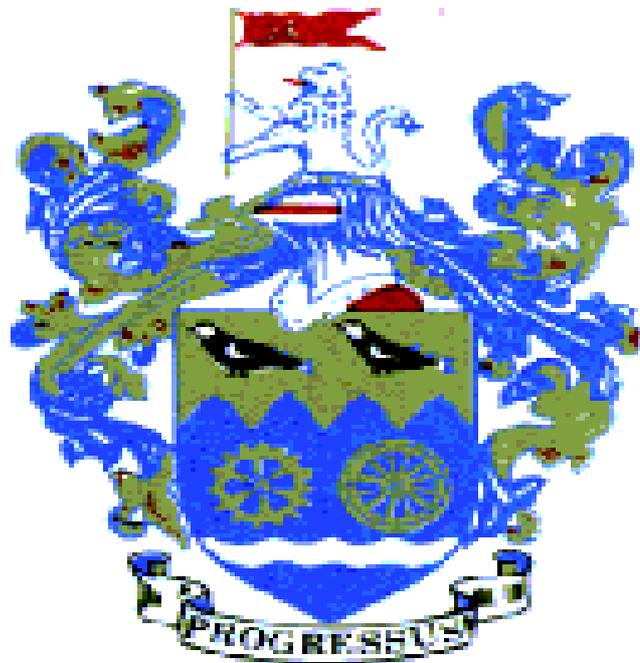


EMNAMBITHI / LADYSMITH MUNICIPALITY



FLEET MANAGEMENT POLICY

CONTENTS

		<u>Page</u>
01	Objectives	02
02	Background	03
03	Definitions	04
04	Responsibilities and Accountabilities – Definitions	06
05	Internal Control	07
06	Procedure for Repairing of Vehicles, Plant and Equipment	1G0
07	Procedure for Issuance of Fuel, Diesel & Oil	11
08	Control Measures: Municipal Fuel Bowser	12
09	Filling of Municipal Vehicle with Fuel - Procedure for Weekends and Public Holidays	12
10	Authorised Signature	
11	Misuse of Official Vehicles	
12	Permission to take an Official Vehicle Home	
13	Accidents	
14	Subsidised Vehicles	
15	Accounting for Vehicles, Plant and Equipment	
16	Authorised Signature for the Issue of Fuel to Municipal Vehicles – Annexure "A"	
17	Motor Vehicle Inspection Sheets – Annexure "B"	
18	Pool Vehicle – Annexure "C"	
19	Vehicle Log Sheet – Annexure "D"	
20	Service History Report – Annexure "E"	
21	Purchase Requisition Register – Annexure "F"	
22	Log Book – Annexure "G"	

OBJECTIVES

1. To ensure the effective and efficient control, utilization, safeguarding and management of Municipality's vehicles plant and equipment.
2. To ensure that vehicle drivers and fleet management managers are aware of their responsibilities with regard to vehicles.

3. To set out the standards of physical management, recording and internal controls to ensure that vehicles are safeguarded against inappropriate loss or utilisation.
4. To specify the process required before expenditure on vehicles is incurred.
5. To prescribe the accounting treatment for expenditure incurred on the use of vehicles, plant and equipment of the Municipality including:
 - The criteria to be met before expenditure can be accounted for on vehicles, plant and equipment
 - The criteria for determining the initial cost of the different vehicles, plant and equipment.
 - The method of calculating depreciation for different vehicles, plant and equipment
 - The policy for scrapping and disposal of vehicles, plant and equipment.
 - The classification of vehicles, plant and equipment

BACKGROUND

The utilization and management of vehicles, plant and equipment is the prime mechanism by which a municipality can fulfil its constitutional mandates for:

- Delivery of sustained services,
- Social and economic development,
- Promoting safe and healthy environments and,

- Providing the basic needs to the community

As trustees on behalf of the local community, the municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future services provision invested on vehicles.

The fleet management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of vehicles.

Stewardship has two components being the:

- Financial administration by the financial officer, and
- Physical administration by the fleet management managers

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposal by a local government.

