

9. FIXED ASSETS: DISPOSAL / DERECOGNITION OF ASSETS FOR THE 2022/23 FINANCIAL YEAR

J Vorster
04 August 2023

Senior Manager : Expenditure & Assets

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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 2022 to 30 June 2023, to be reflected in the annual financial statements for the year ended 30 June 2023.

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 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 2023, electrical assets (six minisubs, five transformers and one MV switchgear) were identified as being either redundant, obsolete or damaged beyond economic repair and were replaced. These items were fully impaired and moved to Onrus depot, from where it was disposed of by means of a public auction. The cost price, accumulated depreciation and net carrying value in respect of these assets are detailed in **ANNEXURE A**.

Included in the MTREF for the 2022/23 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 2023, 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. Items of this nature already included in this report, was 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 R 3 381 813.13 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:	265 690.73	0.00	265 690.73
- Investment Property: Land	0.00	0.00	0.00
- Heritage Assets: Land	1 092.64	0.00	1 092.64
- PPE: Land	264 598.09	0.00	264 598.09
- Proceeds from sale of land			(1 910 565.22)
Gain on sale of land			R 1 644 874.49
Infrastructure- & Minor Assets replaced through upgrading & refurbishment, or damaged and claimed from insurance, or identified as redundant / obsolete and sold on auction:	6 326 624.45	6 297 863.09	28 761.36
- Electricity	1 969 412.78	1 969 412.78	0.00
- Water	717 019.39	717 019.39	0.00
- Waste Water	170 153.37	170 153.37	0.00
- Waste Management	231 221.25	202 459.89	28 761.36
- Minor Assets	3 238 817.66	3 238 817.66	0.00
- Proceeds from auction			(1 765 700.00)
Gain on derecognition of assets			R 1 736 938.64

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 2022 – 30 June 2023

RECOMMENDATION TO THE COUNCIL:

1. that it **be noted** that the assets disposed of during the period 01 July 2022 to 30 June 2023 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 2022 to 30 June 2023, **be approved**.

