

13.

FIXED ASSETS: DISPOSAL / DERECOGNITION OF ASSETS FOR THE 2019/20 FINANCIAL YEAR

6/1/3

J Vorster

Senior Manager : Expenditure & Assets

17 August 2020

(028) 313 8046

1. Executive Summary

The purpose of the report is to allow Council to consider the implications for Fixed Assets that were disposed of during the period 01 July 2019 to 30 June 2020, to be reflected in the annual financial statements for the year ended 30 June 2020.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate Finance
Department Expenditure & Asset Management

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Systems Act, Act 32 of 2000
Local Government: Municipal Finance Management Act, Act 56 of 2003, Section 14 (2)(a) & (b);
Municipal Asset Transfer Regulations (2008), Regulation 5 (1), (2) & (6)

6. Background / Discussion / Evaluation / Conclusion

Section 14(2) of the Municipal Finance Management Act, Act 56 of 2003, states that:

“A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in Subsection (1), but only after the municipal council, in a meeting open to the public –

(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

(b) has considered the fair market value of the asset and the economic and community value of the to be received in exchange for the asset.”

Regulation 5 of the Municipal Asset Transfer Regulations, 2008, states that:

- (1) A municipality may transfer or dispose of non-exempted capital assets only after –*
- (a) the accounting officer has in terms of regulation 6 conducted a public participation process to facilitate the determinations a municipal council must make in terms of Section 14(2)(a) and (b) of the Act; and*
 - (b) the municipal council –*
 - (i) has made the determinations required by Section 14(2)(a) and (b); and*
 - (ii) has as a consequence of those determinations approved in principle that the capital asset may be transferred or disposed of.*
- (2) Subsection (1)(a) must be complied with only if the capital asset proposed to be transferred or disposed of is a high value capital asset. If the combined value of any capital assets a municipality intends to transfer or dispose of in any financial year exceeds five percent of the total value of its assets, as determined from its latest available audited financial statements, sub-regulation (1)(a) must be complied with in relation to all the capital assets proposed to be transferred or disposed of during that year.*
- (6) A municipal council may delegate to the accounting officer its power to make the determinations referred to in sub-regulation (1)(b)(i) and to give the approval referred to in sub-regulation (1)(b)(ii) in respect of moveable capital assets below a value determined by the municipal council.”*

Subsequent to following the procedures set out in the Administration of Immovable Property Policy, a number of assets classified as Investment Property Land & Buildings and PPE: Land were tabled before Council during the course of the year in order to obtain Council approval for the disposal and / or transfer thereof. The cost price and net carrying value in respect of these assets are detailed in **ANNEXURE A**.

Included in the MTREF for the 2019/20 period a number of capital projects in respect of Basic Infrastructure were approved and adopted by Council. Although the individual asset items could not be identified at the time, it was implied that in the process of upgrading or refurbishing the various Infrastructure networks, a number of parts / pieces of the existing Infrastructure Assets would be abandoned as it would not be economically viable to remove and dispose of it by any other means. No fair market value can be determined in respect of these assets as there is no active market for trading in municipal infrastructure assets. The cost price, accumulated depreciation and net carrying value in respect of these assets are detailed in **ANNEXURE A**.

During the financial year ended 30 June 2020, minor assets and control items (as set out in ANNEXURE A) were identified as being either redundant, obsolete or damaged beyond economic repair. The Accounting Officer, in

terms of the delegated authority, approved the disposal of the moveable assets and it was subsequently disposed of by means of a public auction.

None of the assets identified to be disposed of / written off / replaced were required to provide the minimum level of basic services.

7. Financial Implications

The net effect of the abovementioned disposal / derecognition amounts to a gain of R2'205'656.11 and is composed of the following:

	Cost	Accumulated Depreciation and Impairment	Carrying Value
Land & Buildings disposed of after following the prescribed processes to obtain Council approval:	13'061.71	0.00	13'061.71
- Investment Property: Land	0.00	0.00	0.00
- Investment Property: Buildings	0.00	0.00	0.00
- PPE: Land	13'061.71	0.00	13'061.71
Proceeds from sale of land			(212'000.00)
Gain on sale of land			R198'938.29
Infrastructure- & Minor Assets replaced through upgrading & refurbishment, or damaged and claimed from insurance, or identified as redundant / obsolete and sold on auction:	6,997,204.37	5,540,875.19	1,456,329.18
- Electricity	617,335.99	617,335.99	0.00
- Sewerage	92,033.28	92,033.28	0.00
- Minor Assets	6,287,835.10	3,456,176.40	1,456,329.18
Proceeds from auction			(3,463,047.00)
Gain on derecognition of assets			R2,006,717.82

