



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **CLASSIFICATION CIRCULAR 3**

### **CLASSIFICATION OF TRANSACTIONS RELATED TO OWN ACCOUNT AND OUTSOURCED MAINTENANCE AND REPAIRS, UPGRADE AND ADDITIONS AND REHABILITATION AND REFURBISHMENT OF ALL ASSET TYPES**

#### **1. Purpose**

The purpose of this classification circular is to provide guidance to all government financial practitioners on the classification of own account and outsourced transactions related to:

- (a) Maintenance and repairs,
- (b) Upgrade and additions, and
- (c) Rehabilitation and refurbishment of all asset types.

The focus of the circular is on the classification of such transactions in the SCOA implemented on 1 April 2008 and on clarifying the capturing of such transactions in the Item, Asset and Project segments.

#### **2. Definitions**

**Maintenance, upgrade and rehabilitation** – In this circular, whenever the terms maintenance, upgrade and rehabilitation is used together, it refers to maintenance and repairs, upgrade and additions, and rehabilitation and refurbishment.

**Project** – A collection of tasks to achieve a certain goal, for example the construction of a new road. Normally, projects are related to a capital asset, for example building a new road, extending a building or repairing a car. A project can consist of only a single contract, i.e. outsourcing the construction of a road to a single service provider, or of numerous individual contracts that together constitute a project, for example separate contracts with an electrician, a plumber and builder contracted to complete a maintenance project related to a school.

**Own account maintenance, upgrade and rehabilitation** – Transactions where the department engages in the maintenance, upgrade or refurbishment of an asset in its own capacity. In such a transaction the department will utilize its own employees (i.e. paid from *Compensation of employees*) to complete the project, will buy all items of inventory itself and will use its own equipment to finalise the project.

**Outsourced maintenance, upgrade and rehabilitation** – Transactions where the maintenance, upgrade or refurbishment of an asset is outsourced to an external service provider. For purposes of the recording of all outsourced maintenance, upgrade or refurbishment, such transactions will be viewed as projects, even though in many instances such transactions are in the form of single

payments to service providers. The essence of the outsourced transaction still relates to a project that is being outsourced and therefore the transaction will be viewed as relating to a project.

Maintenance and repairs – Activities aimed at maintaining the capacity and effectiveness of an asset at its designed level. The maintenance action implies that there is an attempt to restore the asset to its original condition and there is no significant enhancement to its capacity, or the value of the asset. Such transactions are always classified as current payments in terms of the classification principles provided by the *Reference Guide to the Economic Reporting Format*.

Upgrades and additions – Activities aimed at improving the capacity and effectiveness of an asset above that of the initial design purpose. The decision to renovate, reconstruct or enlarge an asset is a deliberate investment decision which may be undertaken at any time and is not dictated by the condition of the asset, but rather in response to a change in demand and or change in service requirements. Projects that in the past were identified as capital maintenance should be included in this item, as the decision to capitalise implies that the capacity of the asset will be improved beyond its initial design. Upgrades and additions are always classified as payments for capital assets in terms of the classification principles provided by the *Reference Guide to the New Economic Reporting Format*.

Rehabilitation and refurbishment – Activities that are required due to neglect or unsatisfactory maintenance or degeneration of an asset. The action implies that the asset is restored to its originally intended condition, thereby enhancing the capacity and value of an existing asset that has become inoperative due to the deterioration of the asset. Such transactions are always classified as payments for capital assets in terms of the classification principles provided by the *Reference Guide to the Economic Reporting Format*.

Own and Leasehold property payments – Payments related to contractual obligations contributing to the continued functionality of property assets, which includes all assets included in the *buildings* category of the chart of accounts.

### **3. Discussion**

The classification of transactions relating to maintenance, upgrade or rehabilitation of assets is particularly important due to the impact of such transactions on the economic classification of government spending, as well as its importance in terms of the classification of spending related to infrastructure projects. It also impacts the presentation of transactions for purposes of the recording of transactions in the asset registers of government.