Accounting standards will be set to ensure the appropriate financial treatment for different types of vehicles.

The requirements of these new accounting standards include:

- The compilation of vehicle registers covering all vehicles controlled by the municipality.
- Accounting treatment for the acquisition, disposal, recording and depreciation of vehicles, plant and equipment.
- The standards to which these financial records must be maintained.

DEFINITIONS

“Accounting Standard Board”

Was established by the Public Finance Management Act to set standards of Generally Recognised Accounting Practice [GRAP] as required by the Constitution of the Republic of South Africa.

“Vehicles, Plant and Equipment”

Are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

“Fleet Managing Manager”

Is the senior manager who has the functional accountability for and control of the physical management of particular vehicles in order to achieve the municipality's strategic objectives relevant to their department. The execution of this responsibility will require the asset manager to control the acquisition, utilisation, management and disposal of this set of vehicles to optimise the achievement of these objectives.

“Capitalisation”

Is the recognition of expenditure as an asset in the Financial Asset Register

“Carrying amount”

Is the amount at which vehicles are included in the balance sheet after deducting any accumulated depreciation thereon

“Cost of acquisition”

Are all the costs incurred in bringing an item or vehicle to the required condition and location for its intended use

“Depreciable amount”

Is the cost of a vehicle, or other amount of a vehicle, or other amount substituted for cost in the financial statements less its residual value.

“Fair value”

Is the amount for which a vehicle could be exchanged between knowledgeable willing parties in an arm's length transaction

“Financial vehicle register”

Is the controlled register recording the financial and other key details for all municipal vehicles recognized in accordance with this policy.

“GAMAP”

Stands for “general accepted municipal practice”

“GRAP”

Stands for “accepted accounting practice”

“Recoverable amount”

Is the amount that the municipality expects to recover from the future use of a vehicle, including its residual value on disposal.

“Recognition”

Is the net amount that the municipality expects to obtain for a vehicle at the end of its useful life after deducting the expected costs of disposal.

“Senior Management”

Are the incumbents of post level 1 and 2 in each directorate being the “senior manager”

“Stewardship”

Is the act of taking care and managing vehicle on behalf of another

“Useful life” is either

- [a] The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality
- [b] The estimated total services potential expressed in term of production or similar units that is expected to be obtained from the asset by the municipality

Responsibilities and accountabilities

DRIVERS

The drivers of the Municipalities’ vehicles, plant and equipment are personally liable for the moving violation of vehicles such as:

- Speeding
- Reckless driving

- Safety belt
- Overloading
- Parking offences
- Camera offences etc. committed with a Municipal vehicle

A basic inspection must be carried out by the driver of the vehicle, plant or equipment and regularly by the departmental mechanic before leaving the premises of the Municipality

Before proceeding on any journey, drivers are required to ensure that the vehicles conforms to the requirements of the Road Traffic Act in respect of brakes, lights, rear view mirror, condition of tyres, etc. If the vehicle does not conform to any of these requirements, the driver should report defects to the supervisor who in turn will get the vehicle repaired. In the event of any defect the vehicle may not be used until repaired

Each and every vehicle must have a logbook, whereby all trips undertaken will be recorded and fuel consumption will be calculated against the distance travelled on a daily basis. A "nil" return must also be submitted, giving the reasons for the non-use e.g. in garage for repairs or servicing.

It is essential that vehicles be refuelled at the end of each month so that it is possible to accurately calculate monthly consumption figures.

Under no circumstances must faulty vehicles be used

THE MANAGER PUBLIC SAFETY

Is responsible for the management of the vehicles of the municipality, including the safeguarding and the maintenance of vehicles.

The Manager: Public Safety must ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the vehicles of the municipality;
- The municipality's vehicle are valued in accordance with standards of generally recognized accounting practice;
- That the municipality has and maintains a system of internal control of vehicles, including a vehicle register; and
- That senior managers and their teams comply with this policy

The Chief Financial Officer is responsible to ensure that the financial investment in the municipalities' vehicles are safeguarded and maintained.

