MARULENG LOCAL MUNICIPALITY

ASSET MANAGEMENT POLICY 2026/2027

Council Resolution No. SC07/05/2026

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ABBREVIATIONS

AM	:	Asset Management
AMS	:	Asset Management System
CFO	:	Chief Financial Officer
COGTA	:	Department of Co-operative Governance and Traditional Affairs
EPWP	:	Expanded Public Works Programme
GAMAP	:	Generally Accepted Municipal Accounting Practices
GIS	:	Geographical Information System
GRAP	:	Standards of Generally Recognised Accounting Practice
HR	:	Human Resources
IAM	:	Infrastructure Asset Management
IAMP	:	Infrastructure Asset Management Plan
IAMS	:	Infrastructure Asset Management Strategy
IAR	:	Infrastructure Asset Register
IAS	:	International Accounting Standards
IDP	:	Integrated Development Plan
IT	:	Information Technology
KPI	:	Key Performance Indicators
LM	:	Local Municipality
MFMA	:	Municipal Finance Management Act
O&M	:	Operations and Maintenance
OHSA	:	Occupational Health and Safety Act
R	:	Rand
SCM	:	Supply Chain Management
SDBIP	:	Service Delivery and Budget Implementation Plan
TOR	:	Terms of Reference
VAT	:	Value Added Tax
MLM	:	Maruleng Local Municipality

DEFINITIONS

"Accounting Standards Board" was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

"Assets" are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

"Asset Custodian" is a person in any position or level in the organisation entrusted with the safeguarding and use as well as the condition monitoring of a specific asset.

"Asset Management" is a broad function and includes a structured process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximise their service delivery potential and benefits, and to minimise their related risks and costs over their entire life.

"Asset Manager" is any official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the municipality's assets in accordance with the municipality's standards, policies, procedures and relevant guidelines.

"Asset categories" are the five main asset categories defined by GRAP. These are:
- ❖ Property plant and equipment (GRAP 17)
- ❖ Heritage assets (GRAP 103)
- ❖ Intangible assets (GRAP 31)
- ❖ Investment property (GRAP 16)
- ❖ Biological assets (GRAP 101)

"Fixed Asset Register" is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory requirements.

"Attractive items" are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding. These assets are also referred to as inventory.

"Capital Assets" are all assets with a life cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc.), intangible assets, and investment property.

"Capitalization" is the recognition of expenditure as an asset in the Financial Asset Register and accounting records

DEFINITIONS – *(Continued)*

"Carrying amount" is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses thereon.

"Class of Property, Plant and Equipment" means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements. (GRAP 17) (This definition of class applies to all capital assets.) Class of assets is also sometimes referred to as the asset hierarchy.

"Component" is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part shall be separately accounted for and is treated separately for depreciation, recognition and derecognition purposes. It is also referred to as separately depreciable parts.

"Cost" is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, where applicable, the amount attributed to that asset when construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other GRAP.

"Cost of acquisition" is all the costs incurred in bringing an item of plant, property or equipment to the required condition and location for its intended use.

"Current Replacement Cost" is the cost of replacing an existing asset with a modern asset of equivalent capacity.

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

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

"Depreciation method" the methods applicable i.e. straight line, reducing balance and sum of digits.

"Depreciated Replacement Cost" is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition to date (based on the fraction of remaining useful life/expected useful life).

"Economic Life" is either:
(a) the period over which an asset is expected to yield economic benefits or service potential to one or more users, or
(b) the number of production or similar units expected to be obtained from the asset by one or more users.

DEFINITIONS – *(Continued)*

"Enhancement/Rehabilitation" is an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality.

"Fair value" is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

"Financially Sustainable", in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—

(a) the initial capital expenditure required for the service;
(b) operating the service; and
(c) maintaining, repairing and replacing the physical assets used in the provision

"GRAP" stands for "generally recognised accounting practice".

"Infrastructure" means assets that usually display some or all of the following characteristics:
(a) they are part of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) they are immovable; and
(d) they may be subject to constraints on disposal

"Investment property" is defined as property (land and/or a building, or a part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operation

"Intangible assets" are defined as identifiable non-monetary assets without physical

"Heritage assets" are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art.

