	
	MV Line from Greenland ss to Makgolokweng Switching Station	MV Line from Greenland ss to Makgolokweng Switching Station	45	45	
	MV Switchgear equipment	Control panel	30	30	
			36	36	
	Overhead Connection	Overhead Connection	30	30	
	Overhead Line	Conductors	25	25	
		30	30		
		45	45		

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB
	Parallel cable switchgear	Parallel cable switchgear	30	30	
	Pedestrian Light	Pedestrian Light	20	20	
			24	24	
			25	25	
			40	40	
			46	46	
	Perimeter Protection	Perimeter Protection	25	25	
			30	30	
	Pole	Pole	25	25	
	Polemounted Transformer	Polemounted Transformer	45	45	
			50	50	
	Power line poles	Power line poles	30	30	
	Power lines incoming	Power lines incoming	30	30	
	Power Transformer	Power Transformer	50	50	
	Security Lighting	Security Lighting	20	20	
			30	30	
			36	36	
	Service Connection	Service Connection	20	20	
	Service connection on site	Electrical service connection	45	45	
		LV Overhead Line	45	45	
	Service Distribution and Metering Kiosk	Service Distribution and Metering Kiosk	20	20	
			24	24	
			25	25	
	Service Distribution Box	Service Distribution Box	20	20	
			24	24	
			25	25	
	Solar Lights	Solar Lights	30	30	
	Street Light	Street Light	30	30	
			36	36	
	Supply and delivery of electrical material	Supply and delivery of electrical material	25	25	
	Supply and install drop-out fuses	Supply and install drop-out fuses	25	25	
	Surge Arrestor	Surge Arrestor	30	30	
	Suspension assembly steel - 11kv feeder mayor	Suspension assembly steel - 11kv feeder mayor	25	25	
	Switch Gear	Switch Gear	30	30	
			36	36	
	Switching Kiosk	Switching Kiosk	20	20	
			24	24	
			25	25	
	Traffic light	Traffic light	30	30	
			36	36	
	Transformer	Transformer	30	30	
			40	40	
			50	50	

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB	
	Transformer - NECRT	Transformer - NECRT	30	30		
			50	50		
	Transformer meter	Transformer meter	30	30		
	T-three	T-three	50	50		
	Underground Cable	Underground Cable	45	45		
	Upgrading Greenlands Substation	Upgrading Greenlands Substation	45	45		
	Upgrading of 11kv feeder mayor	Upgrading of 11kv feeder mayor	25	25		
	UPS	UPS	20	20		
	Voltage Transformer	Voltage Transformer	50	50		
Land	Land	Land	0	0		
Road Furniture	Civil structure	Retaining wall	60	60		
	Information Sign	Information Sign	30	30		
			36	36		
	Road Sign	Road Sign	30	30		
	Parking meter			15	15	
				21	21	
				22	22	
				23	23	
				30	30	
	Regulatory Sign	Regulatory Sign	30	30		
			36	36		
	Regulatory/Information	Regulatory/Information	30	30		
	Road furniture	Road marking		5	5	
		Sign - general		15	15	
		Sign - regulatory		7	7	
		Speed hump		30	30	
				36	36	
			50	50		
	Road Sign	Road Sign	30	30		
	Stop Sign			30	30	
			36	36		
Traffic light	Traffic light	30	30			
Warning Sign	Warning Sign	30	30			
Roads	Bridge	Bridge	50	50		
			80	80		
	Fire hydrant	Fire hydrant	40	40		
			46	46		
	Parking	Parking	30	30		
	Pavement	Earthworks	100	100		
		Road	20	20		
			24	24		
			25	25		
			30	30		
Road structural layer		80	80			
Road surface	15	15				

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB
Sewer	Activated sludge aerated system	Activated sludge aerated system	55	55	
	Aeration Tank	Aeration Tank	55	55	
	Anaerobic Pond	Anaerobic Pond	55	55	
	Axial flow	Axial flow	40	40	
	Bio-filter Tank	Bio-filter Tank	55	55	
	Blower	Blower	40	40	
	Building	Building	55	55	
	Canopy - inlet works	Canopy - inlet works	55	55	
	Chlorine contact tank	Chlorine contact tank	55	55	
	Clarifier	Clarifier	55	55	
	Clarifier Sludge Dam	Clarifier Sludge Dam	55	55	
	Clarifier Tank	Clarifier Tank	55	55	
	Clorination Tank	Clorination Tank	55	55	
	Contact & retention channel	Contact & retention channel	55	55	
	Control Panel	Control panel	25	25	
			30	30	
			36	36	
			40	40	
	Digester	Digester	40	40	
			55	55	
	Distribution Chamber	Distribution Chamber	55	55	
	Drying Bed	Drying Bed	55	55	
	Emergency dam	Emergency dam	55	55	
	Floatation tank	Floatation tank	55	55	
	Gearbox	Gearbox	40	40	
	Generator	Generator	25	25	
			40	40	
	Grit Classifier	Grit Classifier	40	40	
	Grit Pump	Grit Pump	40	40	
	Grit Removal	Grit Removal	30	30	
			55	55	
	Humus tank	Humus tank	55	55	
	Inlet Pump Station	Inlet Pump Station	55	55	
	Inlet Screen	Inlet Screen	40	40	
			55	55	
	Inlet Works	Inlet Works	55	55	
	Manhole	Manhole	60	60	
	Maturation pond	Maturation pond	55	55	
	Meter	Meter	30	30	
	Mixer	Mixer	40	40	

