



NDWEDWE LOCAL MUNICIPALITY DRAFT DISPOSAL POLICY 2026/2027

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1. PURPOSE

The purpose of this policy is to provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets. This disposal system is subject to sections 14 and 90 of the Municipal Finance Management Act (56, 2003).

2. DEFINITION OF TERMS

Unserviceable assets: assets which, owing to normal wear and tear, have become obsolete, and are no longer suitable for the purpose for which they were originally obtained.

Redundant assets: serviceable assets, no longer required by the user, but can still possibly be utilized at other municipalities or another organ of state.

Obsolete assets: assets which can no longer be used at municipal level, owing to obsolescence, excluding spoilt items.

Repairable assets: assets which can be repaired economically, and which are serviceable after repair.

Serviceable assets: assets which are still suitable for the purpose for which they were purchased.

Disposal: the process of decision making regarding the doing away with, or the cannibalizing of, an asset which is no longer needed in a municipal context, and which is administered in terms of the Disposal Policy.

Cannibalising: the stripping of an asset for the purpose of utilizing certain spare parts that are still serviceable.

Odometer: an instrument which indicates the number of kilometers travelled (vehicles) or the number of hours utilized (equipment).

3. DISPOSAL COMMITTEE: Appointment and Composition

The Accounting Officer of Ndwedwe Local Municipality will appoint a Disposal Committee which will deal with disposals and make recommendations with regard to the disposal of assets. It is the responsibility of the Accounting Officer or her/ his delegate to consider the recommendations of the Disposal Committee. The function of the Disposal Committee is to ensure that the municipality derives optimal use from its assets.

- Chief Financial Officer shall be appointed in writing as chairperson of the Disposal Committee.
- All Head of Departments or their delegates from all directorates of the municipality shall be appointed in writing to serve as members to the Disposal Committee.
- In addition to the above-mentioned members of the Disposal Committee, the chairperson may, at any time during the process of evaluation of specialized assets, co-opt, in writing, additional members who possess specialized knowledge in the relevant field.

NB: An official who is in direct control of the assets that are to be evaluated may not serve as a member of the Disposal Committee.

4. DISPOSAL OF UNSERVICEABLE, REDUNDANT OR OBSOLETE ASSETS

Unserviceable, redundant or obsolete assets may not only be determined through spot checks and stock taking but could also be established on an occasional basis, in other words during the normal run of activities.

As soon as it has been determined beyond all doubt that unserviceable, redundant or obsolete assets are to be disposed of, the following is applicable:

- Unserviceable, redundant or obsolete assets are to be transferred from the relevant item record(s) to the relevant disposal suspense file (summary schedule).
- An Asset Management official, responsible for disposal management, is thereafter to endeavour to distribute the items to the best advantage of the municipality by using the information on the disposal suspense file (summary schedule) to compile a distribution list and circulated within the District to test the interest in the redundant/obsolete items. (e.g. a typewriter may be regarded as obsolete in one office but as usable in another office in the municipality.)

5. TRANSFER OF UNSERVICEABLE ASSETS TO A DISPOSABLE SCHEDULE

- Asset Management and Insurance Officer are to ensure that assets that have been earmarked for disposal are kept in their original form. Should assets not be in their original form, an investigation into the possibility of malicious damage is to be instituted. Should malicious damage be proved, recovery action and/ or disciplinary steps are to be taken against the person(s) responsible. In such cases the damage is to be handled as a loss. These assets can therefore not be disposed of. This implies that only assets that

have reached the end of their service life, as a result of wear and tears, may be disposed of.

- Unserviceable assets are to be transferred/ returned to the office and accounted for on a disposal schedule. The relevant assets are to be immediately separated from other assets.

6. PLANNING FOR DISPOSAL

Business units are responsible for strategic planning for the disposal of assets that cause the municipality not to perform service delivery efficiently and effectively.

Planning for disposals must be conducted by business units on an annual basis and revised on a quarterly basis and must be submitted to the Disposal Committee for approval. The planning should involve a detailed assessment of assets identified as surplus, redundant or obsolete, by the business units.

Surplus, obsolete or redundant assets include the following:

- Assets not required for the delivery of services, either currently, over the longer planning period
- Assets that have become uneconomical to maintain or to operate.
- Assets that are not suitable for service delivery.
- Assets that have a negative impact on the delivery service of the municipality, the environment or the community.
- Assets that no longer support a Business Units service objective due to a change in the type of service being delivered or the delivery method.

- 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.
- Assets where the technology has been outdated.
- Assets which can no longer be used for the purpose originally intended

Planning for disposals offers Business Units the means of disposal of surplus assets timed to minimize disruption to their service delivery and maximize returns by selecting appropriate time in the assets life cycle.