8. Staff Implications

N/A

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Schedule of all assets disposed / derecognised during the period 01 July 2019 – 30 June 2020

RECOMMENDATION TO THE COUNCIL:

1. that it **be noted** that the assets disposed of during the period 01 July 2019 to 30 June 2020 are not needed to provide the minimum level of basic municipal services; and
2. that the derecognition of the Infrastructure Assets replaced / abandoned / disposed of during the period 01 July 2019 to 30 June 2020, **be approved**.

RESPONSIBLE OFFICIAL :**J VORSTER****TARGET DATE FOR IMPLEMENTATION :****31 AUGUST 2020**

Annexure A 1/4

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
Land					
712/0	CLIFF STREET - DE KELDERS	13 061.71	-	-	13 061.71
9	TEBELE STREET - ZWELIHLE	61.71			61.71
640	HLOBO STREET - ZWELIHLE	3 000.00			3 000.00
		10 000.00			10 000.00
Sewerage					
		92 033.28	32 871.73	59 161.55	-
These were replaced and was impaired and disposed of and sold as scrap.					
FAR_SAN_002603	Sewerage Gravity Pipes	40 567.41	14 489.55	26 077.86	-
FAR_SAN_002603	Sewerage Gravity Pipes	51 465.87	18 382.18	33 083.69	-
Electricity					
		617 335.99	386 512.24	230 823.75	-
Two MiniSubs Destroyed by fire (unrest)					
These were fully impaired and disposed:					
Temp_011563	Soccerfield Minisub	384 622.24	240 810.85	143 811.39	-
Temp_011576	Zsikunana Minisub	232 713.75	145 701.39	87 012.36	-
Minor Assets					
1. Office Furniture & Equipment					
21686	Binding machine				
4258	Credenza				
17897	Desk				
4270	Desk - 3 drawer wood				
18749	Desk				
1810	Table coffee - wood				
4660	Cupboard two door - wood				
20738	Cupboard two door - wood				
8896	Desk				
23879	Desk				
23877	Desk				
23873	Desk				
23876	Desk				
14673	Desk - 2 drawer wood				
1570	Desk - 2 drawer wood				
17543	Pedestal				
4244	Cabinet 2 drawers				
4226	Cabinet filing 4 drawer - steel				
27620	Cabinet filing 4 drawer - steel				
4205	Cupboard				
4252	Cupboard four doors - wood				
1172	Cabinet filing 4 drawer - steel				
9509	Cabinet filing 4 drawer - steel				
9525	Cabinet filing 4 drawer - steel				
1193	Cabinet filing 4 drawer - steel				
1557	Cabinet filing 4 drawer - steel				
28328	Cabinet filing 4 drawer - steel				
24167	Cabinet filing 4 drawer - steel				
24349	Cabinet filing 4 drawer - steel				
18213	Cabinet filing 5 drawer - wood				
3077	Credenza				
9349	Desk - 6 Drawer wood				
3370	Cabinet filing 4 drawer - steel				
1888	Desk - 3 drawer wood				
20678	Desk				
20677	Desk				
20675	Desk				
9176	Desk - 3 drawer wood				
2166	Desk - 6 Drawer wood				
3466	Cabinet filing 4 drawer - steel				
13383	Cabinet server				
405	Cabinet filing 4 drawer - steel				
301	Cabinet filing 4 drawer - steel				
25078	Desk				
29319	Table other				
4202	Cabinet filing 4 drawer - steel				
4203	Cabinet filing 4 drawer - steel				
4233	Credenza				
4232	Credenza				
5446	Cupboard				
		6 287 835.10	3 456 176.40	1 375 329.53	1 456 329.18