The Chief Financial Officer must ensure that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct are prevented and/or recovered
- The systems processes and registers required to substantiate the financial value of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the auditor-general;
- Financial processes are established and maintained to ensure the municipalities' financial resources are optimally utilized through appropriate vehicle planning, budgeting, purchasing, maintenance and disposal decisions;
- The Manager: Public Safety is appropriately advised on the exercise of power and duties pertaining to the financial administration of assets;
- The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of vehicles.
- This policy and any supporting procedures or guidelines are established, maintained and effectively communicated.
- The financial officer may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring that these activities are performed.

A Fleet Management Manager must ensure that:

- Appropriate systems of physical management and control are established and carried out for vehicles in their area of responsibility;
- The municipal resources assigned to the section are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, are prevented and/or reported
- Their assets management systems and controls can provide an accurate, reliable and up to date account of assets under their control

- They are able to justify that their vehicle plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipalities'1 strategic objectives;
- The vehicle management manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring that these activities are performed.

Internal Controls

Vehicle, Plant and Equipment registers

Establishment and Management of the Vehicle Register

- The Manager: Public Safety will establish and maintain the vehicle register containing key financial data on each vehicle that satisfies the criterion for recognition.
- Fleet management managers are responsible for establishing and maintaining any additional register or database required demonstrating their physical management of their vehicles.
- Each fleet management manager is responsible to ensure that sufficient control exists to substantiate the value, location and condition of all vehicles in their registers.

Contents of the Fleet Management Register

The details included in the vehicle register will include:

- A description of the vehicle, [registration number, model, engine number if applicable]
- Cost or value
- The depreciation methods used
- The useful life
- Depreciation charged
- The accumulated depreciation
- Date of acquisition - date of disposal [if relevant]
- Strategic purpose [and if it is required to provide minimum basic services]
- The Responsible Fleet Management Manager

Internal Control over Vehicle Registers

- Control around their vehicle registers should be sufficient to provide an accurate, reliable and up to date account of vehicles under their control to the standards specified by The Chief Financial Officer and required by the Auditor-General.

- These controls will include physical management and recording of all expenditure incurred including petrol slips, transfers and disposal of their assigned assets as well as regular stock-takes and system audits to confirm the adequacy of their controls

Physical Receipting and Management

Responsibilities Manager: Public Safety

- The Manager: Public Safety must ensure that the purchase of vehicles complies with all municipal policies and procedures
- The Manager: Public Safety must ensure that all vehicles are duly processed and identified before it is received into their stewardship.
- The Manager: Public Safety must ensure that all vehicle records are maintained.
- A file shall be opened for repairs. Maintenance and any other work done to each vehicle should be kept in the respective services file.
- The vehicle service files shall be monitored on a regular basis to ensure that all repairs and services are relevant, authorised and valid.
- The respective fleet management manager shall ensure that licensing is done timeously
- The Manager: Public Safety must ensure that vehicles, plant and equipment is appropriately utilised for the purpose that the municipality acquired those assets

Receipt of vehicle, plant and equipment

- The receipting of vehicles, plant and equipment will be managed by Manager: Public Safety
- The process of receipting by the Manager: Public Safety will include:
 - ⊗ Review of the authority to purchase including compliance with all procurement policies and budgetary limits.
 - ⊗ Review of all details required to record the vehicle in vehicle, plant and/or equipment register
 - ⊗ Assignment of the vehicle, plant and equipment to the appropriate departmental Fleet Management Manager.

