**INKOSI LANGALIBALELE MUNICIPALITY**

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**DISPOSAL POLICY**

1. **Introduction**

The purpose of the Asset Disposal Policy is to provide a framework for the disposal of the municipality’s assets that are not needed. This is needed to ensure that Inkosi Langalibalele Municipality attains assets that are of value and are financially viable to retain. The identification and disposal of moveable assets is important to the Municipality to align assets and resources with the strategic plans formed. Asset disposal has to be carefully planned and executed in the most transparent and cost effective manner.

Section 14 of the Municipal Finance Management Act (Act No. 56, 2003) states:

“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. A municipality may transfer ownership or otherwise dispose of a capital asset, other than an asset mentioned above, only after the municipal council in a meeting open to the public: 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”.

1. **Objectives**

The objectives of the Asset Disposal Policy are:

* To regulate the disposal process of the assets of the Municipality
* Ensure that only assets that do not provide the minimum level of basic municipal services are disposed of.
* Ensure that transparency, efficiency, effectiveness and economical disposal of assets is obtained throughout the asset disposal process
* 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.
* Ensure that all disposals are, in terms of section 14 (5) of the Municipal Finance Management Act (Act No. 56, 2003), fair, equitable transparent, competitive and consistent with the Supply Chain Management Policy of the municipality.

1. **Legal Framework**

This policy is governed by the provisions of the following legislative framework:

* Municipal Finance Management Act; 56 of 2003 (MFMA);
* Municipal SCM Regulations;
* SCM related legislations;
* Treasury Regulations;
* Circulars issued by National Treasury;
* Inkosi Langalibalele Supply Chain Management Policy; and
* Guide for Municipal Accounting Officers

1. **Definitions**

**4.1 Asset**

An asset shall mean 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.

**4.2 Basic municipal service**

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.

**4.3 Carrying amount**

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

**4.4 Disposal**

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. **Fair value**

The 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.

* 1. **Municipality**

The term “Municipality” refers to Inkosi Langalibalele Municipality

**4.8 Obsolete asset**

An asset that is no longer in use, even though it may still be in useful order.

1. **Disposal Committee**
   1. In terms of the MFMA, Municipal SCM Regulations 40, the SCM policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the MFMA.
   2. The Disposal Committee must be formed within the Municipality.
   3. The Disposal Committee is responsible for making recommendations regarding the disposal of the assets within the Municipality.
   4. The disposal committee must be centralised within the Municipality.
   5. All members of the disposal committee must be appointed in writing by the Accounting Officer.
   6. No member of the disposal committee shall have direct or indirect interest or gain from the outcomes of the asset disposal process.

# Composition of the committee

6.1 The composition of the Disposal Committee is as follows:

* The chairperson ( appointed by the Municipal Manager);
* Manager: SCM;
* Asset/Fleet Management Officer;
* Area Based Manager;
* Information Technology Officer
* A technical specialist should be invited to a disposal committee meeting in the event of specialised equipment to be disposed of.

# Mandate of the Committee/ terms of reference of the disposal committee

The mandate of the disposal committee is to:

## *Strategic Asset Plan*

* + 1. Planning for disposals must be conducted by Business Units on an annual basis and revised on quarterly basis and must be submitted to the Disposal Committee for approval.
    2. Determine defining or important Strategic Asset Plan objectives.
    3. Review the outcomes of the assets from the Strategic Asset Disposal Plan; assets identified during the stock count process and assets identified on an ad-hoc basis.
    4. Autonomously evaluate the accuracy and validity of the outcomes as indicated in 7.1.1.
    5. Report on surplus, redundant, damaged or unserviceable assets which are:
* Assets not required for the delivery of services, either currently, or 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 service delivery of the municipality, the environment or the community.
* Assets that no longer support a Business Unit’s service objective due to a change in 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.

## *Submission of Recommendation to the official responsible for SCM delegation*

* + 1. Make recommendations of the assets to be disposed.
    2. Recommend the proposed method/ manner of disposal of assets.
    3. Recommendations should be justified and in accordance with the Asset Plan and assess:
* Whether there are net disposal benefits, either in financial or other forms.
* Whether there is secondary service obligations associated with the asset which dictates its retention.
* Whether a disposal can be carried out without adverse impacts on the physical environment

## *Safeguarding of assets to be disposed*

* + 1. Ensure that assets that are required to be disposed are adequately safeguarded during the recommendation and approval process for the disposal.
    2. Determine whether loss control procedures have been followed in respect of loss, damaged, fraud, and theft of assets.

## *Internal Notice of disposal*

* + 1. Circulate and co-ordinate the list of assets (having a functional status) requiring disposal to all levels of the municipality and enquire if the other components of the municipality do not require these assets.

# Approval process of assets to be disposed

8.1 The approval of disposal of moveable assets is either the Accounting Officer or the CFO or the SCM Manager or an official with the relevant delegation as detailed in the SCM delegations. Their responsibilities include:

* 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 asset.

# Meeting of the committee

* The disposal committee is required to meet at least on a quarterly basis, or as when the need arises.
* There shall be a quorum of (50% + 1) before the commencements of the proceedings.
* All meetings must be recorded for audit purposes.

# Manner of disposal

It is the responsibility of the disposal committee to ensure that the proposed manner of disposal is recommended.

## *Donation of the Municipal Assets*

10.1.1 Assets that are to be donated must be done in terms of the MFMA, Municipal SCM Regulations 40.

* + 1. Motivation of request for assets to be donated must be in writing and evaluated by this committee.
    2. Prioritisation of request for donations must be decided upon by this committee.
    3. The submission of the recommendation must adequately detail the condition of the assets; description of assets, barcode location of the asset.
    4. Assets not meeting the functional operating standards as defined in the Operating and Maintenance Policy shall be donated.
    5. The committee must ensure that the handing over certificates are completed and signed by both Accounting Officers i.e. The Municipality (donor) and the donee (the receiving institution).
    6. The committee must ensure that a copy of the signed asset list of assets transferred to any organ of State is filed with Provincial Treasury and the Office of the Auditor General within the 14 working days of the transfer.

## *Assets to be scrapped*

10.2.1 Assets that need to be scrapped should be assessed and disposed of accordingly.

* + 1. Reference must be made to SCM procedures for engaging in the scrapping of assets.
    2. Assets are scrapped when they are no longer functional.

## *10.3 Assets to be auctioned*

10.3.1 Assess assets no longer required by the municipality that can be auctioned. SCM procedures must be applied.

# Derecognition of assets from the fixed asset register

11.1 Assets must be derecognized from the asset register within 2 working days of receipt of approval of the disposals.

# Leased Assets

* 1. Leased assets will be removed from the municipal records upon expiry of the contract except in special circumstances that must be explained fully.

# Disclosure in the Annual Financial Statements

* 1. Disposal of an asset will be disclosed at the carrying amount in the year of disposal- (Purchase price less accumulated depreciation)

# Effective Date

This policy takes effect from the date of signature of the Accounting Officer.

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Signature Date