



**KNYSNA**

<b>Policy Name</b>	<b>DISPOSAL OF UNSERVICEABLE, OBSOLETE OR REDUNDANT ASSETS POLICY</b>
Original Author(s)	
Policy status	For implementation as from 1 July 2020
Council Resolution No and Date of approval	
Signature of Speaker	
Signature of MM	

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## **1. PURPOSE OF POLICY**

The purpose of this policy is to outline when and how unserviceable, obsolete and redundant assets are identified and disposed of.

## **2. SCOPE**

2.1 The policy covers the disposal of the following asset classes:

- 2.1.1 Transport Assets;
- 2.1.2 Computer Equipment;
- 2.1.3 Machinery and equipment; and
- 2.1.4 Furniture and office equipment.

2.2 The following are examples of unserviceable, obsolete or redundant assets:

- 2.2.1 Assets that have become uneconomical to maintain or to operate;
- 2.2.2 Assets that are no longer suitable for service delivery;
- 2.2.3 Assets that have a negative impact on the service delivery of the municipality, the environment or the community;
- 2.2.4 Assets that no longer support a Business Unit's service objective due to a change in the type of service being delivered or the delivery method;
- 2.2.5 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;
- 2.2.6 Assets where the technology has been outdated;
- 2.2.7 Assets which can no longer be used for the purpose originally intended;  
or
- 2.2.8 Assets which have exceeded their economic useful life and the current condition of the asset justify replacement.

## **3. DEFINITIONS AND ABBREVIATIONS**

<b>ABBREVIATIONS</b>	
AFS	Annual Financial Statements

BEC	Bid Evaluation Committee
CFO	Chief Financial Officer
eNATIS	Electronic National Administration Traffic Information System
ICT	Information and Communications Technology
MFMA	Municipal Finance Management Act (No 56 of 2003)
MM	Municipal Manager (i.e. Accounting Officer)
SCM	Supply Chain Management
VAT	Valued Added Tax

<b>DEFINITIONS</b>	
Obsolete assets	Assets that are no longer produced or used and/or out of date
Redundant assets	Assets that are no longer needed or useful
Quorum	The minimum number of members of an assembly at a meeting to make proceedings of that meeting valid.
Unserviceable assets	Assets that are not fit for use
Voetstoots	Sold as-is, without guarantee

#### **4. POLICY FRAMEWORK (RELATIONSHIP WITH OTHER POLICIES)**

4.1 This policy is subject to all the relevant requirements contained in the:

- 4.1.1 Municipal Finance Management Act 56 of 2003;
- 4.1.2 Municipal Asset Transfer Regulations 2008; and
- 4.1.3 Municipal Supply Chain Management Regulations 2005.

4.2 This policy, once effective, needs to be read in conjunction with other relevant adopted policies of the municipality, including the following, but not limited to–

- 4.2.1 Supply Chain Management Policy of Knysna Municipality;
- 4.2.2 Asset Management Policy of Knysna Municipality; and

4.2.3 Delegation of Powers (Delegations register).

## **5. RESPONSIBILITIES**

### **5.1 USER DEPARTMENTS**

5.1.1 A formal asset disposal form must be completed and at least the following included on the form:

- 5.1.1.1 Full description of the asset;
  - 5.1.1.2 Identification number (barcode and/or serial number);
  - 5.1.1.3 Status of the asset (must clearly indicate whether the asset is unserviceable, obsolete or redundant (eg. The asset is broken, technologically outdated, etc);
  - 5.1.1.4 Reason for disposal (eg. The asset is not required to provide the minimum level of services, Asset is not in use, etc);
  - 5.1.1.5 Signature of the Departmental Manager responsible for the asset, indicating that the asset has been identified for disposal and confirming that all information is correct.
- 5.1.2 The signed asset disposal form must be accompanied with the asset and handed in at the municipality's official "Auction Stores"
- 5.1.2.1 The receiving of assets for safekeeping will only be done every Thursday afternoon.
  - 5.1.2.2 The department handing in the asset must request a receipt from the Stores Section that the asset was handed in.