A **"lease"** is an agreement whereby the lesser coveys to the lessee (in this case, the municipality) the right to use as asset for an agreed period of time in return for a payments. Leases are categorised into finance and operating leases.

A **"finance lease"** that transfers substantially all risks and rewards incidental to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the assets are substantially transferred to the municipality, the lease is regarded as a finance lease recognised by the municipality. Where there is no substantial transfer of risks and rewards of ownership to the municipality, the lease is considered an operating lease and payment are expensed in the income statement on a systematic basis (straight-line basis over the lease term).

"Minor Asset" is an asset other than a capital asset, which is expensed in the year of acquisition.

"Modern Equivalent Asset" is an asset that replicates the existing asset with the most cost-effective asset performing the same level of service. This includes improvements in technology that may change the nature, life and value of an asset.

"Municipal Manager" is the person defined as the Accounting Officer of a municipality

"Property, plant and equipment" are tangible assets that:

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

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

"Remaining Useful Life" is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness.

"Renewal" is the work required to replace/enhance/rehabilitate an asset. Expenses on renewal works are considered capital expenditure.
"Reproduction Cost" is the cost of reproducing the asset in its present physical form (substantially the same materials and design).

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

"Senior manager" is a manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.

"Senior management team" are the incumbent of post level 1, 2 and 3 in each department being the "senior manager" and everyone up to two levels below them.

"Service Potential" is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life.

"Stewardship" is the act of taking care of and managing property, plant or equipment on behalf of another.

"Useful life" is either:

(a) *The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality,*

Or

(b) *The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality*

1. POLICY FRAMEWORK

1.1. PURPOSE

To provide for a structured process of decision-making, planning and control over the acquisition, use, maintenance, safeguarding and disposal of assets in order to maximise the service delivery potential and benefits, and to minimise the related risks and costs over the useful life of the assets.

To provide a framework for bringing together the end users and finance practitioners through an integrated and holistic approach to asset management.

1.2. AIMS AND OBJECTIVES

The aims and objectives of this policy are:

- To ensure the effective and efficient control, utilization, safeguarding and management of the municipality's assets.
- To ensure that Senior Managers are aware of their responsibilities in respect of operation and maintenance of assets.
- To set out the standards of management, recording and internal controls over assets to ensure that they are safeguarded against inappropriate loss or utilisation.
- To specify the process required before expenditure on property, plant and equipment occurs.

1.3 SCOPE

The scope of this policy covers Current and Non-current assets both tangible and intangible assets.

2. LEGAL FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division of Revenue Act (enacted annual)
- Municipal Finance Management Act No 56 of 2003
- Local Government Capital Asset Management Guideline, 2008

2.1 ACCOUNTING STANDARDS

The MFMA requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP) and in line with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GRAP 1 - Presentation of financial statements
- GRAP 3 - Accounting for changes in accounting policies, changes in estimates and errors
- GRAP 13 - Leases
- GRAP 16 - Investment property
- GRAP 17 - Property Plant and Equipment
- GRAP 21 - Impairment of Non-cash-generating assets
- GRAP 26 - Impairment of Cash-generating assets
- GRAP 31 - Intangible assets
- GRAP 103 - Heritage Assets
- GRAP 101 – Biological Assets

This policy does not overrule the requirement to comply with other policies like supply chain or budget policies.

3. ASSET MANAGEMENT

The goal of asset management is to achieve the required level of service in the most cost effective manner, which is achieved through management of the asset's life cycle.

To be effective, asset management shall include the following:

- Service level needs, identified in the IDP process, (these shall drive asset management practices and decision-making);
- Asset management plans that are an integral part of the municipal planning process;
- Asset acquisition decisions that are based upon the evaluation of alternatives, including demand management and non-asset solutions;
- Asset acquisition proposals that include a full business case, including costs, benefits and risks across each phase of an asset's life cycle;
- Defined responsibility and accountability for performance, safe custody and use.
- Disposal decisions based upon an analysis of disposal options, designed to achieve the best possible return for the municipality and made in accordance with the provisions of the MFMA;
- Sound risk-based internal controls supporting all asset management practices.