In the pre 1 April 2008 SCOA these transactions were recorded either as single line items or against the various spending items under compensation of employees and goods/services. Outsourced maintenance was recorded either as *maintenance and repairs* or as part of *consultants, contractors and specialised services*. This classification inconsistency made it impossible to relate maintenance transactions to specific assets and to calculate total maintenance costs. In addition, it inflated the consultants line with all payments related to outsourced maintenance, upgrade and rehabilitation of immovable assets.

In the post 1 April 2008 version of the SCOA this issue is addressed by:

- (a) Providing an item for each type of outsourced transaction namely maintenance and repairs, upgrade and additions, and rehabilitation and refurbishment projects, against which all payments to contractors will be allocated; and
- (b) Providing sufficient accounts for the recording of own account maintenance in the item segment.

Both types of expenditure (referred to in (a) and (b) above) should also be linked to the appropriate category in the asset and project segments, which will consequently determine the economic classification of the project.

#### 4. Item segment

The item segment provides for the classification of items of receipts, payments, assets and liabilities for purposes of recording transactions within the accounting system of government. The item segment identifies the goods, services and other payments to be made in achieving the objective of a department, also commonly referred to as the “what” that government is buying.

##### **Owned and leasehold property payments**

The item list provides for an item *owned and leasehold property payments (BAS Code 385)* which was created to summarise all property related payments so providing improved financial information for purposes of property management. This item will amongst others include all payments to contractors (i.e. outsourced services) that can be directly related to the underlying property asset but excludes lease payments made for the use / acquisition of buildings. Lease payments are recorded as item *lease payments (BAS Code 384)*, in line with the requirements of *Classification circular 4 of 2008*.

##### ***Outsourced / contracted maintenance, upgrade and rehabilitation of owned and leasehold property***

This item includes all outsourced maintenance, upgrade and rehabilitation of owned and leasehold property and provides for three posting level items. The first item, *owned and leasehold property payments: contracted property maintenance and repairs (BAS Code 2880)* provides for all outsourced / contracted maintenance transactions that relate to owned and leasehold property, for example the painting of office buildings, maintenance of lifts, etc. Such transactions are always classified as current payments.

The other two items, namely *owned and leasehold property payments: upgrade and additions (BAS Code 2984)*, and *owned and leasehold property payments: rehabilitation and refurbishment (BAS Code 2902)* provides for all transactions (other than maintenance) that relate to owned and leasehold property, which includes any contracts that result in the upgrading, additions to, refurbishment or rehabilitation of an existing asset. These transactions are always of a capital nature, for example the building of an additional classroom at a school, the upgrading of bathrooms in an office block, etc.

The table below provides for the specific allocation codes as provided for in the SCOA:

<b>Item Description</b>	<b>BAS Code</b>
Owned and leasehold property payments	<b>385</b>
Owned and leasehold property payments: Contracted property maintenance and repairs	<b>2880</b>
Owned and leasehold property payments: Contracted upgrade and additions	<b>2984</b>
Owned and leasehold property payments: Contracted rehabilitation and refurbishment	<b>2902</b>

All of the above items are breakdown allowed, implying that departments have to create posting level items that will provide information to assist with the management of the property.

##### ***Own account maintenance, upgrade and rehabilitation of owned and leasehold property***

Own account transactions refer to types of activities where the actual work on the asset is completed by an employee of the department, using inventory inputs purchased by the department, for example, maintenance of buildings done by an artisan employed by a department.

The category *owned and leasehold property payments* were created to summarise property related costs, however, this category will not include payments related to own account transactions. Such transactions should be allocated to the applicable items available within the item segment, for example *Salaries and wages, Inventory*, etc. Should the need arise to monitor

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own account property related payments; appropriate codes should be created within the project segment. The applicable items to be used for recording transactions related to the purchase of inventory items are listed in the table below:

Item Description	BAS Code
Inventory: Materials and supplies	377
Inventory: Materials and supplies: Batteries	1841
Inventory: Materials and supplies: Building and construction material	2877
Inventory: Materials and supplies: Notice boards and signs	2947
Inventory: Materials and supplies: Electrical supplies	1843
Inventory: Materials and supplies: Painting material	1844
Inventory: Materials and supplies: Spares and accessories	1845
Inventory: Materials and supplies: Tyres and tubes	1846
Inventory: Materials and supplies: Workshop accessories	2866
Inventory: Materials and supplies: Hardware	2901

The item *building and construction material* is breakdown allowed, which implies that departments are allowed to create appropriate posting level items. These would include posting level items like bricks, cement, wood, etc. Care should be taken not to create unnecessary items, as this would result in undue burden on the transactional process.