### **5.2 AFS, ASSETS & RETURNS DEPARTMENT (ASSET SECTION)**

- 5.2.1 The asset section receives a copy of the receipt issued by the Stores Section together with the original Asset Disposal Form;
- 5.2.2 The asset section keeps an updated list of all assets handed in at the auction stores together with all the relevant information required, to proceed with the disposal transaction;
- 5.2.3 The asset section should countersign the Asset Disposal Form to ensure that all information is relevant and correct;
- 5.2.4 The asset section distributes a list of assets kept in the Auction Stores to the Disposal Committee, when requested;
- 5.2.5 Once the Disposal Committee decides on the method of disposal and that all assets listed, complies with the criteria for write-off, the asset

section will proceed with the disposal process (by means of auction, tender, donation, or demolishing the asset).

### **5.3 SUPPLY CHAIN MANAGEMENT DEPARTMENT**

- 5.3.1 SCM Department receives a list of assets identified for disposal from the AFS, Assets & Returns Department;
- 5.3.2 SCM follows normal procedures relating to the sale of an asset through a tender process (competitive bidding process);
- 5.3.3 All tender procedures as included in this document shall be complied with;
- 5.3.4 Once the contract is signed by the successful bidder(s) and the Accounting Officer, payment must be made within 5 days into the municipality's bank account;
- 5.3.5 A list of all lots sold, together with the successful bidder(s) details and the purchase price, will be forwarded to the Asset Section and Stores Section after finalised by the BEC.

### **5.4 EXPENDITURE DEPARTMENT (STORES SECTION)**

- 5.4.1 The Stores Section issues a receipt for each asset handed in at the Auction Stores by the User Department(s);
- 5.4.2 The Stores Section is responsible for the safekeeping of unserviceable, obsolete and redundant assets up to the date of sale;
- 5.4.3 The Stores Section will be responsible for the procedures as stipulated in the "Auction Procedures" included in this document;
- 5.4.4 The Stores Section will be responsible to ensure that all auctioned and/or tendered items sold, are removed from the premises within 10 days by the successful bidder(s);
- 5.4.5 The Stores Section shall report back to the CFO of uncollected items.

### **5.5 DISPOSAL COMMITTEE**

- 5.5.1 The Disposal Committee is called by the Administrator of the Committee to make recommendations to the CFO regarding the following:
  - 5.5.1.1 Whether all assets listed on the disposal listing complies with the criteria as set out in the MFMA Section 14;
  - 5.5.1.2 Where needed, physically inspect assets;

- 5.5.1.3 Supply reasons why an asset should be removed from the listing;
- 5.5.1.4 Should the Disposal Committee find that assets may still be usable by another department, they should include this in their report to the CFO;
- 5.5.1.5 Recommend to the CFO the method of disposal.

## **5.6 FLEET MANAGEMENT DEPARTMENT**

- 5.6.1 This department is fully responsible for the correct procedures to be followed in the event of a vehicle being sold via tender or auction and must ensure that:
  - 5.6.1.1 Vehicles classified as unserviceable, obsolete or redundant must be kept in a safe and secure building until such time of the disposal.
  - 5.6.1.2 All copies of the change of ownership and documents must be filed in the vehicle file.
  - 5.6.1.3 All vehicle disposal forms are completed and signed by the responsible person in the Finance Department who will in return remove the vehicle details from the asset register and insurance schedules; and
  - 5.6.1.4 All vehicle details be removed from the fleet listing and re-allocate the unique number to the next new vehicle purchased.

## **6. ADMINISTRATION OF THE DISPOSAL COMMITTEE**

### **6.1 COMPOSITION OF THE DISPOSAL COMMITTEE**

- 6.1.1 The Disposal Committee member must consist of 6 members, made up from persons from the following Departments/Sections:
  - 6.1.1.1 A senior representative from the AFS, Assets & Returns Department (hereafter called the Administrator of the Committee);
  - 6.1.1.2 A senior representative from the Stores Section;
  - 6.1.1.3 A senior representative from the Technical Directorate;
  - 6.1.1.4 A senior representative from the ICT department;
  - 6.1.1.5 A senior representative from the Corporate Directorate;
  - 6.1.1.6 A member of Council.



