



Umzumbe
MUNICIPALITY

ASSET DISPOSAL POLICY

APPROVAL AND AMENDMENT RECORD

TITLE: ASSET DISPOSAL POLICY	
POLICY NUMBER:	17
ORIGINATOR:	Finance Department
ADOPTED BY:	Umzumbe Municipal Council
DATE OF ADOPTION:	23 June 2023
EFFECTIVE DATE:	10 July 2023
DATE REVIEWED:	N/A
DATE OF PUBLICATION:	10 July 2023
NEXT REVIEW DATE:	22 June 2025
DRAFT VERSION:	Final

1. SCOPE

This Asset Disposal Policy is applicable to all Umzumbe Local Municipality ("Umzumbe") Departments and to all the assets owned by Umzumbe.

2. POLICY STATEMENT

2.1. The purpose of the Asset Disposal 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 and that are surplus of Umzumbe's requirements.

2.2. 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 disposal committee meeting:

2.2.1. *Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and*

2.2.2. *Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset."*

3. POLICY OBJECTIVES

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

3.2. Ensure that assets are not disposed when the disposal of the asset or the terms of the disposal of the asset could disadvantage Umzumbe or community financially or otherwise.

- 3.3. Ensure that all disposals are, in terms of section 14 (5) of the Municipal Finance Management Act of 2003, fair, equitable transparent, competitive and consistent with the Supply Chain Management Policy of Umzumbe.

4. DEFINITIONS

4.1. Asset

An asset shall mean any resource controlled by the municipality, from which Umzumbe expects to derive future 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. 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 Umzumbe by means of a sale, a lease or a donation.

4.4. 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.

5. ESTABLISHMENT OF A DISPOSAL COMMITTEE

- 5.1. Upon adoption of the Policy the Municipal Manager will appoint an Asset Disposal Committee.

5.2. The Asset Disposal Committee shall be comprised as follows:

- 5.2.1. The Manager: Assets and Expenditure must be the Chairperson of the Committee;
- 5.2.2. The Manager: Supply Chain Management must be the Deputy Chairperson of the Committee;
- 5.2.3. The rest of the Members must be representatives of each of the Departments.

5.3. The Committee must have a total number of 7 members.

6. PLANNING FOR DISPOSAL

- 6.1. Departments and Units are responsible for the strategic planning for the disposal of assets that cause Umzumbe not to perform service delivery efficiently and effectively.
- 6.2. Any requests for donation of assets from Non-Profit Organizations or Community Based Organizations only must be submitted to the Chairperson of the Asset Disposal Committee. In assessing a method of disposal the Committee must take into account the request for donation when making recommendations to the Municipal Manager. Motor Vehicles, Plant Machinery and other Equipment may not be donated.
- 6.3. Planning for disposals must be conducted by Department or Units on an annual basis on the last quarter of the financial year.
- 6.4. A Disposal Request Form which is attached as Annexure "A" must be completed by the Department and Unit and submitted to the Asset Disposal Committee for consideration.
- 6.5. The planning should involve a detailed assessment of assets identified as surplus, redundant or obsolete by the Department/Unit.

- 6.6. The Asset Disposal Committee shall make recommendations to the Municipal Manager who shall approve or not approve the recommendations.

7. ASSESSING DISPOSALS

- 7.1. The Asset Disposal Committee is responsible for assessing the disposals proposed by the Departments or Units of Umzumbe. The Disposal Committee shall also 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; and
 - 7.1.3. Whether a disposal can be carried out without adverse impacts on the physical environment.
- 7.2. Before the Committee commences with its assessment the Committee must give the first pick of the items disposed by one department to other departments. The Chairperson of the Committee shall do this by sending an e-mail to all management and allow departments an opportunity to respond with the items that the department wishes to take possession of.
- 7.3. In assessing the benefits of disposal, the advantages and disadvantages for the whole municipality, not just the controlling Department Unit, must be considered.
- 7.4. Assets that have been identified as surplus may need to be retained due to heritage, social, environmental considerations or requirements of other Departments or Unit.
- 7.5. The symbolic importance and the cultural significance of assets should also be considered when assessing the disposal of the asset.

- 7.6. 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.

8. METHOD OF DISPOSAL

- 8.1. Disposal of an asset should be performed in a manner which satisfies the following objectives:

- 8.1.1. The disposal should take place on an equitable basis. There should be an equal opportunity for all to purchase the asset;
- 8.1.2. The best possible return for Umzumbe must be achieved; and
- 8.1.3. Any adverse environmental impacts should be avoided.

- 8.2. Assets may be disposed by:

- 8.2.1. Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- 8.2.2. Transferring the asset to another organ of state at market related value or, when appropriate, free of charge.
- 8.2.3. Selling the asset;
- 8.2.4. Donating the asset to a non-profit organization; and
- 8.2.5. Destroying the asset.

9. POST DISPOSAL PROCEDURES

- 9.1. After an asset has been disposed of the asset register must be amended accordingly.
- 9.2. The ownership of the asset must be transferred as soon as possible. The entity or person that has acquired an asset belonging to Umzumbe can only take possession of that asset once the ownership of that asset has been transferred.

9.3. The accounting requirements for the disposal of the asset must be done.

10. COMPLIANCE AND IMPLEMENTATION

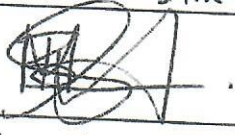
10.1. All staff must comply with the provisions of this policy.

10.2. The Municipal Manager must ensure that there is compliance and implementation of this Policy.

11. POLICY REVIEW

The policy will be reviewed every 24 months or whenever required to address changes in legislation or operational requirements.

12. SIGNATURES

<u>Municipal Manager Approval</u>	<u>Municipal Council Approval</u>
Name: MTHOKOZI SHANGASE	Name: P. BONEHO M. MAPHUMULO
Signature: 	Signature: 
Date: 05/07/2023	Date: 05/07/2023



DISPOSAL OF ASSETS POLICY

To be completed by user department

Items to be disposed

(Add more lines if required)

SIGNATURES

Requester

Date

Head of Department

Name

Date

Form to be submitted to Asset Disposal Committee with all relevant documents