

9. FIXED ASSETS: DISPOSAL / DERECOGNITION OF ASSETS FOR THE 2020/21 FINANCIAL YEAR

6/1/3

J Vorster

Senior Manager : Expenditure & Assets

12 August 2021

(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 2020 to 30 June 2021, to be reflected in the annual financial statements for the year ended 30 June 2021.

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**.

During the financial year ended 30 June 2021, electrical assets (two Minisubs, one transformer and one sectionalizer) were identified as being either redundant, obsolete or damaged beyond economic repair and were replaced. Although no public auction has been held during the financial year, these items were fully impaired and moved to Onrus depot, from where it will be disposed of by means of a public auction as soon as circumstances are conducive for such an event. 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 2021, minor assets and control items (as set out in **ANNEXURE A**) were identified as being either redundant, obsolete or damaged beyond economic repair. Although no public auction has been held during the financial year, the Accounting Officer, in terms of the delegated authority, may approve the disposal of the moveable assets. Items of this nature already included in this report, will be disposed of by means of a public auction as soon as circumstances are conducive for such an event.

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 R717'185-30 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:	110,985.58	0.00	110,985.58
- Investment Property: Land	0.00	0.00	0.00
- Investment Property: Buildings	0.00	0.00	0.00
- PPE: Land	110,985.58	0.00	110,985.58
Proceeds from sale of land			(828,170.88)
Gain on sale of land			R717,185.30
Infrastructure- & Minor Assets replaced through upgrading & refurbishment, or damaged and claimed from insurance, or identified as redundant / obsolete and sold on auction:	4,330,751.15	4,330,751.15	0.00
- Electricity	1,081,907.86	1,081,907.86	0.00
- Minor Assets	3,248,843.29	3,248,843.29	0.00
Proceeds from auction (not yet)			(0.00)
Gain on derecognition of assets			R717,185.30

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 2020 – 30 June 2021

RECOMMENDATION TO THE COUNCIL:

1. that it **be noted** that the assets disposed of during the period 01 July 2020 to 30 June 2021 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 2020 to 30 June 2021, **be approved**.