- 6.1.2 The Administrator of the Committee will be required to act as the Secretariat.
- 6.1.3 The Administrator will be required to call meetings and compile a report to the CFO on the recommendations made by the Committee;
- 6.1.4 The composition of the committee is not limited to the above, and the Administrator of the Committee may decide whether any other employee should attend a meeting, should he/she deem it necessary for the Committee to make an informed decision (eg, it may be necessary for a representative from the Fleet Management Department to attend meetings where vehicles are disposed.
- 6.1.5 the notice referred to in clause 5.1.1:
  - 6.1.5.1 give notice of a public meeting to be held in accordance with the provisions of clause 6, which notice shall state the purpose of such meeting and shall contain details of the place, date and time when such meeting is to be held;
  - 6.1.5.2 state where the documentation specified in clause 4 will be available for inspection;
  - 6.1.5.3 state the municipal offices where, date from which and date by when written objections to the SRA Business Plan may be lodged with the Municipality.

## **6.2 QUORUM**

- 6.2.1 Three members will constitute a quorum.

## **6.3 MEETINGS**

- 6.3.1 Meetings will be held at least every financial year. The meeting to be held to decide on the disposal of the bulk of the assets, will be held before the end of December every year, to allow sufficient time for administrative tasks and timelines to be met.
- 6.3.2 The Administrator will call meetings as may be required and allow a 5-day notice period.

## **6.4 CONSIDERATIONS BY THE DISPOSAL COMMITTEE**

- 6.4.1 The disposal committee must consider the following factors:
  - 6.4.1.1 Whether there are net disposal benefits, either in financial or other forms;

- 6.4.1.2 Whether there are secondary service obligations associated with the asset which dictates its retention;
  - 6.4.1.3 Whether a disposal can be carried out without adverse impacts on the physical environment;
  - 6.4.1.4 Whether the assets will be sold at an appropriate value. In such circumstances, the advantages of disposing the asset must be weighed against the cost of continued ownership. Examples of cost of ownership include insurance, maintenance, storage cost, operating cost and staffing cost;
  - 6.4.1.5 Whether the disposal is in accordance with this policy and the legislation as mentioned in section 4 above.
- 6.4.2 The disposal committee shall be responsible for:
- 6.4.2.1 Recommending to the CFO the method of disposal to be applicable;
  - 6.4.2.2 Considering all factors above, whether the method of disposal will yield the best value for money;
  - 6.4.2.3 Considering whether the assets listed for disposal are no longer needed to provide the minimum level of basic services.

## **7. DISPOSAL OF ASSETS**

### **7.1 GENERAL**

- 7.1.1 Disposal of an asset should be performed in a manner which satisfies the following objectives:
  - 7.1.1.1 The disposal should take place on an equitable basis. There should be an equal opportunity for all to purchase the asset; and
  - 7.1.1.2 The best possible return for the municipality must be achieved.
- 7.1.2 These methods of disposal will not be applicable to assets disposed of by means of transfer to another municipality or municipal entity or to a national or provincial organ of state, and/or where land and buildings are disposed of.

## **7.2 AUCTION**

- 7.2.1 The asset section will keep an updated list of assets held in the auction store and forward this to the Expenditure (Stores) Department if so requested.
- 7.2.2 The Asset Section will publish details of the auction as a public notice in a widely distributed media within a reasonable time prior to the auction;
- 7.2.3 The conduct of the auction is subject to the control of the auctioneer who has the sole right to regulate the bidding procedures;
- 7.2.4 The auctioneer shall not be compelled to accept the highest or any bid and shall not be liable to furnish reasons for any decision he has made;
- 7.2.5 In the event of any dispute between the bidders, the decision of the auctioneer shall be final and binding;
- 7.2.6 If the auctioneer makes any mistakes, it shall not be binding, but shall, if practicable, be rectified as soon as possible and the auctioneer shall not on any grounds whatsoever (whether contractual, delictual or otherwise) be responsible therefor, or for any loss or damaged suffered as a result thereof, or for the fulfilment of the Conditions of Sale;
- 7.2.7 The parties, when signing the registration document, confirm that they have read and understood all of the terms and conditions therein and agree that they are bound to it;
- 7.2.8 No official in service of the state or an advisor or consultant of this municipality may offer a bid at the auction;
- 7.2.9 Upon appointment of the Auctioneer, all supply chain regulations will be adhered to;
- 7.2.10 Immediately when an item or lot is knocked down on a bidder, the risk passes to the purchaser;
- 7.2.11 Full ownership only passes to the purchaser after all amounts due in respect thereof have been paid in full;
- 7.2.12 All items purchased should be removed from the municipality's grounds within 10 days; and
- 7.2.13 Knysna Municipality will not be held liable for any loss or damage if the purchaser failed to remove the purchased item(s) within 10 days.