RESPONSIBLE OFFICIAL :**J VORSTER****TARGET DATE FOR IMPLEMENTATION :****31 AUGUST 2023**

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
Land		265 690,73	-	-	265 690,73
611	RECREATIONAL FACILITIES - GANSBAAI	224 598,09			224 598,09
1153	COMMUNITY PURPOSES - CHURCH - HAWSTON	30 000,00			30 000,00
6848	RESIDENTIAL - KLEINMOND	10 000,00			10 000,00
<i>A portion of the land on the following erf was disposed of (inexchange for erf 10574)</i>					
572	NATURE RESERVE - HERMANUS	1 092,64			1 092,64
Electricity		1 969 412,78	1 205 569,37	763 843,41	-
<i>The following asset/components were fully impaired and auctioned</i>					
1427789	Mini Substation	232 713,75	159 021,06	73 692,69	-
1427374	Mini Substation	232 713,75	162 149,77	70 563,98	-
1427811	Mini Substation	232 713,75	159 021,06	73 692,69	-
1427836	Mini Substation	203 005,61	138 720,50	64 285,11	-
1427694	Mini Substation	203 005,61	138 720,50	64 285,11	-
1427821	Mini Substation	232 713,75	159 021,06	73 692,69	-
1427494	Transformer	69 145,70	48 179,19	20 966,51	-
1421674	MV Switchgear	297 081,38	206 999,70	90 081,68	-
1432352	Transformer	66 579,87	7 762,71	58 817,16	-
1432353	Transformer	66 579,87	8 657,94	57 921,93	-
1432354	Transformer	66 579,87	8 657,94	57 921,93	-
1432355	Transformer	66 579,87	8 657,94	57 921,93	-
Water		717 019,39	368 083,21	348 936,18	-
<i>The following asset components were fully impaired and replaced</i>					
FAR_01068	Pump Station	17 852,93	13 984,80	3 868,13	-
FAR_01020	Storage	93 029,60	59 149,49	33 880,11	-
FAR_01101	Pump Station	221 198,01	210 220,12	10 977,89	-
FAR_00523	Water Treatment Works	384 938,85	84 728,80	300 210,05	-
Sewerage (Waste Water)		170 153,37	51 638,11	118 515,26	-
<i>The following perimeter protection assets were fully impaired and replaced (with Security Fencing)</i>					
FAR_SAN_0000651	Steel Pallasade - Fencing	7 386,30	2 647,65	4 738,65	-
FAR_SAN_0000645	Electrified Fencing	162 767,07	48 990,46	113 776,61	-
Solid Waste (Waste Management)		231 221,25	148 419,55	54 040,34	28 761,36
<i>The following asset components were fully impaired</i>					
FAR_ID_SW_310	Booster Pump	25 109,38	23 736,87	1 372,51	-
FAR_ID_SW_95	Brick & Zinc Roof	44 021,62	30 101,92	13 919,70	-
FAR_ID_SW_146	Diamond Mesh and Steel Poles	103 668,74	69 369,63	34 299,11	-
<i>33m of the original 65m fencing was fully impaired and replaced with concrete structure</i>					
FAR_ID_SW_206	Wood Poles and Planks	58 421,51	25 211,13	4 449,02	28 761,36
Minor Assets		3 238 817,66	2 213 203,35	1 025 614,31	-
1. Machinery and Equipment		110 267,04	107 344,99	2 922,05	-
22408	Generator				
24827	Generator				
23058	Slasher				
31266	Fertilizer machine				
31240	Fertilizer machine				
13674	Lawnmower push				
21871	GPS navigation system				
30722	Engraving System				
16297	Wap				
21520	Insulation tester				
28850	Multi Meter				
28840	Multi Meter				
28833	Multi Meter				
33586	Tester - electrical meter				
13685	Compactor				
28770	Fire arm				
28765	Fire arm				
28767	Fire arm				
28768	Fire arm				
28773	Fire arm				
28769	Fire arm				
28755	Fire arm				
28766	Fire arm				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
28742	Fire arm				
2. Furniture and Office Equipment		90 873,10	84 269,55	6 603,55	-
25628	Wood - double				
22910	Credenza				
10616	Cupboard two door - wood				
26878	Filing cabinet				
17907	Pedestal				
2338	Cupboard single door - wood				
5925	Cabinet filing 4 drawer - steel				
9531	Cupboard two door - wood				
9530	Cupboard two door - wood				
1880	Chest of drawers				
1885	Chest of drawers				
1882	Chest of drawers				
1881	Chest of drawers				
1884	Chest of drawers				
1883	Chest of drawers				
1879	Chest of drawers				
1886	Chest of drawers				
19055	Credenza				
24427	Credenza				
18634	Pedestal				
5842	Cupboard two door - wood				
8477	Cupboard two door - wood				
8449	Filing cabinet				
23298	Cabinet filing 4 drawer - steel				
23297	Cabinet filing 4 drawer - steel				
8859	Cabinet 2drawers				
17910	Cupboard two door - wood				
17904	Cupboard two door - wood				
3655	Cupboard				
12327	Cupboard				
11306	Cupboard				
2623	Book case - wood				
11365	Book case - wood				
22941	Table kitchen - steel				
3682	Table other				
5592	Desk - 3 drawer wood				
28706	Refrigerator				
16426	Refrigerator				
13698	Refrigerator				
24788	Refrigerator				
23574	Refrigerator				
16785	Shredder				
27493	Laminator				
18687	Binding machine				
31905	Shredder				
32928	Laminator				
3. Computer Equipment		1 472 087,17	1 354 141,54	117 945,63	-
16923	Computer desktop CPU				
19093	Computer laptop				
21087	Computer desktop CPU				
21828	Computer laptop				
21698	Printer 4 In 1				
24700	Switch				
24813	UPS				
24049	UPS				
14404	UPS				
21044	UPS				
21761	Computer desktop CPU				
21058	UPS				
24822	UPS				
25946	UPS				
18640	Printer				
20976	UPS				
9477	UPS				
21091	Computer desktop CPU				
21777	Computer desktop CPU				
12718	Printer				
1536	Printer				
14556	UPS				
17922	UPS				
18031	UPS				
9475	UPS				
9471	UPS				
18021	UPS				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
21084	Computer desktop CPU				
21811	Computer desktop CPU				
23825	Computer desktop CPU				
21813	Computer desktop CPU				
21787	Computer desktop CPU				
21807	Computer desktop CPU				
21864	GPS				
21869	GPS				
17425	Printer				
14881	Printer				
14886	Printer				
9062	Printer				