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB	
	Motor	Motor	40	40		
			46	46		
	Paving	Paving	30	30		
	Perimeter Protection	Perimeter Protection	25	25		
			30	30		
	Pipe (Rerouting - Addition on Existing line)	Pipe (Rerouting - Addition on Existing line)	50	50		
	Power Transformer	Power Transformer	50	50		
	Pump	Pump	25	25		
			40	40		
			46	46		
	Rodding eye	Rodding eye	60	60		
	Screen	Screen	40	40		
	Security Lighting	Security Lighting	30	30		
			36	36		
	Sedimentation Tank	Sedimentation Tank	55	55		
	Settling Tank	Settling Tank	55	55		
	Sewer Connection	Sewer Connection	60	60		
	Sewer Line	Sewer Line	60	60		
	Sewer pipe	Sewer pipe	60	60		
Storage Tank	Storage Tank	55	55			
Tank	Tank	55	55			
Valve	Valve	25	25			
		30	30			
Valve Chamber	Valve Chamber	55	55			
Water Pipe	Water Pipe	50	50			
Stormwater	Culvert	Culvert	40	40		
			46	46		
	Drainage	Channel	30	30		
			Drain	40	40	
				46	46	
	Kerb Inlet	Kerb Inlet	20	20		
	Manhole	Manhole	40	40		
			60	60		
	Stormwater	Channel	30	30		
Channels			40	40		
			46	46		
Kerb	Kerb	50	50			



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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB
Water	500 gravity main from Escol reservoir to Seotlong reservoir	500 gravity main from Escol reservoir to Seotlong reservoir	30		30
	Battery Backup	Battery Backup	40		40
	Blower	Blower	40		40
	Building	Building	55	Above NT Guideline	
	Building Infrastructure	Building Infrastructure	55	Above NT Guideline	
	Bulk	Bulk	20		20
	Chamber	Chamber	25		25
	Chemical Dosing	Chemical Dosing	40		40
	Chlorination Equipment	Chlorination Equipment	40		40
	Clear Water Tank	Clear Water Tank	50		50
			55	Above NT Guideline	
	Coagulation Tank	Coagulation Tank	55	Above NT Guideline	
	Compensation Water Meter	Compensation Water Meter	30		30
	Consumer	Consumer	20		20
	Control Panel	Control panel	30		30
			40		40
	Distribution Board	Distribution Board	40		40
	Electrical Site Infrastructure	Electrical Site Infrastructure	40		40
	Erf Connection	Erf Connection	50		50
	External Transformer	External Transformer	50		50
	Filtration Tank	Filtration Tank	55	Above NT Guideline	
	Flocculation Channels	Flocculation Channels	55	Above NT Guideline	
	Flocculation Tank	Flocculation Tank	55	Above NT Guideline	
	Flotation Tank	Flotation Tank	55	Above NT Guideline	
	Generator	Generator	40		40
	High Lift Pump Station	High Lift Pump Station	55	Above NT Guideline	
	Hoist	Hoist	30		30
			36		36
	Hoisting Equipment	Hoisting Equipment	40		40
	House Connections	House Connections	50		50
	Hydrant	Hydrant	20		20
			25		25
			30		30
			50		50
	Kiosk	Kiosk	40		40
	Kiosk SDB	Kiosk SDB	30		30
	Lime Dosing	Lime Dosing	40		40
	Mechanical Equipment	Mechanical Equipment	40		40
	Medium Pressure Pipelines	Medium Pressure Pipelines	50		50
	Meter	Meter	20		20
			30		30
	Minisub	Minisub	50		50
	Monitoring System	Monitoring System	40		40
	Motor	Motor	40		40
			46		46
	Motor Starter	Motor Starter	40		40
	Perimeter Protection	Perimeter Protection	25		25
	Pipe Item	Pipe Item	40		40
	Pipeline	Pipeline	50		50
	Pipes	Pipes	25		25
	Pipeworks	Pipeworks	25		25
			50		50
	Pond	Pond	55	Above NT Guideline	
	Power Transformer	Power Transformer	50		50
	Pump	Pump	40		40
			46		46
	Pump coolant system	Pump coolant system	40		40
	Reservoir	Reservoir	50		50
	Rising mains	Rising mains	30		30
	Saturator	Saturator	30		30
	SCADA	SCADA	30		30
	Screen	Screen	40		40
	Security Lighting	Security Lighting	30		30
			40		40