### **7.3 TENDER**

- 7.3.1 The supply chain management policy of the municipality determines the required procedures to be followed if this method of disposal is to be used.
- 7.3.2 The municipality shall not be compelled to accept the highest or any bid and shall not be liable to furnish reasons for any decisions made.
- 7.3.3 If the seller makes any mistakes, it shall not be binding, but shall, if practicable, be rectified as soon as possible and shall not on any grounds whatsoever (whether contractual, delictual or otherwise) be responsible therefor or for any loss or damage suffered as a result thereof, or for the fulfilment of the Conditions of Sale.
- 7.3.4 The purchaser must provide a certified copy of a valid TV license when bidding on television sets.
- 7.3.5 All vehicles sold, will be required to comply with the section on vehicles below.
- 7.3.6 All items sold must be removed by the purchaser within 10 days.

### **7.4 COMPUTER EQUIPMENT DONATED TO GOVERNMENT ORGANISATIONS**

- 7.4.1 The ICT Department will distribute a list of all available computer equipment that are still in a working order to all schools as determined by the Provincial Department of Education.
- 7.4.2 The Disposal Committee must be informed by the ICT Department of its decision to donate computer equipment to schools and how it will be distributed to the schools.
- 7.4.3 The schools on this list must be awarded an opportunity to receive such equipment as a donation.
- 7.4.4 The school(s) that will benefit from such a donation, must upon receipt of the equipment, acknowledge receipt by signing the list provided and stamping their official stamp on this list.
- 7.4.5 The donation to the schools must be approved by the Accounting Officer.
- 7.4.6 Should no school be interested in the equipment or the equipment be in such a state that it cannot be used by any other government organisation, it shall be sold via Tender or Auction process.

## **7.5 VEHICLES**

- 7.5.1 The purchaser must on his own cost obtain any roadworthy certificates or other documentation which may be required to register any vehicles which he/she may have bought into his/her name. The purchaser also pays all costs and expenses which may be incurred to obtain such roadworthy certificate or documentation and to affect the transfer. The owner of such goods shall on request sign all documents which may be required to register goods in the name of the purchaser, providing all amounts payable in respect thereof have been paid.
- 7.5.2 Municipal logos may not be used on vehicles bought and must be removed by the purchaser.
- 7.5.3 The eNATIS documentation must be completed in full.
- 7.5.4 When the bidder purchase vehicles on behalf of another individual, it is compulsory that the following documentation be provided by the bidder:
  - 7.5.4.1 Completed Section B of NCO form (Notification of change of ownership/sale of motor vehicle), obtainable from any Traffic Department.
  - 7.5.4.2 Bidder must be in possession of a certified proxy, issued by the purchaser, authorising the bidder to purchase a vehicle on his/her behalf.
  - 7.5.4.3 Certified copies of ID document of bidder as well as purchaser.
- 7.5.5 No vehicle registration papers will be handed over to the bidder unless proof of change of ownership is provided.
- 7.5.6 The Fleet Management Department will be responsible for all administrative tasks in the case of vehicles sold per tender or auction.

## **7.6 CONDITIONS OF SALE**

- 7.6.1 Voetstoots
  - 7.6.1.1 The goods are sold as is (“voetstoots”) and without guarantee of any nature. The seller shall not be liable for any representation in respect of any goods being sold.
  - 7.6.1.2 When a bidder tenders on a lot or an item, it is accepted that he is fully familiar therewith.

## **7.7 PURCHASE PRICE AND VALUE ADDED TAX (VAT)**

- 7.7.1 All goods are sold for cash and the purchaser pays the purchase price plus the VAT thereon immediately after written notification of being the preferred bidder was received, but in any event before items are removed from the seller's premises. However, any items where pricing needs to be determined as per the weight classification, payment will take place after the weight has been determined.
- 7.7.2 The Purchase price (bid price) is exclusive of VAT.
- 7.7.3 VAT invoices will only be issued if so indicated and all relevant information is provided.

## **8. REVIEW OF THE POLICY**

- 8.1 This Disposal of Unserviceable, Obsolete or Redundant Assets Policy is the sole policy governing the disposal of unserviceable, obsolete or redundant assets in the municipality. The Municipal Council must approve any reviews to this policy.
- 8.2 The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.
- 8.3 Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.