3.1 ASSET STRATEGY

An integrated approach towards asset planning and management will enable the MLM to deliver quality, asset-based services efficiently and effectively. By integrating asset planning with its overall planning processes, the municipality is better able to make the most appropriate decisions about the asset profile, particularly when responding to such factors as:

- new or changing service delivery requirements;
- different methods of service delivery, and
- evolving technology i.e. Information Technology equipment

Proper planning will provide a comparison between the assets required to support service delivery and those assets currently available and/or programmed for acquisition. In this manner, the municipality can identify:

- existing assets that are required and are presently capable of servicing program delivery needs;
- existing assets that are required but are below the necessary standard and need refurbishment to meet service delivery needs; and
- assets which must be acquired to meet service delivery needs.

Through this policy, Maruleng Local Municipality adopt the following integrated approach to asset management:

- taking the municipal strategy (IDP), converting that into an asset management strategy and producing plans based upon an analysis of service delivery options;
- informing the IDP (and revised IDP) and then the annual budget, using the detailed asset management plans;
- funding each approved asset management plan appropriately through the budget;
- including in the Service Delivery and Budget Implementation Plan (SDBIP) the measurable objectives and targets of each asset management plan;
- reporting on the performance of assets as measured in terms of service delivery based upon an approved SDBIP, budget and IDP.

4. APPROVAL AND EFFECTIVE DATE

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

5. RESPONSIBILITIES AND ACCOUNTABILITIES

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 must ensure that:

- 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 standards of Generally Recognized Accounting Practice (GRAP);
- That the municipality has and maintains a system of internal control of assets, including an asset register; and
- That senior managers and their teams comply with this policy.

The Chief Financial Officer is responsible to the municipal manager to ensure that the financial investment in the municipalities' assets is safeguarded and maintained.

The chief financial officer must ensure that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- The systems, processes 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 plan, 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 users are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- The chief financial officer has delegated or otherwise assigned responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

The Asset Manager shall be responsible for:

- ensuring that, when acquiring assets, decisions on how to account for the transactions, e.g. whether they should be capitalised or expensed, are made in full compliance with the MFMA, accounting standards and the LGCAMG;
- ensuring that the purchase of capital assets complies with all municipal policies and procedures,
- ensuring that the correct date on which an asset is put into service or commissioned is properly recorded in the asset register and that the appropriate financial data are recorded;
- ensuring that all capital assets are duly processed, identified and recorded before issued for use;
- ensuring that all capital assets under the asset manager's control are appropriately safeguarded from inappropriate use or loss, including appropriate control over the physical access to these assets and regular asset verification to ensure losses have not occurred, and ensuring that any known losses are immediately reported.
- ensuring that proper procedures for the movement of assets from one user to another, for maintenance, or disposals outside the municipality are in place and enforced;

- ensuring capital assets are utilised for the purpose for which the municipality acquired them.

The asset manager shall delegate custodianship of assets to specific users. The custodians will be required to perform functions assigned to the asset manager in respect of their specific assets, but the Asset Manager will remain responsible for ensuring that these activities are performed.

Senior Managers must ensure that:

- municipal resources assigned to them are utilised effectively, efficiently, economically and transparently.
- This would include:
- complying with systems of management and internal controls established by the municipality;
- preventing inappropriate losses;
- appropriately managing, safeguarding and maintaining assigned assets; and
- providing all asset-related information as and when required.

6. POLICY AMENDMENT

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

7. RELATIONSHIP WITH OTHER POLICIES

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

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

- Delegation of Powers (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

8. ACCOUNTING TREATMENT OF ASSETS

8.1. IDENTIFICATION

An item will be identified as an asset if only it meets the definition of an asset as follows:

"Assets" are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

8.2. RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT

An item of property, plant and equipment will be recognized as an asset when:

- It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
- The cost of the asset to the municipality can be measured reliably,
- The municipality has gained control over the asset,
- The costs is above the recognition threshold, and
- The asset is expected to be used during more than one financial year.

8.2.1 RECOGNITION THRESHOLD

All movable assets with a value below **R1 000.00** will be expensed and thus will not be capitalised in the Fixed Asset Register (FAR), the impact is that all assets in the fixed asset register with a cost less than **R1 000.00** will be extracted and recorded into the minor asset register. However, this will not apply to Infrastructural Assets. Assets which are below the capitalisation threshold will be included in the register as per the discretion of the CFO, an example of this is office furniture, their nature and use require them to be recorded in the main FAR.

