



**NELSON MANDELA BAY  
METROPOLITAN MUNICIPALITY  
POLICY AND PROCEDURES FOR THE  
DISPOSAL OF MOVABLE ASSETS NOT OF  
HIGH VALUE**

<i>Policy Title</i>	<i>Policy Custodian</i>	<i>Policy Reference</i>	<i>Council Adoption Date</i>
<b>Disposal of Movable Assets Not of High Value</b>	<b>Corporate Services</b>	<b>6/1/2/P</b>	<b>19 September 2013</b>

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## DEFINITIONS

In this policy, unless the context indicates otherwise,

“**asset**” will mean any movable resource, not of *high value*, controlled by the Municipality, from which the Municipality expects to derive economic benefits or use for service delivery to the general public over a period extending beyond one financial year.

“**basic municipal service**” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

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

“**Council**” means the Municipal Council of the Nelson Mandela Bay Metropolitan Municipality, its legal successors in title and its delegates.

“**disposal**” means a process of preparing, negotiating and concluding a written contract where necessary which involve the alienation of an *asset* no longer needed by the municipality by means of a sale, a lease a donation or auction.

“**fair value**” (of an *asset*) is the amount obtainable from the sale of the *asset* in an arm’s length transaction between willing parties less the selling costs.

“**high value**” as defined in the Local Government: Municipal Finance Management Act 56 of 2003 Municipal Asset Transfer Regulations No. 31346 means that the fair market value of the capital *asset* exceeds any of the following:

- (a) R50 million
- (b) One per cent of the total value of the capital *assets* of the municipality or municipal entity, as determined from the last available audited annual financial statements of the municipality or entity; or
- (c) An amount determined by resolution of *Council* of the municipality or of the parent municipality of the municipal entity which is less than (a) or (b)

“**obsolete asset**” will mean and include:

- (i) surplus, or redundant *assets* which cannot be regarded as Capital Assets
- (ii) *assets* which are not envisaged by the Municipality to be required for the delivery of Municipal Services;
- (iii) *assets* which have become uneconomical to repair, maintain or operate excluding *assets* of symbolic importance or cultural significance;

- (iv) assets that have a negative impact on service delivery of the municipality, the environment or the community,
- (v) assets that no longer support a Directorate's service objective due to a change in type of service being delivered or the delivery method
- (vi) assets where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.
- (vii) assets where the technology has been outdated and which can no longer be used for the purpose originally intended.

**“Policy”** refers to the Policy and Procedures for the Disposal of Movable Assets Not of High Value.

## 1. INTRODUCTION

The purpose of the *Policy* is to provide guidance in respect of the disposal of *obsolete assets* of the Municipality of a value less than R10 million. This policy also provides a framework for understanding of the various Policies adopted by the NMBMM in relation to its *assets* and to deal with matters ancillary thereto.

## 2. REGULATORY FRAMEWORK

The Asset Disposal *Policy* is guided by the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) which states that:

- (1) “A municipality may not transfer ownership as a result of a sale or other transaction, or otherwise permanently dispose of any capital *asset* needed to provide a minimum level of *basic municipal services*.
- (2) A municipality may transfer ownership or otherwise dispose of a capital *asset*
- (3) 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 to be received in exchange for the *asset*.

Furthermore, Section 14 (3) of the said Act prohibits municipalities from reversing its decision to dispose of an *asset* after it has been sold, transferred or otherwise disposed of it.

The Municipality is further guided by the Local Government: Municipal Finance Management Act: Municipal Asset Transfer Regulations which must be read together with the MFMA to give effect to the transfer of *assets* of *high value*.

### 3. POLICY PRINCIPLES

3.1 The *Policy* is supported by the following principles:

3.1.1 **Valuation Principle**, i.e. the need to attach a value to the transfer or *disposal* of a Municipal Capital Asset, in order to ensure that the interests of the Municipality are not prejudiced by the transfer or *disposal*;

3.1.2 **Continuity of Service Principle**, i.e. the need to ensure the uninterrupted continuance of a Municipal Service when a Municipal Capital Asset that is being used in the delivery of that Service, is transferred or disposed of, particularly when the Asset is used in the provision of the minimum level of *basic municipal services*;

3.1.3 **Risk Transfer Principle**, i.e. the need to transfer the risk relating to a Municipal Capital Asset in conjunction with the transfer of the Asset; and

3.1.4 **Asset Preservation Principle**, i.e. the need to prevent the indiscriminate or unsustainable transfer or *disposal* of a Municipal Capital Asset in order not to undermine the ability of the Municipality to render or expand Municipal Services in the longer term.

### 4. POLICY OBJECTIVES

4.1 The objectives of the *Policy* are to:

4.1.1 Ensure that only *assets* that do not provide the minimum level of *basic municipal services* are disposed of.

4.1.2 Ensure that *assets* are not disposed when the *disposal* of the *asset* or the terms of the *disposal* of the *asset* could disadvantage the municipality or community financially or otherwise.