RESPONSIBLE OFFICIAL :**J VORSTER****TARGET DATE FOR IMPLEMENTATION :****31 AUGUST 2021**

ANNEXURE A Pg 15

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
Land		110,985.58	-	-	110,985.58
4410	MOUNTAIN DRIVE - HERMANUS	28.76			28.76
4771	GROTTO BEACH - HERMANUS	549.58			549.58
9894	GROTTO BEACH - HERMANUS	110,407.24			110,407.24
Electricity		1,081,907.86	645,711.22	436,196.64	-
Two MiniSubs, one transformer and one sectionaliser have been impaired and replaced These were fully impaired and moved to Onrus depot, awaiting disposal:					
Temp_001138	Distribution Kiosks	5,773.04	2,937.17	2,835.87	-
Temp_011465	Beach Club Mini Substation	332,993.58	220,145.75	112,847.83	-
Temp_011512	Wembley Mini Substation	252,519.18	166,943.23	85,575.95	-
Temp_mk_59	Zwelihle Transformer	193,540.68	59,281.27	134,259.41	-
Temp_012595	Zwelihle Transicamp Sectionaliser	297,081.38	196,403.80	100,677.58	-
Minor Assets		3,248,843.29	2,050,491.66	1,198,351.63	(0.00)
1. Emergency Equipment		24,992.38	24,199.74	792.64	-
22614	BA Tally Board				
19590	Back Plate				
13695	Back Plate				
13852	Back Plate				
22861	DSU Scout				
29010	Resipocate saw				
2. Furniture & Fittings		26,187.71	25,380.79	806.92	(0.00)
15547	Table other				
7518	Cabinet server				
17580	Desk L-shape				
16420	Cupboard two door - wood				
10443	Cabinet filing 3 drawer - wood				
17878	Desk				
16797	Table coffee - wood				
27651	Table other				
10991	Cabinet filing 4 drawer - steel				
1795	Cabinet filing 4 drawer - steel				
29985	Cabinet server				
12475	Book case - wood				
7785	Book case - wood				
11758	Desk - 6 Drawer wood				
3. Motor Vehicles		1,857,216.66	762,215.96	1,095,000.70	-
14645	Vehicle sedan / hatch				
14238	Combi				
3505	Emergency response / rescue vehicle				
3505	Fire Truck Refurbishment				
23543	Watercraft - boat				
22678	Bakkie				
13838	Truck				
33829	LCV CAB				
4. Office Equipment		1,276,284.56	1,180,555.34	95,729.22	-
21770	Computer desktop CPU				
16857	Computer desktop CPU				
16863	Computer desktop CPU				
21790	Computer desktop CPU				
17481	Printer				
26619	Shredder				
21782	Computer desktop CPU				
10568	Projector - digital				
12961	Computer desktop CPU				
16924	Computer desktop CPU				
16815	Computer desktop CPU				
16838	Computer desktop CPU				
21065	UPS				
21064	UPS				
11707	Binding machine				
15977	Computer desktop CPU				
16874	Computer desktop CPU				
16833	Computer desktop CPU				
16844	Computer desktop CPU				
15991	Computer desktop CPU				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
21765	Computer desktop CPU				
21609	Printer				
9481	UPS				
16995	UPS				
24615	UPS				
24819	UPS				
12982	Computer desktop CPU				
16878	Computer desktop CPU				
16829	Computer desktop CPU				
16840	Computer desktop CPU				
15989	Computer desktop CPU				
16817	Computer desktop CPU				
16871	Computer desktop CPU				
16842	Computer desktop CPU				
14681	Computer desktop CPU				
21080	Computer desktop CPU				
21067	Computer desktop CPU				
21798	Computer desktop CPU				
21783	Computer desktop CPU				
17013	Printer				
18002	Printer				
16665	Printer				
1347	Printer				
14585	UPS				
21595	UPS				
14493	UPS				
14576	UPS				
21583	UPS				
23499	UPS				
26102	UPS				
16836	Computer desktop CPU				
16875	Computer desktop CPU				
16837	Computer desktop CPU				
16877	Computer desktop CPU				
16910	Computer desktop CPU				
16918	Computer desktop CPU				
21082	Computer desktop CPU				
21766	Computer desktop CPU				
21806	Computer desktop CPU				
30787	Laminator				
14426	UPS				
21581	UPS				
21546	UPS				
15901	UPS				
10322	Computer desktop CPU				
16906	Computer desktop CPU				
16823	Computer desktop CPU				
27861	Computer desktop CPU				
20861	UPS				
21780	Computer desktop CPU				
21824	Computer laptop				
21839	Computer laptop				
16847	Computer desktop CPU				
16849	Computer desktop CPU				
21071	Computer desktop CPU				
21814	Computer desktop CPU				
9988	Printer				
7871	Printer				
14583	UPS				
12981	Computer desktop CPU				
21083	Computer desktop CPU				
1713	Stove				
12968	Computer desktop CPU				
9306	Computer laptop				
21794	Computer desktop CPU				
23150	Laminator				
17436	Printer				
26107	UPS				
12975	Computer desktop CPU				