The list of minor assets includes but is not limited to plastic chairs, blinds, stationery, grass cutter, toolbox, drill machine, grinder, kitchen utensils excluding microwave, fan, heater, consumables, wheelbarrows, etc. Due to their nature, quality and usage, these assets get easily broken as they are timeously moved from one place to another *e.g.* Plastic chairs at the community halls are being moved timeously from one community hall to the other and because of this, they get easily damaged. Wheelbarrows are being used to do community-based projects or jobs which at times include carrying stones, soil etc, by this act wheelbarrows get easily broken before we can enjoy the full life span on the asset.

All assets that are below R1 000 will have their own separate register for control purposes. The discretion of classification between minor and major lies with the CFO and the list of additions classified as minor can be provided as an annexure to the FAR

8.3. CLASSIFICATION OF ASSETS.

A class of PPE is defined as a group of assets of a similar nature or function in the municipality's operations. The total balance of each class of assets is disclosed in the notes to the financial statement.

Municipality's assets will be categorised as follows:

- Property plant and equipment (GRAP 17)
- Heritage assets (GRAP 103)
- Intangible assets (GRAP 31)
- Investment property (GRAP 16)
- Biological assets (GRAP 101)

8.3.1 ASSET HIERARCHY FOR PROPERTY PLANT AND EQUIPMENT (GRAP 17)

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

Municipality's assets shall be classified as outlined in the table below:

Accounting Group	Asset Category	Asset Sub-category
Property, plant and equipment	Infrastructure	Electricity network
		Road and storm-water network
		Water supply network
		Sanitation network
	Community Assets	Community facilities
		Sport and recreation facilities
	Operational Facilities	Operational buildings
		Factory buildings
	Other assets	Operational buildings
		Vehicles
		Operational plant and equipment

into the different layers (formation, gravel (pavement) and seal) and are recognised as capital. The layers are depreciated over different lives. For example, it is expected that the seal will be replaced a few times before the pavement needs to be rebuilt, whereas the formation is expected to last much longer. Other maintenance work and the repair of potholes, etc., are treated as maintenance.

8.4. INITIAL MEASUREMENT

An item of property, plant and equipment that qualifies for recognition as a non-current asset shall be initially measured at its "cost of acquisition".

This "**cost of acquisition**" will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs shall include the following:

- Purchase costs (less any discounts given)
- Delivery costs
- Installation costs
- Professional fees for architects and engineers
- Import duties
- Non-refundable taxes
- Site development costs
- Contractor fees

8.4.1 DONATIONS OR EXCHANGES

Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the non-current asset register if the fair value is greater than the recognition threshold. The fair value will be the amount that the donating entity has as a carrying value in their books or the purchase price by that entity.

8.4.2 SELF-CONSTRUCTED PPE

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions by the municipality. All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and each component that is part of this asset should be depreciated over its estimated useful life for that category of asset.

Proper records are kept such that all costs associated with the construction of these are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset. The capitalization will be as follows where is necessary or applicable: -

- Self-constructed assets or assets that are constructed by another party on behalf of the Municipality will be unbundled where necessary and capitalised according to their components based on the completion certificate

		Office equipment
		Furniture and fittings
		Computer equipment
		Library books
	Staff Housing	All housing buildings
	Land	Infrastructure land
		Community assets (land)
		Heritage assets (land)
		Housing land

Asset category	Classes
Heritage assets	Monuments
	Historic buildings
	Works of art
	Conservation areas
Intangible Assets	Servitudes
	Statutory licenses
	Software
Investment property	Commercial property (market related rentals charged)
	Residential property (market related rentals charged)
	Land with undetermined use

8.3.1.1 ROADS CLASSIFICATION.

The MFMA— Local Government Capital Asset Management Guideline, ANNEXURE C, classifies roads into unformed, formed, gravel and sealed roads.

- **Unformed roads**: Costs to create these are treated as an expense as is the cost to re-clear them.

- **Formed roads**: Formed roads without gravel but with some drainage earthworks are recognised as capital. Costs to maintain these roads are treated as an expense.

- **Gravel roads**: Formed roads topped with gravel. The formation is recognised as capital. The gravel is recognised and depreciated over the expected time between re-gravelling. Other maintenance costs like re-grading are treated as an expense.