4.1.3 Ensure that all *disposals* are in terms of section 14 of the MFMA and in line with the Municipal Asset Transfer Regulations No. R878

4.1.4 Provide guidance to those officials responsible for planning, assessing and disposing *assets*.

4.1.5 Clearly define the roles and responsibilities of those involved in the life cycle of NMBM *assets*.

## 5. SCOPE AND APPLICATION

The following policies have been adopted by the NMBMM in relation to its assets and will be applied as circumstances dictate.

- 5.1 The Policy and Procedures for the Disposal of Immovable Capital Assets will be applied when dealing with immovable property of the NMBMM;
- 5.2 The Operational Directives for Firearm Disposal for Official Institutions read with the Firearms Control Act 60 of 2000 will be applied when dealing with firearms of the NMBMM;
- 5.3 The Asset Loss Control Policy and Procedures will be applied when dealing with lost, stolen missing or damaged assets of the NMBMM.
- 5.4 The Asset Transfer Regulations of 2008 procedures for the Disposal of Movable Capital Assets will be applied when dealing with the disposal of movable property of *high value* of the NMBMM;
- 5.5 The *Policy* will be applied when *disposal* of movable assets of the Municipality that is NOT of *high value* is taking place

## 6. PLANNING FOR DISPOSAL OF MOVABLE ASSETS

- 6.1. All Directorates of the NMBMM are responsible for the strategic planning for *disposal* of *assets* that cause the municipality not to perform service delivery efficiently and effectively.
- 6.2 Planning for *disposals* must be conducted by Directorates on an annual basis and must be submitted to the Asset **Disposal Committee** for

assessment and recommendation for approval to the Management Team. Planning for *disposals* offers Directorates the means of *disposal* of surplus *assets* timed to minimise disruption to their service delivery and maximise returns by selecting appropriate time in the *asset's* life cycle.

6.3 The planning should involve a detailed assessment of *assets* identified as obsolete i.e surplus assets or redundant assets by the Directorate. Such *assets* may include the following:

6.3.1 *Assets* not required for the delivery of services, either currently, or over the longer planning period.

6.3.2 *Assets* that have become uneconomical to maintain or to operate.

6.3.3 *Assets* that are not suitable for service delivery.

6.3.4 *Assets* that have a negative impact on the service delivery of the municipality, the environment or the community.

6.3.5 *Assets* that no longer support a Directorate's service objective due to a change in type of service being delivered or the delivery method.

6.3.6 *Assets* where the use has become uneconomical to continue due to the limited availability of spares or the cost of replacement parts exceed the reasonable value of the item.

6.3.7 *Assets* where the technology has been outdated.

6.3.8 *Assets* which can no longer be used for the purpose originally intended.

## **7. ASSESSING ASSET DISPOSAL APPLICATIONS**

7.1 The Asset Disposal Committee constituted of a representative from Infrastructure & Engineering, Budget and Treasury, Human Settlements and Corporate Services will meet quarterly to assess the applications for *disposal* of *obsolete assets* made by Directorates. In

order to arrive at a decision the Asset Disposal Committee will consider the following factors:

7.1.1 Whether there are net *disposal* benefits, either in financial or other forms.

7.1.2 Whether there is secondary service obligations associated with the *asset* which dictates its retention.

7.1.3 Whether a *disposal* can be carried out without adverse impacts on the physical environment.

7.2 In assessing the benefits of *disposal*, the advantages and disadvantages for the NMBMM as a whole and not just the controlling Directorate, must be considered. *Assets* that have been identified as surplus may need to be retained due to heritage, social, environmental considerations or requirements of other Directorates.

7.3 The symbolic importance and the cultural significance of *assets* should also be considered when assessing the *disposal* of *assets*.

7.4 The Asset Disposal Committee should consider the advantages of engaging experts if their experience in disposal activities is not core business to assist with the activities in the *disposal* cycle.

7.5 Not all *assets* identified as surplus will be able to be sold at a value greater than its *carrying amount*, in such circumstances, the advantages of disposing the *asset* must be weighed against the costs of continued ownership. Examples of cost ownership include

7.5.1 Insurance

7.5.2 Maintenance

7.5.3 Storage costs

7.5.4 Operating costs

7.5.5 Staffing costs

7.6 Retaining such assets in service when they no longer effectively support service delivery will expend resources that could otherwise be used elsewhere and could effectively constrain investment in more suitable and economic assets.

7.7 *Disposals* need not always be for strict financial gain. Other opportunities and gains should also be taken into consideration, for example:

7.7.1 Swapping one *asset* for another; or

7.7.2 Construction of a facility for the NMBMM in return for the *asset*.

## **8. APPROVAL OF ASSET DISPOSALS**

8.1 The Asset Disposal Committee members will grant its authority to proceed with *asset disposal* processes by signing the Application for Disposal of an Asset form.