7. APPROVAL OF DISPOSAL

The Asset Management Unit shall prepare an item based on applications received from business units requesting assets to be disposed of or request for free donations from the non-profit organisations and educational institutions to Disposal Committee for approval.

Disposal Committee shall be responsible for the approval of the disposal of any assets after:

- Deciding on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- Consideration of the fair market value of the asset and the economic and community value to be received in exchange for the assets.

The Disposal Committee shall be responsible for meeting regularly to assess and approve disposals submitted by Asset Management Unit on behalf of the business units.

8. THE DISPOSAL PROCESS

The chairperson of the Disposal Committee determines the date for the meeting, and notifies the members of the DC accordingly, in writing.

Action by the Disposal Committee:

- The DC convenes on the appointed date.
- The DC gathers evidence/ considers all items listed on a disposal schedule individually in order to determine whether such items are genuinely redundant/ obsolete or unserviceable.
- It is to be ensured that all members of the DC at all times objectively evaluate the items that are submitted for disposal.
- The chairperson of the DC is to enter the recommendations directly on the disposal schedule.
- Each member of the DC is to satisfy himself that he concurs with the recommendations and, if so, is to countersign the recommendation on disposal schedule. Should members of the DC not concur with any recommendation, they are not to countersign the disposal schedule, and are to submit their objections, per memo, to the Disposal Committee chairperson.

- Items that are to be disposed of, and which could represent a danger/ threat to human or animal consumption, e.g. poisons, are to be destroyed immediately. Recommendations with regard to the handling thereof are to be clearly described.
- After all the members of the DC have signed and dated the recommendation on the disposal schedule, the chairperson is to submit the disposal schedule for approval.
- For the sake of completeness, all relevant documentation is to be attached to the disposal schedule. Copies of the disposal schedule and relevant documentation are to be made before the disposal schedule is submitted for approval.

9. TYPICAL DISPOSAL METHODS

The following are examples of typical recommendations that could serve as guidelines to members of the DC:

Transfer to another Municipality or another organ of state

- Transfer of assets to another municipality or another organ of state at market-related value.
- Transfer of assets to another municipality or another organ of state at no cost (bearing in mind that the items cannot be transferred without the necessary approval).
- Transfer of assets of one municipality to another municipality or organ of state in terms of legislation or following a reorganization of functions.

i) Where computer equipment is to be disposed of, the relevant Department of Education should be approached to make arrangements for free transfer of such items to educational institutions. No computer equipment may be

disposed of unless the matter was referred to the internal ITC Unit, for its written recommendations.

Competitive bidding/quotation

- Selling per price quotation, competitive bidding or auction, whichever is most advantageous to the municipality, unless determined otherwise by the relevant treasury. Should the sale of the items not be at market related value, by price quotation, competitive bidding or auction, the reasons for the disposal in such a manner should be motivated, certified and recorded for auditing purposes by the accounting officer.

Sales by private trade-ins

- Trade-ins. In cases where items are traded in for other items, the highest possible trade-in prices are to be negotiated. The order placed should be for the net amount, as charged against the vote. The actual value of the new items should, however, be reflected on the relevant record.

NB: Firearms may not be donated within or outside the RSA without the approval of the National Conventional Arms Control Committee which can be contacted at:

Directorate: Conventional Arms Control

Defense Secretariat

Department of Defense

Private Bag X910

PRETORIA

0001

Tel. No. (012) 355-6223

10. FINAL AUTHORISATION OF DISPOSAL

Before any asset is disposed of, the Department under whose control the relevant asset is will be responsible for preparing a disposal authorization document that will detail the following information:

- Fixed assets register information of the asset to be disposed of.
- Results of the asset disposal method.
- Proposed terms and conditions of the purchase agreement.
- The recommended purchase price.
- The fair value of the asset.

The fair value of the asset must be determined by the relevant Departmental Unit using relevant Experts if necessary.

Assets may not be disposed of at a value that is less than its fair value unless the Disposal Committee determines that there is a mitigating reason to dispose the asset at the lesser value. If the Disposal Committee approves a disposal at a value less than its fair value, the Disposal Committee must instruct SCM Unit through Chief Financial Officer to publish the details of the disposal to be published in the media.

The final approval of the disposal shall be conducted at a meeting in terms of the Municipal Finance Management Act (Act No. 56, 2003) and decisions taken shall be documented for future reference by the business units of the municipality.

11. CALCULATION OF THE PROFIT AND LOSS ON DISPOSAL

Profits and losses on the sale of property, plant and equipment are calculated as follows, and are disclosed in total in the financial statements:

Proceeds	Sales value, trade-in value or proceeds received from insurance if the asset was damaged or stolen.
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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.
Equals PROFIT or	If proceeds greater than carrying value, or
Equals LOSS	If proceeds less than carrying value.

