

AGANANG LOCAL MUNICIPALITY



ASSETS DISPOSAL POLICY

1. Definitions

1.1. "**Asset**" means -any resource 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.

1.2 "**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.

1.3. "**Carrying amount**" means an amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

1.4 "**Council**" means the Municipal Council of the Aganang Local Municipality, its legal successors in title and its delegates.

1.5 "**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 or a donation.

1.6 "**Fair value**" means an amount for which asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. (GRAP 17)

2. Purpose

The purpose of this policy is to provide a framework for the disposal of the municipality's assets that are not needed to provide the minimum Level of basic municipal services that are surplus to the municipality requirements.

3. Application

This policy applies to Municipal employees

4. General principles

4.1 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.

4.2 Municipality may transfer ownership or otherwise dispose of a capital asset, only after the disposal committee meeting has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

4. Planning for disposals

4.1 Budget and Treasury department are responsible for the strategic planning for the disposal of assets that cause the municipality not to perform service delivery efficiently and effectively .

4.2 Planning for disposals shall be conducted by Budget and Treasury on an annual basis and revised on quarterly basis and shall be submitted to the Disposal Committee for recommendations.

4.3 The planning should involve a detailed assessment of assets Identified as surplus, redundant or obsolete.

4.4 Surplus, obsolete or redundant assets shall include the following:

(a) Assets not required for the delivery of services, either currently, or over the longer planning period.

(b) Assets that have become uneconomical to maintain or to operate.

(c) Assets that is not suitable for service delivery.

5. Assessing disposals

5.1 The Disposal Committee shall be responsible for assessing the disposals proposed by the Business Units of the Municipality.

5.2 The Disposal Committee shall also consider the following factors:

(a) Whether there are net disposal benefits, either in financial or other forms.

(b) Whether there is secondary service obligations associated with the asset which dictates its retention.

(c) Whether a disposal can be carried out without adverse impacts on the physical environment

5.3 The disposals shall not be for a financial gain but other opportunities and gains shall be taken into consideration, for examples:

(a) When swapping one asset for another.

(b) Construction of a facility for the municipality in return for the asset.

6. Approval of disposal committee

6.1 Disposal committee shall be approved by the accounting officer or a delegated person acting on behalf of the accounting officer.

6.2 Disposal Committee shall entail official or a delegated person in Supply Chain management that is not in control of any assets to be a chairperson in the disposal meetings.

7. Method of disposal

7.1 The disposal of Municipal assets shall take place on an equitable basis and all shall be given equal opportunity to purchase the asset, and the best possible return for the municipality shall be achieved in this regard.

7.2 The municipality shall document a clear stipulation of the basis on the decision taken to dispose of an asset.

7.3 The following methods of disposal shall be used;:

(a) Auction

Benefits under auction shall be as follows:

- Process shall be straightforward and open to public scrutiny
- In some circumstances an auction may generate a higher price.

(b) Tender

-This method of disposal shall be preferred where more control over the actual disposal of the asset is required or where the credentials of the purchaser need to be assessed in detail.

- This method shall be preferable if an objective of the disposal is to achieve black economic empowerment by the transfer of the asset.

(c) Trade in - method

8. Procedures to be followed when disposing an asset.

8.1 When an asset of the Municipality is no longer in use, the following procedures shall be followed:

- (a) Asset(s) that are economical to maintain or operate must be identified.
- (b) The user department must write a Memo clearly motivate the reasons for the disposal of such asset(s) to budget and treasury office.
- (c) If the item is of a technical nature e.g. computer equipment, a request must be forwarded to IT Unit to check the status of the equipment and submit a report to Budget and Treasury Office.
- (d) Based on the reports and motivation submitted by the IT division a motivation shall then be submitted to the Disposal Committee for recommendations.

9. Free/donation disposal of assets

The following types of organizations shall be considered for a free disposal of Assets

- (a) Registered welfare or Charitable Organizations.
- (b) Schools catering for handicapped and disabled.
- (c) Schools for special learners.
- (d) Educational institutions initiating programmes for the benefit of the community of the Aganang local municipality.

10. Calculation of the profit and loss of disposal

10.1 Profits and losses on the sale of property, plant and equipment shall be calculated as follows, and disclosed in total in the financial statements;

- (a) Proceeds Sales value, trade-in value or proceeds received from insurance if the asset was damaged or stolen.
- (b) Less: Carrying value Cost, or if valued, revaluation amount, less accumulated depreciation up to the date of sale or when the asset can no longer be used for its intended purpose.
- (c) Equals PROFIT or If proceeds greater than carrying value, or
- (d) Equals LOSS If proceeds less than carrying value.