8.2 Thereafter Corporate Services will prepare an item for submission to the following *Council* structures.

- (i) Management Team – for consideration and recommendation to Corporate Services and Human Resources Standing Committee
- (ii) Corporate Services Standing Committee – for oversight and recommendation to Executive Mayoral Committee
- (iii) Executive Mayoral Committee – for recommendation for final approval by *Council*.

8.3 The final authority to dispose of *obsolete assets* rests with *Council*.

## **9. PROCEDURES TO BE FOLLOWED BY DIRECTORATES WHEN CONSIDERING DISPOSAL OF AN ASSET**

9.1 When an *asset* of the NMBMM is no longer in use, the following procedures must be followed:

- 9.1.1 Asset(s) that are uneconomical to maintain or operate must be identified.
- 9.1.2 The appropriate application to dispose of an *asset* form must be completed and signed by the Director of the Directorate.
- 9.1.3 The application to dispose of an *asset* form must clearly motivate the reasons for the *disposal* of such *asset(s)*
- 9.1.4 The application to dispose of an *asset* form must be completed and submitted to the Corporate Services Directorate: Asset Management for assessment and consideration by the Asset Disposal Committee Members.
- 9.1.5 If the item is of a technical nature e.g. computer equipment, a Directorate must forward a request to Corporate Services: Municipal Information Systems to confirm the status of the equipment and submit a copy of the report to Corporate Services: Asset Management Sub Directorate.
- 9.1.6 Based on the report(s) and motivation submitted by the Directorate a motivation will then be submitted by the Corporate Services Directorate: Asset Management to the Asset Disposal Committee for consideration and assessment of the *asset disposal* request.
- 9.1.7 The Asset Disposal Committee will make a recommendation to the Municipal Manager and *Council* for approval to dispose of an *asset*.
- 9.1.8 The Asset Disposal Committee will sign the Authority to Dispose of an Asset Form and authorise Corporate Services Directorate to proceed with the *asset disposal* processes until approved by *Council*.
- 9.1.9 After approval has been granted by *Council* to dispose of an *obsolete asset*, the *obsolete assets* that are not in a good condition will be transferred to Markman Stores by the relevant Directorate, following the procedure set out below:
  - (i) Complete an Asset Transfer Form and attach a list of *obsolete assets* being transferred to Markman Store and.

- (ii) A copy of the Asset Transfer Form and the list of *obsolete assets* must be forwarded to;
- Corporate Services Directorate: Asset Management Sub Directorate to effect necessary changes on the Movable Asset Register.
  - Budget and Treasury Directorate: Stores and Purchasing and the original copy must be kept by
  - The relevant Directorate.
- (iii) The Storeman at Markman Stores and the delivering agent must both sign the Asset Transfer Form when the obsolete furniture is delivered

In a case where approval has been granted by *Council* to dispose of an *obsolete asset/s*, that are usable or in good condition such *asset/s* must be transferred to the Asset Management Store in Struandale. Transfer arrangements must be made with the Corporate Services: Asset Management Sub Directorate.

**9.2 When disposing of computer equipment the following procedure will be followed:**

- 9.2.1 In the case of PC's, only on the recommendation of the MIS (Municipal Information systems) Sub Directorate will the item be disposed of.
- 9.2.2 Preference will be given to educational institutions, welfare and charitable organisations.
- 9.2.3 Councillors and officials, on termination of service with *Council*, may purchase the notebook computers allocated to them at the written- down value thereof (this value to be determined on a straight line depreciation basis over five years) Plus any handling fee of R250 (or as may be determined from time to time) Plus Value Added Tax at the applicable rate.
- 9.2.4 Not withstanding 9.2.3 the purchase price of a laptop or notebook will not be less than R1000.00.

9.2.5 Due to the advancement in computers and inherent depreciation of the value of computers, obsolete laptops/notebooks, officials will be granted the opportunity to purchase such equipment at the depreciated value as dictated in 9.2.3 and 9.2.4 above.

**9.3 When a free *donation* of an *obsolete asset* is considered the following procedure must be followed:**

9.3.1 Free *disposal* of obsolete assets may be applied to the following assets:

- (i) Obsolete furniture and redundant equipment
- (ii) Computer equipment, computer notebooks (in a case where the user of the notebook did not exercise the purchase option)
- (iii) Used library books
- (iv) Used uniforms, old stock no longer in use.

9.3.2 **The following types of organisations will be considered to receive donation of *obsolete assets*:**

- (i) Registered welfare or Charitable Organisations except for Community Chest Organisations.
- (ii) Schools catering for handicapped and disabled,
- (iii) Schools for special learners
- (iv) Educational institutions initiating programmes for the benefit of the community of the NMBMM.