The date of acquisition

- The date of acquisition of a vehicle, plant and equipment is deemed to be the time when legal title and control passes to the municipality
- This may vary for different categories of vehicles, plant and equipment but will usually be the point of time when Management authorises payments for those assets

PROCEDURE FOR REPAIRING OF VEHICLE, PLANT AND EQUIPMENT

1. The accountable manager shall, under his/her signature request repairs to the vehicle on the prescribed job card.
2. The job card will be delivered to the office of The Manager: Public Safety

3. The Manager: Public Safety shall determine the nature and cost of repairs, and in the event that the Municipal Workshops are unable to effect the repairs, obtain 3 quotations from private services providers to effect repairs
4. The Manager: Public Safety shall upon receiving the cost estimate, submit the same to Management for approval. In urgent instances Manager: Public Safety may proceed with repairs and report *ex post facto*
5. The job card shall be completed in detail and an electronic record shall be kept of all repairs effected to all municipal vehicles
6. The policy on replacement of tyres shall be as follows:
 - 6.1. The Manager shall under his signature request replacement
 - 6.2. The Manager: Public Safety shall obtain 3 quotations for the specific size of tyres and also payment for the used casing
 - 6.2.1. If the casing is not useable the services provider shall inform Manager: Public Safety in writing as to the reasons.
 - 6.3. All identification numbers of the tyres so provided shall be availed to Manager: Public Safety who shall keep electronic records of the information
 - 6.4. The Manager: Public Safety shall not use one supplier on more than two consecutive occasions unless the price difference on items purchased is more than R100-00 per tyre if only one tyre is purchased or more than R50-00 if two or more tyres are purchased.
7. The Manager: Public Safety shall also endeavour to use different service providers for spares and repairs of vehicles, but will consider quality of spares and service determining the specific services supplier
8. In the event of major repairs, Manager: Public Safety is authorised to use one service provider to ensure that the warranty on the repairs by services provider is not compromised.

PROCEDURE FOR ISSUANCE OF FUEL, DIESEL AND OIL

In an effort to prevent the misuse of fuel and oil the following policy shall prevail:

1. No fuel, diesel and oil shall be issued without an authorised and signed requisition.

2. No fuel, diesel or oil shall be distributed in any container other than fuel tank or engine, as the case may be, of a vehicle.
3. Should it be a requirement for fuel to be dispensed to any other container, the requisition shall state accordingly, clearly indicating the quantity of fuel required.
4. Separate requisitions shall be required for 2 and 3 above. Fuel shall not be dispensed for a vehicle and in a container on the same requisition.
5. Oil shall only be dispensed directly into a vehicle and again should oil be required in sealed cans, 3 and 4 shall apply.
6. No fuel shall be dispensed if the mileage of the vehicle is not recorded.
7. The kilometre reading shall be entered on the requisition depicting the registration number of the vehicle.
8. Fuel shall not be dispensed if the odometer and the mileage on the requisition differ more than 10km.
9. The quantity of fuel and oil delivered to the vehicle shall be entered by the driver and verified by the fuel attendant.
10. At close of day, all requisitions, whether dispensed in house or by outside service providers, shall be delivered to the Manager: Public Safety.
11. The Manager: Public Safety shall ensure that proper electronic records are kept of all fuel dispensed to all vehicles.
12. A comparative report as to quantity of fuel dispensed and mileage shall be provided to each manager and abnormal usage shall be reported to management.

CONTROL MEASURES: MUNICIPAL FUEL BOWSER

That as a control measure, the departmental official authorising the re-fuelling should ensure that an odometer reading is entered on the requisition and that the pump attendant allow a difference of not more than 10 kilometres to make provision for the discrepancy between the venue of signing and the venue of filling.

That HOD's ensure that the speedometers of the vehicles under their control are in a working condition as inoperative speedometers make it impossible to exercise control over fuel consumption.

Resolved on 03/07/2002

FILLING OF MUNICIPAL VEHICLE WITH FUEL:

Procedure for Weekends and Public Holidays

Officials who use vehicles over weekends or during public holidays must fill their vehicles on Fridays or in the case of a public holiday on the day before the start of such a holiday.

Refuelling at municipal bowers during weekends/ on public holidays will be allowed on authorisation by the respective Head or Deputy Head only – such authorisation to be given personally by the Manager/Deputy Public Safety to control room staff.

AUTHORISED SIGNATURE FOR THE ISSUE OF FUEL TO MUNICIPAL VEHICLES

The Head of Department will authorise Section Heads and certain foremen to sign the fuel requisition prior to the driver/s filling their vehicles as per Annexure "A".