The inventory list includes a new item, *hardware*, which departments can use for the purchase of small items of hardware used in the maintenance process, for example locks, duplicate keys, bolts and nuts, and other hardware materials not provided for in the inventory list. This item is also breakdown allowed.

### Machinery and equipment and other assets

All payments made to contractors for work relating to the *maintenance, upgrade, or rehabilitation* of assets, excluding contracts related to owned and leasehold property payments as described above, must be classified as item *contractors*, BAS code 402, in either of the following posting level categories:

- (a) *Contractors: maintenance and repairs of machinery and equipment (BAS Code 2812)* – provides for all contracted maintenance transactions that relate to machinery and equipment, for example the maintenance of vehicles and road building machinery, etc. Payments included in this category will always be of a current nature.
- (b) *Contractors: upgrade and additions to, and rehabilitation and refurbishment of machinery and equipment (BAS Code 2898)* – includes all outsourced contracts that result in the rehabilitation, refurbishment or upgrading of machinery and equipment. Such transactions are undertaken with the aim of improving the capacity and effectiveness of an asset above that of the initial design purpose. These transactions are always of a capital nature, for example the contracts for the upgrading of existing vehicles, refurbishment of construction equipment outsourced under contract, etc.
- (c) *Contractors: maintenance and repairs of other asset types (BAS Code 2864)* – provides for all contracted maintenance transactions that relate to all other asset types, excluding owned and leasehold property and machinery and equipment, for example the maintenance of some heritage assets or biological assets, etc. Payments included in this category will always be of a current nature.
- (d) *Contractors: Upgrade of and additions to, and rehabilitation and refurbishment of other asset types (BAS Code 2899)* – provides for all capitalised transactions that relate to all other asset types, excluding owned and leasehold property and machinery and

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equipment, which includes all outsourced contracts that result in the rehabilitation, refurbishment or upgrading of such assets. This category always includes contracts of a capital nature.

Item Description	BAS Code
Contractors	402
Contractors: Maintenance and repairs of machinery and equipment	2812
Contractors: Upgrade of and additions to, and rehabilitation and refurbishment of machinery and equipment	2898
Contractors: Maintenance and repairs of other asset types	2864
Contractors: Upgrade of and additions to, and rehabilitation and refurbishment of other asset types	2899

### 5. Asset segment

The asset segment records all transactions related to the use and ownership of assets, and has been introduced with the objective of improving the management of assets and the proper recording of all payments related to the purchase, creation or modification of assets, be this through the purchase of assets, or the own account or outsourced creation or modification of assets.

This segment allows for the recording of all capitalised transactions related to an asset and normally excludes all current payment related to an asset, which is classified as *non-assets related* (BAS code 31). For example, toner that is bought for a photocopy machine is not capitalised, as the toner is viewed as a consumable that is used to operate the asset.

However, payments towards *maintenance and repairs* and certain *owned and leasehold property payments* (for example cleaning and gardening services) are recorded against the applicable assets in the asset segment and not as *non-assets related*, even though such transactions are of a current nature. This is done to improve reporting on individual assets and will provide improved management information and important information for purposes of the asset management process. By using the asset segment to record all transactions that relate to assets, departments will be in a position to obtain information on all costs related to the use and ownership of a specific asset.

In order to ensure that the correct data is extracted for reporting purposes, departments must extract a BAS report that combines the asset and project segments, where the project segment will then be used to distinguish current from capital payments in the asset segment. So for example, if a report is required of current maintenance of assets, the report should be constructed such that only the current maintenance allocation is selected for the project segment and all asset categories selected for the asset segment, in this way the report will then show all maintenance spending by individual asset type.