9853	Printer				
23600	Printer				
23659	Printer				
21843	Printer till slip				
23601	Printer till slip				
22470	Switch				
27059	Switch				
21584	UPS				
14415	UPS				
9460	UPS				
18033	UPS				
14487	UPS				
14504	UPS				
14561	UPS				
26103	UPS				
21088	Computer desktop CPU				
21816	Computer desktop CPU				
23778	Computer laptop				
24855	Printer				
14542	UPS				
21786	Computer desktop CPU				
24589	Computer laptop				
14692	Computer desktop CPU				
21788	Computer desktop CPU				
26293	UPS				
21081	Computer desktop CPU				
28795	Computer laptop				
28797	Computer laptop				
25210	Computer laptop				
25939	Computer laptop				
21865	GPS				
21866	GPS				
21870	GPS				
21873	GPS				
21872	GPS				
21862	GPS				
24611	UPS				
21077	Computer desktop CPU				
14508	UPS				
9950	Computer laptop				
21830	Computer laptop				
21825	Computer laptop				
23770	Computer laptop				
13151	Computer desktop CPU				
25771	Computer desktop CPU				
25772	Computer desktop CPU				
25775	PC UNIT				
25774	PC UNIT				
24513	Printer				
25777	Printer				
14438	UPS				
14436	UPS				
25397	UPS				
25900	Computer laptop				
25692	Computer desktop CPU				
12930	Computer laptop				
15842	Computer laptop				
21832	Computer laptop				
12792	UPS				
14441	UPS				
17916	UPS				
14472	UPS				
24812	UPS				
9120	Computer desktop CPU				
12962	Computer desktop CPU				
23740	Computer desktop CPU				
29755	Computer desktop CPU				
21061	Computer laptop				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
26754	GPS				
29147	LAN BUFFER SS - 75				
22111	Power Supply				
14900	Printer				
18003	Printer				
14883	Printer				
17060	Printer fax combo				
24854	Printer till slip				
24853	Printer till slip				
14877	Printer till slip				
28483	Switch				
25234	Switch				
6223	Switch				
11195	UPS				
9448	UPS				
28325	UPS				
21001	UPS				
20792	UPS				
25385	UPS				
26112	UPS				
26091	UPS				
26289	UPS				
26287	UPS				
26774	UPS				
17442	Printer				
9362	UPS				
21589	UPS				
16916	Computer desktop CPU				
23821	Computer desktop CPU				
25221	Printer				
30013	Printer				
28747	Printer 4 In 1				
28339	Switch				
14596	UPS				
14592	UPS				
18019	UPS				
16988	UPS				
16993	UPS				
23727	Computer desktop CPU				
17424	Printer				
9218	Computer laptop				
21826	Computer laptop				
26339	Computer laptop				
19141	UPS				
24041	UPS				
24810	UPS				
8366	Server				
9279	UPS				
23492	UPS				
16868	Computer desktop CPU				
16867	Computer desktop CPU				
16816	Computer desktop CPU				
15984	Computer desktop CPU				
16861	Computer desktop CPU				
21789	Computer desktop CPU				
24724	Computer desktop CPU				
25910	Printer 4 In 1				
14488	UPS				
14678	Computer laptop				
21835	Computer laptop				
21838	Computer laptop				
17431	Printer				
23207	UPS				
22221	UPS				
12994	Computer desktop CPU				
14572	UPS				
18025	UPS				
14598	UPS				
24805	UPS				
24811	UPS				
21779	Computer desktop CPU				
14547	UPS				
14439	UPS				
14445	UPS				
24052	UPS				
21056	UPS				
28904	UPS				
23496	UPS				
26101	UPS				
24050	UPS				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
10809	Printer				
23277	Switch				
14469	UPS				
26051	UPS				
21800	Computer desktop CPU				
23742	Computer desktop CPU				
25677	Computer desktop CPU				
15749	Computer laptop				
14520	UPS				
18029	UPS				
15906	UPS				
14555	UPS				
15912	UPS				
26113	UPS				
23785	Computer laptop				
17404	Computer laptop				
26918	Tablet				
14540	UPS				
21845	Computer desktop CPU				
17496	Computer laptop				
21808	Computer desktop CPU				
23726	Computer desktop CPU				
9933	Computer laptop				
21014	Computer laptop				
13174	Printer				
14461	UPS				
14458	UPS				
19012	UPS				
15992	Computer desktop CPU				
9305	Computer laptop				
21840	Computer laptop				
21836	Computer laptop				
26649	Computer laptop				
17429	Printer				
17430	Printer				
15909	UPS				
23489	UPS				
24614	UPS				
26089	UPS				
16846	Computer desktop CPU				
29754	Computer desktop CPU				
30300	Computer laptop				
14594	UPS				
9456	UPS				
14457	UPS				
30201	Computer desktop CPU				
21784	Computer desktop CPU				
18875	UPS				
5315	UPS				
25079	UPS				
23819	Computer desktop CPU				
18005	Printer				
12719	Printer				
22840	Printer 4 In 1				
15280	UPS				
31741	UPS				
14406	UPS				
24592	Computer laptop				
16954	Printer				
12334	UPS				
30341	UPS				
30343	UPS				
30344	UPS				
30345	UPS				
32044	Computer laptop				
31983	Computer laptop				
33069	UPS				
33071	UPS				
33507	UPS				
33315	Computer laptop				
33317	Computer laptop				
34410	Monitor - flat screen				
33903	Computer desktop CPU				
33906	Computer desktop CPU				
34007	Computer desktop CPU				
34458	UPS				
34471	UPS				
34840	UPS				
34963	Printer till slip				
35020	Printer till slip				

AR Reference	Description	Cost	Depreciation	Impairment	Carrying Value
36279	UPS				
21809	Computer desktop CPU				
34425	Computer laptop				
3. Motor Vehicles		1 565 590,35	667 447,27	898 143,08	-
24116	Vehicle sedan / hatch				
22973	Bakkie				
14086	Bakkie				
14647	Bakkie				
21312	Bakkie				
24087	Tractor				
14089	Tractor				
6490	Tractor				
23008	Fixed sides				
14230	Flat bed				
27713	Trailer compressor				
8802	Trailer water				
22373	Frame sides				
22957	Truck				
23136	Honeysucker				
3694	Truck refuse removal				
Total		6 592 315,18	3 986 913,59	2 310 949,50	294 452,09