12978	Computer desktop CPU				
9278	UPS				
15978	Computer desktop CPU				
15552	Printer				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
16912	Computer desktop CPU				
16919	Computer desktop CPU				
16851	Computer desktop CPU				
16831	Computer desktop CPU				
21796	Computer desktop CPU				
21772	Computer desktop CPU				
16539	UPS				
12965	Computer desktop CPU				
16873	Computer desktop CPU				
21075	Computer desktop CPU				
21762	Computer desktop CPU				
21778	Computer desktop CPU				
23753	Computer laptop				
20121	Printer fax combo				
26766	Switch				
26509	Tablet				
5640	UPS				
2096	UPS				
15911	UPS				
24814	UPS				
26286	UPS				
12963	Computer desktop CPU				
16911	Computer desktop CPU				
25931	Printer fax combo				
1565	Television				
14287	Computer desktop CPU				
16824	Computer desktop CPU				
14700	Computer desktop CPU				
16907	Computer desktop CPU				
23809	Computer desktop CPU				
6191	Computer desktop CPU				
16940	Printer				
23867	Shredder				
17489	Switch				
26092	UPS				
14689	Computer desktop CPU				
14685	Computer desktop CPU				
21607	Printer				
24036	UPS				
9243	Computer desktop CPU				
12952	Computer desktop CPU				
16860	Computer desktop CPU				
14286	Computer desktop CPU				
12988	Computer desktop CPU				
23824	Computer desktop CPU				
27567	Power Supply				
14421	UPS				
25949	UPS				
18034	UPS				
21804	Computer desktop CPU				
15995	Computer desktop CPU				
23397	Computer desktop CPU				
16850	Computer desktop CPU				
25897	Printer 4 In 1				
21552	UPS				
14451	UPS				
14450	UPS				
23482	UPS				
22219	UPS				
16921	Computer desktop CPU				
26085	UPS				
2770	Computer desktop CPU				
16879	Computer desktop CPU				
21834	Computer laptop				
23176	Stove				
12960	Computer desktop CPU				
14694	Computer desktop CPU				
16922	Computer desktop CPU				
21799	Computer desktop CPU				
12959	Computer desktop CPU				
16813	Computer desktop CPU				
16869	Computer desktop CPU				
16820	Computer desktop CPU				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
21231	Computer desktop CPU				
25933	Printer				
3811	Refrigerator				
23486	UPS				
24039	UPS				
14310	Printer				
14466	UPS				
9424	Computer desktop CPU				
14551	UPS				
12971	Computer desktop CPU				
24516	Printer				
12984	Computer desktop CPU				
15180	Receiver				
15185	Transmitter				
18024	UPS				
24394	Printer fax combo				
21859	Server				
21590	UPS				
14688	Computer desktop CPU				
15988	Computer desktop CPU				
16858	Computer desktop CPU				
16872	Computer desktop CPU				
16862	Computer desktop CPU				
14698	Computer desktop CPU				
14686	Computer desktop CPU				
14691	Computer desktop CPU				
21763	Computer desktop CPU				
18011	Computer laptop				
14407	UPS				
15917	UPS				
14471	UPS				
14465	UPS				
18030	UPS				
16870	Computer desktop CPU				
21803	Computer desktop CPU				
23806	Computer desktop CPU				
12995	Computer desktop CPU				
9886	Computer desktop CPU				
21819	Computer desktop CPU				
12152	UPS				
14422	UPS				
17444	UPS				
21586	UPS				
12969	Computer desktop CPU				
16856	Computer desktop CPU				
16830	Computer desktop CPU				
30413	Computer laptop				
29419	GPS				
29420	GPS				
9841	Computer desktop CPU				
21702	Computer desktop CPU				
20103	UPS				
14687	Computer desktop CPU				
14684	Computer desktop CPU				
14437	UPS				
16821	Computer desktop CPU				
20813	Computer laptop				
31828	UPS				
14591	Printer 4 In 1				
16913	Computer desktop CPU				
31972	LAPTOP				
32612	CPU				
4. Plant & Equipment		64,161.98	58,139.83	6,022.15	-
6670	Compressor				
19822	GPS navigation system				
29211	Hydrojet pump generator				
28564	Pump water				
1679	Water pressure machine				
20257	Water pump machine				
29227	Brush cutter				
30829	Fertilizer spreader				
30869	Fertilizer spreader				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
30979	Fertilizer spreader				
30966	Fertilizer spreader				
30970	Fertilizer spreader				
30971	Fertilizer spreader				
30977	Fertilizer spreader				
30967	Fertilizer spreader				
19383	Multi Tester				
29409	Multi Tester				
29223	Water pump machine				
20271	Water pump machine				
32915	BLOWER				
32915	BLOWER				
Total		4,441,736.73	2,696,202.88	1,634,548.27	110,985.58