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
4197	Desk - 3 drawer wood				
28579	Desk - 3 drawer wood				
5439	Desk - 3 drawer wood				
174	Desk - 3 drawer wood				
18877	Cupboard two door - wood				
7144	Desk - 2 drawer wood				
32444	CABINET				
32446	CABINET				
2. Vehicles					
8757	Vehicle sedan / hatch				
19806	Bakkie				
4519	Vehicle sedan / hatch				
14885	Bakkie				
21676	Bakkie				
19836	Bakkie				
17991	Honeysucker				
21623	Truck				
23054	Truck				
23549	Vehicle sedan / hatch				
18164	Vehicle sedan / hatch				
18197	Vehicle sedan / hatch				
24161	Vehicle sedan / hatch				
23091	Vehicle sedan / hatch				
15942	Vehicle sedan / hatch				
18169	Vehicle sedan / hatch				
14240	Combi				
18199	Vehicle sedan / hatch				
21378	Bakkie				
22971	Truck				
7179	Bakkie				
14961	Bakkie				
14907	Bakkie				
15092	Honeysucker				
8302	Front Loader				
23093	Tipper				
22652	Truck refuse removal				
14783	Bakkie				
29990	Bakkie				
6720	Bakkie				
5161	Truck				
7073	Truck				
5374	Cherry Picker				
8174	Truck cherry picker				
14659	Bakkie				
8353	Honeysucker				
3. ICT Related Equipment					
15960	Computer desktop CPU				
21818	Computer desktop CPU				
24204	Printer				
9479	UPS				
12964	Computer desktop CPU				
21073	Computer desktop CPU				
18211	Printer				
1349	Printer				
24656	Printer				
14413	UPS				
9461	UPS				
23201	UPS				
21074	Computer desktop CPU				
9517	Computer desktop CPU				
9052	Printer				
16952	Printer				
21577	UPS				
9453	UPS				
21592	UPS				
25143	Printer				
15805	Printer fax combo				
15913	UPS				
9987	Printer				
25905	Printer fax combo				
14582	UPS				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
15918	UPS				
16909	Computer desktop CPU				
14435	UPS				
9447	UPS				
12974	Computer desktop CPU				
13000	Computer desktop CPU				
16828	Computer desktop CPU				
9378	Printer				
16955	Printer				
8857	Printer				
8883	Printer				
25893	Printer fax combo				
26940	Switch				
14501	UPS				
14475	UPS				
16853	Computer desktop CPU				
21760	Computer desktop CPU				
26796	Switch				
26501	Tablet				
10039	Computer desktop CPU				
14690	Computer desktop CPU				
23483	UPS				
21817	Computer desktop CPU				
13387	Printer				
27551	Switch				
25903	Printer fax combo				
14683	Computer desktop CPU				
12370	Printer				
23406	Printer				
25198	Printer 4 In 1				
25914	Printer fax combo				
21795	Computer desktop CPU				
14427	UPS				
24815	UPS				
25902	Printer 4 In 1				
15187	UPS				
16822	Computer desktop CPU				
15961	Computer laptop				
16744	Printer fax combo				
1330	Printer				
21585	UPS				
12983	Computer desktop CPU				
2059	Printer				
12725	Printer				
28736	Printer				
21771	Computer desktop CPU				
23804	Computer desktop CPU				
18012	Computer laptop				
5312	Printer				
25388	UPS				
30877	UPS				
14432	UPS				
4. Tools, Machinery & Scrap					
1183	Freezer				
17958	Bomac				
25738	Cement Mixer				
23385	Compactor				
4674	Compressor				
27739	Compressor				
27507	Grass cutter				
4702	Jack				
8631	Lawnmower - sit-on				
17986	Lawnmower push				
6636	Pump water				
22992	Rolling machine				
29578	Slasher				
4687	Wheel Balancer				
4685	Wheel Stripper				
6658	Hydraulic Power Unit				
30636	Refrigerator				
14179	Chainsaw				
21414	Light Bar Control Box				

Annexure A 4/4

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
13360	Metal detector				
28543	Tester - electrical meter				
23987	Water pump machine				
19598	Water pump machine				
28574	Weedeater				
29968	Coin Machine				
4764	Cabinet books				
21145	Laminator				
2937	Refrigerator				
6980	High Presser Washer				
19205	Cement Mixer				
13543	Compressor				
29190	Brush cutter				
24571	Fire arm				
24584	Fire arm				
24655	Fire arm				
23459	PAINTBALL GUN				
5455	Lawnmower push				
29124	High pressure washer				
5082	Refrigerator				
28977	Voltage Detector				
14379	Voltage Detector				
30871	Cable Locator				
26202	Clamp On Meter				
7172	Generator				
19336	Refrigerator				
8177	Generator				
5280	Chain saw				
5404	Pump generator				
8797	Pump water				
25503	Water pump machine				
30318	WATER PUMP				
30319	WATER PUMP				
Total		7 010 266.08	3 875 560.37	1 665 314.83	1 469 390.89