

DISPOSAL MANAGEMENT: UNSERVICEABLE, REDUNDANT AND OBSOLETE ASSETS (6/1/B) (CHIEF FINANCIAL OFFICER)

Purpose of Report

To provide a report regarding disposal management to Council for consideration.

Background

Section 14 of the Local Government: Municipal Finance Management Act, No 56 of 2003 read as follows:

Section 14(2): A municipality may transfer ownership or otherwise dispose of a capital asset 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.

Section 14(4): A municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets below a value determined by the council.

Section 40(1) of the Supply Chain Management Policy of Council read as follows:

The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 and 90 (municipal entities) of the Act (MFMA).

The applicable guidelines from National Treasury for Supply Chain Management read as follows:

Par 7.1: Disposal is the final process when a municipality needs to do away with unserviceable, redundant or obsolete movable assets. It is recommended that the accounting officer appoint a specific committee to deal with disposals, to make recommendations with regard to the disposal of any asset. It is the responsibility of the accounting officer or his/her delegate to consider the recommendation of the appointed committee.

Par 7.4: Should the sale of the movable assets not be at market related value, by price quotation, competitive bid or auction, the reasons for the disposal in such a manner should be motivated, certified and recorded for auditing purposes by the accounting officer or his/her delegate.

Officials of Provincial Treasury have been contacted and they indicated that unserviceable, redundant or obsolete movable assets can be donated/given to schools/churches in terms of a policy that complies with the applicable legislation. (MFMA, SCM Policy)

The following policy is therefore proposed:

Disposal Policy for Unserviceable, Redundant or Obsolete movable assets

In terms of section 14(4) the Local Government: Municipal Finance Management Act, No 56 of 2003 delegate council to the Municipal Manager its power to transfer ownership or otherwise dispose of a movable capital asset below an value of R 5000,00 and make the determinations referred to in subsection (2)(a) and (b) in respect of such movable capital assets

The Municipal Manager must appoint a specific committee to deal with disposals, to make recommendations to the Municipal Manager with regard to the disposal of any asset.

It is the responsibility of the accounting officer or his/her delegate to consider the recommendation of the appointed committee.

In special circumstances, and with good cause, the Municipal Manager may dispose movable assets under a value of R 5000 not at market related value, by price quotation, competitive bid or auction. The reason(s) for the disposal in such a manner should be motivated, certified and recorded for auditing purposes by the accounting officer or his/her delegate and should report such details to council quarterly.

Any moveable assets above the value of R 5000,00 must be sold at market related value, by price quotation, competitive bid or auction.

An auction must be held on a yearly basis to sell unserviceable, redundant or obsolete movable assets. The list of unserviceable, redundant or obsolete movable assets must be referred to Council to be written off before an auction is held.

Firearms may not be sold or donated to any person or municipality / municipal entity within or outside the RSA without the approval of the National Conventional Arms Control Committee.

In the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Comments

Officials from Provincial Treasury who handles Supply Chain Management has also indicated that they will reply in writing regarding the free disposal of movable assets.

Aanbeveling / Recommendation

That the Disposal Policy for unserviceable, redundant or obsolete movable assets be approved.

Dat die Beleid vir Verkoop/Wegdoen van ondiensbare, oortollige of verouderde roerende bates goedgekeur word.

Hierdie verslag het voor die Finansies Portefeulje Komitee gedien op 3 September 2007

This item served before the Finance Committee on 3 September 2007

Aanbeveling/Recommendation

That the Disposal Policy for unserviceable, redundant or obsolete movable assets be approved.

Dat die Beleid vir Verkoop/Wegdoen van ondiensbare, oortollige of verouderde roerende bates goedgekeur word.

This item served before the Mayoral Committee on 11 September 2007

Hierdie verslag het voor die Burgemeesterskomitee gedien op 11 September 2007

Recommendation / Aanbeveling

That the Disposal Policy for Unserviceable, Redundant or Obsolete Movable Assets be approved.

Dat die Beleid vir Verkoop / Wegdoen van Ondiensbare, Oortollige of Verouderde Roerende Bates goedgekeur word

Hierdie verslag het voor die Raad gedien op 18 September 2007

This item served before Council on 18 September 2007

Eenparig Besluit / Unanimously Resolved

That the Disposal Policy for unserviceable, redundant or obsolete moveable assets be approved.

Dat die Beleid vir Verkoop / Wegdoen van ondiensbare, oortollige of verouderde roerende bates goedgekeur word.