When recording maintenance transactions in the asset segment, ownership of the asset does not influence the allocation of the payment, as even when an asset is not owned by the department, all maintenance payments related to the asset must be allocated to the individual asset in the asset segment. So for example a building might be owned by the Department of Public Works, but the department renting the building may spend on the maintenance of the building, in such an example the department will still allocate the maintenance payment to the appropriate asset listed in its asset segment.

### 6. Project segment

The main purpose of the project segment is to provide for the capturing of details of departmental project expenditure and to provide for the economic classification of payments (i.e. the current,

capital split). The segment was originally designed to cater for the requirements of infrastructure reporting, but has been expanded to cater for all types of projects implemented by departments.

In the second level detail, (for *projects: infrastructure* and *projects: non infrastructure*) the project segment caters for the allocation of transactions related to maintenance and repairs, upgrade and additions and rehabilitation and refurbishment of all asset types to individual categories. This allows departments the flexibility to distinguish between the various different types of projects and ensures that reporting by project type can be related to the assets (recorded in the asset segment) to which the projects relate.

This segment caters only for identified projects, which implies that if a group of activities is outsourced as one contract, usually such activities would be classified as a single stand-alone transaction. For example, a department can outsource the writing of the Annual Report and financial statements. This transaction consists of numerous activities, i.e. the compilation of the financial statements, the updating of the report, the editing of the report, the printing of the document, etc. but because the transaction is viewed as an outsourced service, the whole transaction will be viewed as a stand alone item in terms of the project segment.

The same reasoning should apply to outsourced maintenance and repairs, upgrade and additions and rehabilitation and refurbishment. However, if such activities are outsourced as a single transaction, for example the upgrading of an ablution block and the soccer field at a school, departments will lose information on such infrastructure spending, and therefore should view such outsourced groups of activities as projects and not as stand alone items. The argument is that even though the project is being outsourced, the department is actually outsourcing a number of activities that together constitute a project in terms of the project definition and therefore the transaction is still viewed as a project.

The project segment allows for the creation of individual posting level projects for all projects, however, in the case of small projects, for example regular maintenance, departments are advised not to create specific posting level projects for each project in the project segment, but to rather provide for a general project posting level like "*General maintenance projects*" which would provide for such small projects. Care should be taken not to include large projects in such general categories, but to provide for such large projects as separate posting levels.

### **Classification of projects in the project segment**

The items that relate to own account and outsourced maintenance and repairs, upgrade and additions, and rehabilitation and refurbishment identified in the item segment above should be classified as follows in the project segment:

#### ***Owned and leasehold property payments***

*Owned and leasehold property payments* will usually relate to residential and non-residential buildings either owned or leased by government. Allocations for such transactions will be made as follows:

*Owned and leasehold property payments: contracted property maintenance and repairs* must be classified as *Projects on existing infrastructure assets: maintenance and repairs current (BAS Code 60)*, creating a specific posting level for the project or using the posting level *No project listed (BAS Code 63)*.

*Owned and leasehold property payments: upgrade of and additions to, and rehabilitation and refurbishment of property* must be classified as follows:

- *Upgrade and additions* – classified as *Projects on existing infrastructure assets: upgrade and additions (BAS Code 61)*, creating a specific posting level for the project or using the posting level *No project listed (BAS Code 64)*.

- *Rehabilitation and refurbishment* – classified as *Projects on existing infrastructure assets: rehabilitation and refurbishment (BAS Code 62)*, creating a specific posting level for the project or using the posting level *No project listed (BAS Code 65)*.

**Contractors: Machinery and equipment**

Payments to contractors for the maintenance and repair of machinery and equipment must be classified as follows:

*Contractors: maintenance and repair of machinery and equipment* – classified as *Projects not related to infrastructure assets: maintenance and repairs (current) (BAS Code 74)* which is a breakdown allowed field where departments must create the appropriate posting level items, which either relate to a general maintenance category for small maintenance or identifies big maintenance projects separately.