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Asset Class	Asset type	Component type	EUL Adjusted	Test To NT Guideline	SARS GUIDELINES BUILDINGS- CHECK SARS TAB
	Sedimentation Tank	Sedimentation Tank	55	Above NT Guideline	
	Service Connection	Service Connection	30	30	
	Settling Tank	Settling Tank	55	Above NT Guideline	
	Site Lighting	Site Lighting	40	40	
	Sludge Dam	Sludge Dam	55	Above NT Guideline	
	Standpipe	Standpipe	30	30	
	Steel Pipe Fittings and Valves	Steel Pipe Fittings and Valves	40	40	
	Storage Tank	Storage Tank	55	Above NT Guideline	
	Surge Vessels	Surge Vessels	40	40	
	Tank	Tank	55	Above NT Guideline	
	Telemetry	Telemetry	40	40	
	Transformer	Transformer	40	40	
	Vacuum System	Vacuum System	40	40	
	Valve	Valve	25	25	
			30	30	
	Valve Chamber	Valve Chamber	25	25	
	Water chamber	Water chamber	25	25	
	Water Pipe	Water Pipe	20	20	
			30	30	
			50	50	

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Movable assets are okay as they are in line with NT guidelines			
			NT Guidelines
Classification Level 2	Asset Type	Year	
COMPUTER EQUIPMENT	COMPE01>0010	5	<b>Office equipment :</b>  Computer hardware      3-5 Computer software      3-5 Office machines          5-7 Air conditioners         3-5
	COMPUTER LAPTOP	5	
	CRT MONITORS	5	
	DESKTOPS	5	
	LAPTOPS	5	
	LCD MONITORS	5	
	MONITORS	5	
	NETWORK EQUIPMENT	5	
		7	
	PERIPHERALS	5	
	POS PRINTER	5	
	PRINTER	5	
	PRINTERS	5	
	TABLET	5	
	TABLETS	5	
UPS DEVICE	5		
COMPUTER SOFTWARE	SOFTWARE	5	
FURNITURE AND FITTINGS	CABINETS	7	<b>Furniture and fittings :</b>  Chairs                      5-7 Tables / desks            5-7 Cabinets / cupboards    5-7 Miscellaneous            5-7
	CHAIR	5	
		7	
	CHAIRS	5	
		7	
	CREDENZA	7	
	CUPBOARDS	5	
		7	
	DESKS	5	
		7	
	PEDESTALS	5	
		7	
	RACKING	7	
	SAFE LOCKER	7	
	SHELVING	5	
		7	
	STANDS	5	
		7	
TABLES	5		
	7		
TENDER BOX	5		
	7		
TRAYS	5		
	7		
TRUNKS	7		
WALL UNIT	7		

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Movables are okay as they are in line with NT guidelines		
		NT Guidelines
OFFICE EQUIPMENT	AIR CONDITIONERS	5
	ALARM SYSTEM	5
	AUDIO VISUAL EQUIPMENT	5
	BINDING MACHINES	5
	BOARDS	5
	CALCULATORS	5
	CREDIT CARD MACHINE	5
	FANS	5
	FAX MACHINES	5
	FLOOR POLISHERS	5
		7
	GAS HEATER	5
	GUILLOTINES	5
	HEATERS	5
	MONEY HANDLING EQUIPMENT	5
	MONEY TESTER	5
	MULTI-FUNCTIONALS	5
	OFFICE BINS	5
	OFFICE TROLLEYS	5
	ORNAMENTS	5
	PHOTOCOPY MACHINES	5
	PRESSURE SEALER	5
	PUNCH	5
	SCALES	5
	SCANNERS	5
	SHREDDER	5
	SHREDDERS	5
	STAPPLER	5
	TROLLEY	5
	TYPEWRITERS	5
	VACUUM CLEANERS	5
	VENDING TERMINAL	5
	7	

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Movables are okay as they are in line with NT guidelines		
		NT Guidelines
PLANT AND MACHINERY	DOMESTIC EQUIPMENT	5
	ELECTRIC WIRE & POWER DISTRIBUTION	5
	EMERGENCY & RESCUE EQUIPMENT	5
	FRIDGE	5
	GARDENING EQUIPMENT	5
		7
	GYM EQUIPMENT	5
		7
	KITCHEN APPLIANCES	5
	LAUNDRY EQUIPMENT	5
	LOCKER	5
	MEDICAL & ALLIED EQUIPMENT	5
	MEDICAL FURNITURE	5
	MUSIC INSTRUMENTS	5
	PHOTOGRAPHIC EQUIPMENT	5
	PUMPS, PLUMBING, PURIFICATION	5
	SECURITY EQUIPMENT	5
	SPORT & RECREATIONAL EQUIPMENT	5
	SPREADER	5
	STOVE	5
SURVEYING EQUIPMENT	5	
TELECOMMUNICATION EQUIPMENT	5	
WORKSHOP EQUIPMENT & LOOSE TOOLS	5	
TRANSPORT ASSETS	BOAT	7
	CANOPY	7
	HEAVY DUTY	7
	MOTOR VEHICLES	5
		7
	TRAILERS & ACCESSORIES	5
		7
TRUCKS	5	
	7	
WEAPONS	PISTOL	10
	REVOLVER	10
	RIFLE	10

<b>Motor vehicles :</b>	
Fire engines	5-10
Buses	10-15
Passenger vehicles	4-7
Motor cycles	4-7
Truck / Idvs	5-7