- **Sealed roads**: High-capacity roads built to a higher standard of formation, compacted gravel and final seal. All the components required to build the sealed road are separated

8.4.3 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 borrowings when these are regarded as an adjustment to interest costs.

Borrowing costs shall be capitalised if related to construction of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) and external funding is sourced to fund the project, i.e.: interest during construction.

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

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

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

8.4.4 DEFERRED PAYMENT

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit unless such interest is recognised in the carrying value of the asset in accordance with the allowed alternative treatment in GRAP 5 on Borrowing Costs.

8.4.5 CHANGES IN THE EXISTING DECOMMISSIONING COSTS OR RESTORATION COSTS INCLUDED IN THE COSTS OF AN ITEM

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

If the cost model is used-

- Changes in the liability shall be added to or deducted from the cost of the related asset.
- If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

- If the adjustment results in an additional to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount may not be recoverable. In this case the municipality should test the asset for impairment.

If the revaluation model is used-

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

8.5 SUBSEQUENT MEASUREMENT

Accounting standards allow measurement after recognition of assets as follows:

- PPE, Heritage assets and Intangible assets: on either a cost or revaluation model; and
- Investment Property: either the cost model or the fair value model.
- Different models can be applied, providing the treatment is consistent per asset class.

The municipality shall subsequently measure its assets as follows:

Component	**Measurement**
Immovable PPE	Cost Model
Movable PPE	Cost Model
Investment Property Revaluation	Fair Value and the value as proposed by professional valuers (Value Every 3 yrs)
Intangible Assets	Cost Model
Heritage Assets	Revaluation Model valuers (Value Every 3 yrs)

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

□ The following are examples of investment property:
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis;
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

❖ The following are examples of items that are not investment property:

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

- Property that is being constructed or developed for future use as investment property. GRAP 17 applies to such property until construction or development is complete, at which time the property becomes investment property. However, existing investment property that is being redeveloped for continued future use as investment property remains investment property;
- Property that is leased to another entity under a finance lease Property held to provide a social service and which also generates cash inflows. For example, a housing department may hold a large housing stock used to provide housing to low-income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an "investment property" and would be accounted for in accordance with GRAP 17;
- Property held for strategic purposes which would be accounted for in accordance with GRAP 17;
- Where a property is utilised partly in the ordinary course of operations and partly to generate rentals or for capital appreciation it will only be classified as investment property if a significant portion is utilised to generate investment income.

INITIAL MEASUREMENT OF INVESTMENT PROPERTY

- Investment property is measured initially at its cost (including transaction costs). Where an investment property is acquired at no cost (for example donated assets), or for a nominal cost, its cost is its fair value as at the date of acquisition.
- The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure, such as, professional fees for legal services, property transfer taxes and other transaction costs.
- The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the municipality applies the GRAP standard on accounting for PPE (GRAP 17). At the completion date, the property becomes investment property and the standard on investment property applies (GRAP 16).

- Investment property is only recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

MEASUREMENT OF INVESTMENT PROPERTY SUBSEQUENT TO INITIAL MEASUREMENT

- Subsequent expenditure relating to an investment property that has already been recognised should be added to the carrying amount of the investment property when it is probable that future economic benefits or service potential over the total life of the investment property, in excess of the most recently assessed standard of performance of the existing investment property, will flow to the municipality. All other subsequent expenditure should be recognised as an expense in the period in which it is incurred.

For example, if a municipality purchases a building as an investment property and will incur renovation costs, the renovation cost may be capitalised if it improves the condition of the asset over its most recently assessed standard of performance. Assume that before the renovation the building can earn R5, 000 per month rental income, but after the renovation it will earn R7, 000 per month rental income. In this case the renovation cost will be added to the carrying amount of the investment property.

- After initial recognition of the investment property the municipality may choose to reflect the investment property at fair value or at cost less accumulated depreciation.
- The fair value of investment property is usually its market value. Fair value is measured as the most probable price reasonably obtainable in the market at the reporting date in keeping with the fair value definition. It is the best price reasonably obtainable by the seller, and the most advantageous price reasonably obtainable by the buyer. After initial recognition, a municipality that chooses the fair value model should measure all of its investment property at its fair value at each statement of Financial Position date. A gain or loss arising from a change in the fair value of investment property should be included in net surplus/deficit for the period in which it arises. No depreciation will be calculated on this property.