*Contractors: upgrade of and additions to, and rehabilitation and refurbishment of machinery and equipment (BAS Code 2898)* – classified as follows:

- *Upgrade and additions* – classified as *Projects not related to infrastructure assets: upgrade and additions (BAS Code 70)*.
- *Rehabilitation and refurbishment* – classified as *Projects not related to infrastructure assets: rehabilitation and refurbishment (BAS Code 71)*.

These are non-posting levels where a breakdown is allowed and departments must create the appropriate posting level projects.

**Contractors: other asset types**

When classifying transactions with contractors that relate to other asset types, i.e. all assets, excluding property assets, other fixed structures and machinery and equipment, a decision must be made on either classifying the payment as part of infrastructure or non-infrastructure assets, as either classification decision results in a different posting level classification in the project segment, as indicated below.

*Contractors: maintenance and repair of other asset types* – must be classified as *Projects on existing infrastructure assets: maintenance and repairs current (BAS Code 60)* if the payment relates to an infrastructure asset, or as *Projects not related to infrastructure assets: maintenance and repairs (current) (BAS Code 74)* which is a breakdown allowed field where departments must create the appropriate posting level projects.

*Contractors: upgrade of and additions to, and rehabilitation and refurbishment of other asset types* must be classified as follows:

- *Upgrade and additions* – classified as *Projects on existing infrastructure assets: upgrade and additions (BAS Code 61)* if the payment relates to an infrastructure asset, or as *Projects not related to infrastructure assets: upgrade and additions (BAS Code 70)*, which is a breakdown allowed field where departments must create the appropriate posting level projects.
- *Rehabilitation and refurbishment* – classified as *Projects on existing infrastructure assets: rehabilitation and refurbishment (BAS Code 62)* if the payment relates to an infrastructure asset, or as *Projects not related to infrastructure assets: rehabilitation and refurbishment (BAS Code 71)*, which is a breakdown allowed field where departments must create the appropriate posting level projects.

In order to ensure that detail information on projects are not lost, departments should refrain from using the *No projects listed* posting level provided for in the above categories. This posting level should only be used for very small projects that cannot be easily monitored through the system.

**7. Transactions involving multiple allocations**

In a number of instances it would not be possible to classify a transaction strictly according to the rules provided in this circular, as the transactions may relate to numerous allocation categories that are not separated on the invoice provided by the service provider. In such instances departments should attempt to obtain more information from the service provider in the form of a more detailed invoice, or if this is not possible allocate the transaction to the most appropriate classification category.

It is possible that within a single contract payment towards both maintenance and rehabilitation could be included in one invoice, which should according to the rules be allocated to current (maintenance) and capital (rehabilitation) respectively. However, in practice this might prove to be difficult, as often the invoice will not be split according to these categories. In such an instance, if further information cannot be obtained from the contractor, the transaction should be allocated to the category that represents the largest share of the transaction.

Maintenance contracts for the maintenance of buildings are often concluded for specific aspects of the maintenance process and implemented across various assets owned by a department. An example of such a contract would be a contract to maintain the lifts of all buildings in a specific geographical area. In such instances it is often difficult to identify details by asset category or spending type, as these contracts are usually of a fixed monthly value and includes a service component, i.e. emergency assistance when a lift gets stuck. In such an instance, where it is not possible to separate the various aspects of the transaction on the invoice, the payment should be allocated to the most appropriate allocation category, in this instance building maintenance, which represents the largest part of the transaction. If possible the allocation in the asset segment should be made to the individual assets, but if not possible, a general category should be created at the posting level in the asset segment to record such transactions.

**8. Examples of transactions**

In order to provide practical guidance on the classification of transactions in terms of this circular, a detailed annexure (B) containing numerous sample transactions is attached for information. This annexure will be updated as and when departments provide examples of transactions that are difficult to allocate. In this annexure, transactions are classified to the three segments discussed above. Practitioners should however note that this is only a limited presentation of the full classification, as all transactions should be classified to all seven segments in the chart of accounts.

**9. Effective date and transitional provisions**

This classification circular applies to all payments effected on BAS from 1 April 2009. With regard to payments made prior to the effective date of the circular, and after 1 April 2008, departments are not required to reclassify transactions in terms of the new classification requirements.