12. ACCOUNTING FOR THE DISPOSAL OF ASSETS

When an asset is disposed of the cost of the asset and the accumulated depreciation recorded in the statement of financial position need to be reversed to the statement of financial performance a profit and loss on disposal of asset account. This will result in a debit in the statement of financial performance equal to the asset's carrying value.

The total proceeds to be received from the disposal of the assets need to be credited to the profit and loss on disposal of asset account. The account will now reflect a debit or credit amount in the statement of financial performance equal to the profit and loss on disposal equal to the result of the calculation discussed in paragraph 11.

Note that depreciation will need to be calculated up to the date of disposal. If the disposal date is during a financial year, the depreciation needs to be calculated on a pro rata basis based on completed months of ownership or use. No depreciation is calculated for the asset after the disposal date.

At the disposal date the asset being disposed of needs to be derecognised from the fixed asset register of the municipality.

Other accounting and disclosure matters discussed in the Asset Management Policy Document of the municipality also needs to be adhered to.

13.MISCELLANEOUS PROVISIONS

- With regard to labour saving aids, radios and machinery, the following additional information is to be included as an annexure to the disposal schedule:
 - Description of the item.
 - Serial number.
 - Asset number.
 - Registration number (where applicable).
 - Odometer/hour meters (where applicable).
 - Estimated value.
 - Estimated repair cost.
 - Tentative selling price.
 - Serviceable/ recoverable spares (value).
 - Where the equipment was used.
 - If the equipment is to be replaced, are sufficient funds available for a replacement.
 - Reasons for beyond economic repair (BER) classification.
 - Has a technical report been compiled? (if so, it is to be attached to this annexure).
 - Who compiled the technical report?

- Where a technical report is compiled by an official, his official capacity is to be indicated, e.g. “Qualified Motor Mechanic: Workshop Control”, etc. Such an official is to be a member of the DC and is to countersign the disposal schedule.
- Extreme care is to be taken to ensure that the items that have been set aside for disposal do not find their way back into (serviceable) circulation. Surpluses often occur as a result of such items finding their way back into circulation.
- In order to eliminate/reduce transport costs, and where/when the opportunity arises, items that have already been disposed of, such as condemned textiles or waste metal, may be transferred from one office to another, from where they can be sold.
- If disposal is to take place by means of sale by public auction, the matter is to be referred to the relevant SCM official who will, in consultation with the auctioneer, determine when and where the auction is to be held, and notify the relevant parties accordingly.
- If the items are to be disposed of by means of a sale by local bid, the normal procedure for the invitation of bids is to be followed. A bidder obtaining the highest number of points will be awarded the contract. The 80/20 or 90/10 preference point system prevails and a maximum of 80 points or 90 points is allocated for price on the following basis:

80/20

90/10

$$Ps = 80 (1 + \underline{Pt - Ph})$$

or

$$Ps = 90 (1 + \underline{Pt - Ph})$$

Ph

Ph

Where:

Ps = Points scored for price of the bid under consideration

Pt = Rand value of the bid under consideration

Ph = Rand value of the highest bid

- When items are sold by local bid, the items are to be arranged in lots consisting of similar type items or, if only one type of item is being disposed of, in manageable lots, so as to provide prospective purchasers with the opportunity to bid for only one, or more lots, should they so desire. Where necessary, lots are to be divided so as to enable prospective purchasers to bid on a single item.
- If items are to be sold in lots, a sales catalogue is to be compiled. The catalogue is to furnish, and allow for, the following particulars:
 - Lot number;
 - Description of item;
 - Name of buyer;
 - Amount paid; and
 - Receipt date.
- When disposal takes place by other means than the issue for use by Municipality, the property mark on assets is to be cancelled by means of an 'x' that indicates that the items are no longer Municipality property.

- In case where the municipality's vehicles are disposed of, Asset Management Unit is to be notified per service letter, which is to include the following particulars:
 - Registration number;
 - type of vehicle;
 - Make;
 - Odometer reading;
 - Reason for disposal;
 - Date disposed of; and
 - Method of disposal (e.g. scrap metal, cannibalized, sold by bid, etc.).

14. UPDATING THE POLICY

It will be the responsibility of the Asset Management Unit to consider the provisions of this policy on an annual basis. The Budget and Treasury Office shall request all Business Unit Managers to submit their proposed changes for submission to Council for approval.

15. Policy Implementation

This policy takes effect on the date on which it is adopted by the Council.

Policy adoption date	31 May 2026
Policy implementation date	01 July 2026
Next Review date	May 2027
Signed by.....	Date.....