For Example, the municipality purchases four houses at a cost of R200, 000 each for purposes of leasing them out to senior managers of the municipality at market-related rates. The legal fees and transport duties relating to the transaction amount to R16, 000. At the end of the financial year the fair value of the houses is determined to be R900,000. This means that the municipality will recognise a fair value gain in the statement of Financial Performance for the year of R84 000 (R900,000 – R816,000).

- If, after initial recognition, the municipality chooses the cost model it should measure all of its investment property using the guidelines for normal assets that is, at cost less any accumulated depreciation and accumulated impairment losses.

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

8.5.4 INFRASTRUCTURE ASSETS

General

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

Policy

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

8.5.1 COST MODEL

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

8.5.2 REVALUATION MODEL

When the revaluation model is adopted an asset is carried after recognition at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued.

Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations if the re-valued amount decrease from the previous re-valued amount) in the Revaluation Reserve.

The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account.

An adjustment of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation.

Such additional depreciation expenses form a charge, in the first instance, against the balance in any Revaluation Reserve previously created for such asset, and to the extent that such balance is sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

8.5.3 INVESTMENT PROPERTY

DEFINITION OF INVESTMENT PROPERTY

❖ Investment property is defined as:

Property (land or a building — or part of a building — or both) held (by the owner or by 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 administrative purposes; or
- Sale in the ordinary course of operations;
- Investment property generates cash flows largely independently of the other assets of the municipality.
- Investment property is held to earn rentals or for capital appreciation or both.

	Street lighting		25 -40
	High mast lights		25 -40
	Traffic islands		40 -50
	Traffic lights (Incl robots)		15 -20
	Traffic signs (Incl road markings		5 -15
WATER	**WATER**		
	Dams		
	Structure		
		- Concrete - earth	80 – 100 30 -50
	Mechanical and electrical		15 -40
	Meters		10 -20
	Standpipes		5 -20
	Metalwork (steel stairs, ladders, handrails, weirs)		10 -30
	Pump stations		
		Structure Electrical Mechanical Perimeter protection	30- 55 15 -20 15 -40 10 -25
	Reservoirs		
		Structure Electrical Mechanical Perimeter protection	30 -50 15 -40 15-40 10 -25
	Supply/reticulation Valves		20- 50
	Underground chambers		
		Valves Meters Transition Other	15- 25 10 -20 10 -15 5 - 10
	Water purification works		
		Structure Electrical Mechanical Perimeter protection Meters	30 -55 15- 40 15 – 40 10 – 25 10 -15
	Telemetry		10 -15

	Power supply units		25- 30
	Railway sidings		25-30
	Railway tracks		15-20
	Signalling systems		15-20
	Shunting yards		25-30
GAS SUPPLY SYSTEMS			
	Structure		40- 50
	Electrical		20 -25
	Mechanical		20 -25
	Perimeter protection		10 -15
	Stations		
		Trunk receiving District regulating	40 – 50 40 -50
	Mains/pipelines		15 -20
	Meters		15 -20
	Storage facilities		15 -20
	Supply/reticulation		15 -20
	CEMETERIES		25 -30
	OTHER INFRASTRUCTURE ASSETS		
	Borehole		10 -15
	Domestic and hostel furniture (affixed to the walls)		10 -15
	Electricity cables, installation and fittings		20 -30
	Jojo tanks and fuel tanks		5- 7
	Septic tanks		10 -30
	Painting on building structures		5 -15
CAPITAL/INFRASTRUCTURE WORK IN PROGRESS			N/A
OTHER MACHINERY AND EQUIPMENT			
	Audio-visual equipment		10 -15