Please contact the SCOA project team via the **SCOA call centre** at 012 315 5311, or by sending a concise mail to [scoa@treasury.gov.za](mailto:scoa@treasury.gov.za) if further clarity or discussion is required regarding the changes highlighted above.

**SCOA Technical Committee**

Date: 2 April 2009

**Annexure A to Classification circular 3 (issued 2 April 2009)**

<b>BAS Allocation Codes - maintenance and repairs, upgrade and additions and rehabilitation and refurbishment of all asset types</b>				
<b>Item Segment</b>		<b>Asset Segment</b>	<b>Project segment</b>	
<b>Owned and leasehold property payments (385)</b>				
Owned and leasehold property payments: Contracted property maintenance and repairs	<b>2880</b>	<i>Relevant category of asset</i>	Projects: Existing infrastructure assets: Maintenance and repair <b>current</b>	<b>60</b>
Owned and leasehold property payments: Contracted upgrade and additions	<b>2984</b>	<i>Relevant category of asset</i>	Projects: Existing infrastructure assets: upgrade and additions <b>capital</b>	<b>61</b>
Owned and leasehold property payments: Contracted rehabilitation and refurbishment	<b>2902</b>	<i>Relevant category of asset</i>	Projects: Existing infrastructure assets: refurbishment and rehabilitation <b>capital</b>	<b>62</b>
<b>Contractors (402)</b>				
Contractors: Maintenance and repairs of machinery and equipment	<b>2812</b>	<i>Relevant category of asset</i>	Projects not related to infrastructure assets: Maintenance and repair <b>current</b>	<b>74</b>
Contractors: Upgrade of and additions to, and rehabilitation and refurbishment of machinery and equipment	<b>2898</b>	<i>Relevant category of asset</i>	Projects not related to infrastructure assets: Upgrade and additions <b>capital</b>	<b>70</b>
			Projects not related to infrastructure assets: Refurbishment and rehabilitation <b>capital</b>	<b>71</b>
			Projects not related to infrastructure <b>capital</b>	<b>69</b>
Contractors: Maintenance and repairs of other assets	<b>2864</b>	<i>Relevant category of asset</i>	Projects: Existing infrastructure assets: Maintenance and repairs <b>current</b>	<b>60</b>
			<b>or</b> Projects not related to infrastructure assets: Maintenance and repairs <b>current</b>	<b>74</b>
Contractors: Upgrade of and additions to, and rehabilitation and refurbishment of other assets	<b>2899</b>	<i>Relevant category of asset</i>	Projects: Existing infrastructure assets: Upgrade and additions <b>capital</b>	<b>61</b>
			<b>or</b> Projects not related to infrastructure assets: Upgrade and additions <b>capital</b>	<b>70</b>
			Projects: Existing infrastructure assets: refurbishment and rehabilitation <b>capital</b>	<b>62</b>
			<b>or</b> Projects not related to infrastructure assets: Refurbishment and rehabilitation <b>capital</b>	<b>71</b>