The driver of the vehicle and fuel attendant must also sign the fuel requisition.

MISUSE OF OFFICIAL VEHICLE

Official vehicles are provided strictly for official purposes and are not to be used for private or other purpose.

Practices such as using official vehicles for unauthorised trips between home and work, making social calls taking families for outings, making detours for private purposes, etc. will not be tolerated

PERMISSION TO TAKE AN OFFICIAL VEHICLE HOME

- a) NO person may take any official vehicle home unless specific permission has been granted. The authority must clearly indicate the period over which the vehicle may be taken home.
- b) It must be noted that permission to take an official vehicle home will NOT be granted unless the applicant certifies that the vehicle will be secured overnight in a lockable garage.
- c) That emergency staff may, when on standby only, use official transport within the borders of, Emnambithi/Ladysmith, subject thereto that the employee should at no stage be more than 5km from the residence normally occupied by him and his family, subject further to the following conditions:

- i. The employee shall under no circumstances allow non-officials access into the vehicle for any purpose what so-ever.
 - ii. Such use of municipal transport is only authorized if the driver intends reacting to a call out immediately.
 - iii. Such use of municipal transport may NOT be for purposes similar to a quick visit to the café to buy bread etc.
 - iv. The written authorization of the Head of the Department must be obtained prior to the use of such vehicle.
- d) That in the light of special circumstances, officials working overtime or shifts be allowed to, with municipality transport, drop / pick up their children from school or such purpose, subject thereto that:
- i. He /she indemnifies Council against any claims should an accident occur.
 - ii. The time taken to drop / pick up the child not be seen as overtime / normal time, unless the official be assigned to duty in the area
- e) Municipal or hired vehicles may only be used in the execution and in the scope of the job description of any such user and only for Council business.
- f) Prior approval must be obtained from the Head of Department for municipal or hired vehicles to travel outside the boundaries of the erst of Ladysmith.
- g) No employee may drive any municipal or hired vehicle without the correct drivers licence for the specific vehicle.
- h) All Heads of Departments must ensure that:
- # Daily log and inspection sheets of vehicles and equipment be completed.
 - # No fuel or oil may be issued without the correct procedures being followed, i.e. requisition correctly filled out and signed denoting the odometer reading at the time of filling.
- i) General:
- (i) Staff on standby must ensure that the municipal vehicle used for standby purposes is parked inside their premises.
 - (ii) All traffic regulations must be adhered to.
 - (iii) If any breakdown service is needed for municipal vehicles, Public Safety must be contacted to arrange such service.

- (iv) The safe keeping of keys and Concession Toll cards are the responsibility of the driver concerned.

ACCIDENTS

In the event where a municipal vehicle is involved in an accident, the Manager: Public Safety must be informed and vehicles may not be removed until a member of Public Safety has authorised the removal of such vehicle(s)

Any accident in which an official vehicle is involved **MUST** be reported to the nearest Police Station within 24 hours of the accident and a case number must be allocated.

An accident report form must be completed within 7 (seven) days of the accident, unless the driver is not in a position to do so due to injuries sustained. In such case a statement by the relevant Supervisor must be submitted to the Manager: Public Safety within 7 days of the accident.

SUBSIDISED VEHICLES

To ensure a transparent and equitable application of subsidization of vehicles the following policy shall be adhered to:

1. The accountable Manager shall submit a full motivation to The Manager: Public Safety. This motivation shall *inter alia* clearly explain why a municipal vehicle cannot be utilized.