	Boreholes		10 -15
	Jojo tanks		5 - 10
SEWERAGE	Bulk pipelines (outfall sewers)		
		Rising mains Gravity mains	40 -50 40 -50
	Sewerage pump stations		
		Structure Electrical Mechanical Perimeter protection Metalwork	30 -55 15 -40 15 -40 10 -25 10 -30
	Sewers/reticulation		30- 60
	Waste purification works		
		Structure Electrical Mechanical Perimeter protection Meters	30 -55 15- 40 15- 40 10 -25 10 -15
	SOLID WASTE DISPOSAL		
	Collection		
		Vehicles	5 -10
		Containers/Bins (Inc. skip bins)	10- 15
	Transfer stations and processing facilities		
		Structure Electrical Mechanical Perimeter protection	30 -55 15- 40 15 -40 10- 25
Landfill site			
		Earthmoving and compaction equipment Landfill preparation Structure	10 -15 N/A 30 -55
	Weighbridge		
		Mechanical Electrical	15 -40 15- 40
	Perimeter protection		10- 25
RAILWAYS			

	Building air conditioning systems		5- 10
	Cellular phones (over R5 000)		0 - 2
	Cellular routers		3 - 5
	Domestic equipment (non kitchen appliances)		3 - 5
	Electric wire and power distribution equipment (Compressors, generators & allied equipment)		5 -7
	Emergency/rescue equipment		5 -10
	Elevator systems		15 -20
	Farm/Agricultural equipment		5 - 15
	Fire Fighting equipment		3 - 5
	Gardening equipment		2- 4
	Irrigation equipment		10 -15
	Kitchen appliances		5- 10
	Laboratory equipment - Agricultural		5 -7
		- Medical testing -Roads and transport	5 – 7 5 - 7
	Laundry equipment and industrial sewing machines		10 -15
	Medical and allied equipment		5 -10
	Music instruments		10 -15
	Photographic equipment		5- 7
	Pumps, plumbing, purification and sanitation equipment		5 -10
	Radio equipment		5-7
	Road construction and maintenance equipment		10-15
	Saddles and other tack		5 -7
	Security equipment/systems/ materials	- Fixed	3- 5
		- Movable	3 -5
	Sport and recreational equipment		5 -10
	Survey equipment		5 -7
	Telecommunication equipment		3 -5
	Tents, flags and accessories		5 -10

	Woodworking machinery and equipment		5 -10
	Workshop equipment and loose tools	- Fixed - - Movable	5 -10 3 - 5
FURNITURE AND OFFICE EQUIPMENT			
	Advertising boards		3- 5
	Air conditioners (individual fixed & portable)		5 -3
	Cutlery and crockery		5 -10
	Domestic and hostel furniture		10 -15
	Linen and soft furnishings		5- 10
	Office equipment (including fax machines)		5-7
	Office furniture		5- 7
	Paintings, sculptures, ornaments (home and office)		5 -10
COMPUTER EQUIPMENT			
	Computer hardware including operating systems		3- 5
	Networks		5 -10
TRANSPORT ASSETS			
	Busses		10 -15
	Cycles		4 -7
	Emergency vehicles (Ambulances and fire engines)		5- 10
	Mobile clinics		10 -15
	Motor vehicles		4 -7
	Trailers and accessories		5 -10
	Trucks (Inc. compactor trucks)		5 - 7
HERITAGE ASSETS Archives			N/A
	Areas of land of historic or specific significance (i.e. world Heritage site)		N/A
	Culturally significant buildings (parliamentary buildings)		N/A
	National monuments		N/A
	Paintings		N/A
	Sculptures		N/A

	Municipal jewellery		N/A
	Works of art		N/A
	Other antiques and collections		N/A
BIOLOGICAL OR CULTIVATED ASSETS			
	Dairy cattle - Feathered animals (for eggs and feathers) -Forests and plantations -Fruit trees - Game animals -Animals for reproduction (cattle, goats, sheep, pigs) - Animals for wool or milk (goats and sheep) - Dogs (law enforcement and security) - Horses (law enforcement and working) -Plants (for production of seeds) -Vines Other animals		
INVESTMENT PROPERTY	_Buildings -Land (vacant)		- -
INTANGIBLE ASSETS		Capitalised development costs	
		Computer software	2- 5
		Mastheads and publishing titles Patents, licences, copyrights, brand names and trademarks Recipes, formulae, prototypes, designs and models Service and operating rights Other intangibles	- - - - -
LIBRARY BOOKS		Learning, training support and library material (Curriculum equipment)	5- 10

SIGNED BY____________________ DATE 28/05/2026

MUROA M.L

ACTING MUNICIPAL MANAGER