**Annexure B to Classification circular 3 (issued 2 April 2009)**

<b>Annexure B: Examples of transactions</b>				
<b>Example 1:</b> The department employs artisans to do the day to day maintenance of its office building e.g. replacing light bulbs, door locks etc. The department buys the maintenance materials and the work is being done as and when needed.				
<b>Item Segment</b>		<b>Asset Segment</b>	<b>Project segment</b>	
Compensation of employees	<b>364</b>	Buildings and other fixed structures: Office buildings <i>(Posting level detail to be created)</i>	Projects on existing infrastructure assets: Maintenance and repairs <b>current</b> <i>(Create a posting level item for "General maintenance")</i>	<b>60</b>
Inventory: Materials and supplies: Building and construction material <i>(Breakdown allowed, create posting level detail)</i>	<b>2877</b>			
<b>Example 2:</b> The department outsourced the painting of its office building to a private construction company. The total cost of the project is R5 million for a building valued at R500 million and belonging to the Department of Public Works, which therefore implies a current maintenance project.				
<b>Item Segment</b>		<b>Asset Segment</b>	<b>Project segment</b>	
Owned and leasehold property payments: Contracted property maintenance and repairs <i>(Breakdown allowed, create posting level detail)</i>	<b>2880</b>	Buildings and other fixed structures: Office buildings <i>(Posting level detail to be created)</i>	Projects on existing infrastructure assets: Maintenance and repairs <b>current</b> <i>(Create a posting level item for the specific project)</i>	<b>60</b>
<b>Example 3:</b> The department outsourced the repair of its office building to its original level of functionality, to a private construction company. The total cost of the project is R10 million for a building valued at R50 million, belonging to a Private Company. In terms of the 20 year lease agreement, the department is entitled to repair the office building at own cost if so required. Therefore if the rules in the current / capital decision tree are applied, this transaction should be capitalised, which implies a capital rehabilitation project.				
<b>Item Segment</b>		<b>Asset Segment</b>	<b>Project segment</b>	
Owned and leasehold property payments: Contracted rehabilitation and refurbishment <i>(Breakdown allowed, create posting level detail)</i>	<b>2902</b>	Buildings and other fixed structures: Office buildings <i>(Posting level detail to be created)</i>	Projects on existing infrastructure assets: Rehabilitation and refurbishment <b>capital</b> <i>(Create a posting level item for the specific project)</i>	<b>62</b>
<b>Example 4:</b> The Provincial Department of Health upgrades its ambulances in the departmental workshop. Own employees are used for the work, 5 different pieces of equipment each worth more than R10 000 is purchased and installed in the ambulances. An existing capital asset is therefore upgraded from own account.				
<b>Item Segment</b>		<b>Asset Segment</b>	<b>Project segment</b>	
Compensation of employees	<b>364</b>	Machinery and equipment: Emergency vehicles <i>(Posting level detail to be created)</i>	Projects not related to infrastructure assets: Upgrade and additions <b>capital</b> <i>(Create a posting level item for the specific project)</i>	<b>70</b>
Machinery and equipment: Motor vehicles	<b>1621</b>			
Machinery and equipment: Medical and allied equipment	<b>2587</b>			

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**Example 5:** The department outsourced the repair of its office building, to a private construction company. The work is issued as one contract and the bill of quantities specifies the replacement of the air-conditioning system to the value of R9 million and the painting of walls and fixing of door handles to the value of R1 million. The total cost for the contract amounts to R10 million for a building valued at R50 million, belonging to a Private Company. In terms of the 20 year lease agreement, the department is entitled to repair the office building at own cost if so required.

In this instance the project is viewed as consisting of the one contract, as it is issued to one contractor and consists of related work within the one contract. Therefore if the rules in the current / capital decision tree are applied, the total amount of R10 million will be capitalized as a capital rehabilitation project.

Item Segment		Asset Segment	Project segment	
Owned and leasehold property payments: Contracted rehabilitation and refurbishment <i>(Breakdown allowed, create posting level detail)</i>	<b>2902</b>	Buildings and other fixed structures: Office buildings <i>(Posting level detail to be created)</i>	Projects on existing infrastructure assets: Rehabilitation and refurbishment <b>capital</b> <i>(Create a posting level item for the specific project)</i>	<b>62</b>

**Example 6:** The department outsourced the maintenance and repair of its office building as a 3 year term maintenance contracted, to a private construction company. During the 3 year period numerous small individual work orders will be issued that individually might constitute either maintenance or rehabilitation. The total cost for the contract amounts to R3 for a building valued at R50 million, belonging to the department. If the rules in the current / capital decision tree are applied, the contract will be classified as a current maintenance project. Even if one of the individual work orders is issued for the installation of an air conditioner that can be viewed as a capital item, it still forms part of the current maintenance project and should therefore be recorded as such.

Item Segment		Asset Segment	Project segment	
Owned and leasehold property payments: Contracted property maintenance and repairs <i>(Breakdown allowed, create posting level detail)</i>	<b>2880</b>	Buildings and other fixed structures: Office buildings <i>(Posting level detail to be created)</i>	Projects on existing infrastructure assets: Maintenance and repairs <b>current</b> <i>(Create a posting level item for the specific project)</i>	<b>60</b>