9.3.3 The following procedures will apply on consideration of an application for free donation of obsolete furniture, redundant equipment and notebooks by organisation listed in 9.3.2:

- (i) Applications will be directed to the NMBMM for the attention of the Executive Director: Corporate Services Directorate.
- (ii) The application must be accompanied by the following:
  - (a) A motivation with reasons for requesting a free *donation* of such a particular *asset* to the organisation or institution.

- (b) Proof of registration of the organisation/ institution
- (c) A copy of the applicant's constitution

**9.3.4 The following procedure will apply in respect of the donation used uniform:**

- (i) The relevant Directorate will identify needy organisations as per 9.3. above where used and old uniform may be donated.

The Directorate Concerned will adhere to the following:

- (a) Remove all badges before donation takes place.
- (b) Continuous donation of uniform to one organisation will not be allowed

**9.3.5 The following procedure will apply in respect of the donation of obsolete library books or any books;**

- (i) The relevant Directorate will identify a recipient organisation as stipulated in 9.3.2 that obsolete books/library books may be donated to.
- (ii) The relevant Directorate will remove any NMBMM branding before it is donated

## **10. DISPOSAL OF LOST, STOLEN OR MISSING OR DAMAGED ASSETS**

*Disposal* of Lost, Stolen, Missing or Damaged assets will be considered in line with the procedures set out in the Asset Loss Control Policy of the Municipality.

### **10.1 Procedures to be followed in line with the Asset Loss Control Policy are as follows:**

- (i) The affected employee must report the lost, stolen or missing item to his/her immediate superior.
- (ii) The incident must be reported to the Safety and Security Directorate: Investigation Unit and the South African police within twenty four hours.

- (iii) A Theft, Loss and Damage report must be completed in triplicate by the affected employee, and signed by the relevant superior.
- (iv) A copy of the report must be submitted to Corporate Services: Asset Management Sub-directorate, another copy to the Budget and Treasury Directorate (for insurance purposes).
- (v) Corporate Services: Asset Management Sub-directorate must prepare and submit a consolidated report to the Asset Disposal Committee.
- (vi) The Asset Disposal Committee through Corporate Services, must in turn request the Municipal Manager to authorise the *disposal* of the lost, missing or stolen *assets*.
- (vii) Once clause (vi) above has taken place, the Corporate Services Directorate will submit an item through the *Council Structures* to get *Council* approval for such *assets* to be removed from the Movable Assets Register.

## 11. OTHER METHODS OF DISPOSAL

Any other proposed method of *disposal* will be communicated to the Corporate Services Directorate for consideration by the Asset Disposal Committee where it will be recommended for inclusion in the Asset **Disposal Policy through Council Structures**. It is preferable that the proposed method of *disposal* be included in the *disposal* plan for each Directorate.

## 12. RESPONSIBILITIES OF DIRECTORATES IN RELATION TO ASSET DISPOSALS

Before any *asset* is disposed of, the Directorate under whose control the relevant *asset* is will be responsible to complete an Application for *disposal* of Asset Form that will detail the following information:

- 12.1 The detailed information of the *asset* to be disposed of.

- 12.2 Results of the *asset disposal* method.
- 12.3 Proposed terms and conditions of the purchase agreement.
- 12.4 The recommended purchase price.
- 12.5 The *fair value* of the asset.

The *fair value* of the *asset* must be determined by the relevant Directorate in accordance with the *Policy* applicable to the particular asset.

### **13. TRANSFER OF OWNERSHIP**

Directorates will be allowed to transfer ownership of the asset only after the following events have occurred:

- 13.1 The Directorate has received a notification from the Corporate Services Directorate that *Council* has approved the *disposal* of the asset in line with Section 14 of the Municipal Finance Management Act (Act No. 56, 2003).
- 13.2 The Directorate has received payment in full or partial payment in terms of the terms and conditions of the purchase agreement where necessary.
- 13.3 During the transfer of ownership of the asset, the purchaser must sign an acknowledgement of receipt form as evidence that the purchaser has received the asset according to the terms and conditions of the purchase agreement and in the expected physical condition.

### **14. CALCULATION OF THE PROFIT AND LOSS ON DISPOSAL**

Profits and losses on the sale of property, plant and equipment will be calculated by Budget and Treasury Directorate and shall be disclosed in Annual financial statements:

**15. ACCOUNTING FOR THE DISPOSAL OF ASSETS**

Accounting for the *disposal* of *assets* will be taken care of by Budget & Treasury Directorate in line with the applicable legislations.

**16. UPDATING THE POLICY**

It will be the responsibility of the Corporate Services Directorate to consider the provisions of the *Policy* as and when necessary. Corporate Services Directorate will request all other Directorates to submit proposed changes to the *Policy* for submission to *Council* for approval.