2. The Manager: Public Safety shall avail to the requesting manager a log book which shall be maintained by the driver of the vehicle for a period not less than 3 months and the log book will be completed in detail, denoting the information as per Annexure "F".
3. In terms of SALGA agreement **NO** subsidy shall be considered if the distance travelling per month is in excess of 1500 km.
4. The Manager: Public Safety shall calculate a cost / benefit comparison in each instance.
5. The Manager for Public Safety provides management with a detailed report and recommendation for every application for a vehicle subsidy.
6. In all instances the following policy, as accepted in the Industrial Council, shall be adhered to and the conditions shall always prevail

ACCOUNTING FOR VEHICLE, PLANT AND EQUIPMENT

Recognition of vehicle, plant and equipment

An item of vehicle, plant and equipment will be recognised as an asset when:

- It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
- The cost of the asset to the municipality can be measured reliably
- The municipality has gained control over the asset
- The costs is above the recognition threshold, and
- The asset is expected to be used during more than one financial year.

All other acquisitions of the vehicle, plant and equipment will be expensed.

Recognition threshold

- To ensure efficiency in the administration of this policy, the recognition of vehicle, plant and equipment as an asset will be limited to items costing R10 000 or more.

Carrying amount on vehicle, plant and equipment

Subsequent to initial recognition as a vehicle, plant and equipment, an item of vehicle, plant and equipment should be carried at its cost less any accumulated depreciation, subject to the requirement to write an asset down to its recoverable amount or any subsequent revaluation.

Initial determination useful life

Each Fleet Departmental Management Manager needs to determine the useful life of a particular item or class vehicle, plant and equipment through the development of a Strategic Vehicle, Plant and Equipment Management Plan that forecasts the expected useful life of that vehicle, plant and equipment.

This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- The operational, maintenance, renewal and disposal program that will optimise the expected long term costs of owning that asset
- Economic obsolescent because it no longer meets the municipalities' needs
- Technological obsolescent
- Social obsolescent due to changing demographics and
- Legal obsolescent due to statutory constraints

Spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, must be considered to form part of the historical cost of that asset or class. The depreciable amount of such spares must be allocated over useful life of the asset or class.

Review of useful life

The useful life of an item vehicle, plant and equipment should be reviewed regularly and if expectations are significantly different from previous estimate, the depreciation charge for the current and future periods should be adjusted.

Review of depreciation method

- The depreciation method applied to vehicle, plant & equipment should be reviewed regularly, and if there has been a significant change in the expected pattern of economic benefits or potential services delivery from those assets, the method should be changed to reflect the changed pattern.
- When such a change in depreciation method is necessary the change should be accounted for as a change in accounting estimate and the depreciation charge for the current future periods should be adjusted.

Subsequent expenditure on vehicle, plant and equipment

- Subsequent expenditure relating to an item of vehicle, plant and equipment that has already been recognised should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing vehicle, plant and equipment, will flow to the municipality
- All other expenditure should be recognised as an expense in the period in which it occurred
- Before allowing the capitalization of subsequent expenditure, the Financial Officer must be satisfied that this expenditure significantly;
 1. Increases the life of that asset beyond that stated in the asset register, or
 2. Increase the quality of service of that asset beyond the existing level of service, or
 3. Increase the quality of service that asset can provide, or
 4. Reduce the future assessed costs of maintaining that vehicle, plant and equipment.

Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should also be appropriately included in the approved capital budget.

Where it is desired to capitalize future component replacements refurbishments or renewals then please refer to the section on major components in this policy.

EXPLANATORY NOTES

TRANSPORT ALLOWANCE AND AGREEMENT: NATAL

The Industrial Council, at its meeting held on the 28 June 1990 at Westville resolved to adopt the attached transport scheme for Local authorities with effect from 1 July 1990.

In order to accommodate the implementation of the scheme the following is brought to the attention of the parties:

1. Paragraph 2 – Object of the scheme

Attention is invited that it is a requirement that private transport be utilised in the execution of duties and that such utilisation should be per agreement (compare paragraph 2.2 of the scheme.)

Scheme participation is further subject that all requirements that of the scheme be complied with unless the local authority determines otherwise with exemption from the Industrial Council in terms of Clause 4.1.1.5. and 4.5

2. Participation in the scheme of post levels 1 – 3

In order to define participation to the scheme, the following cut-off points are determined:

Grade 7 and higher	250km per month
Grade 6 to 4	200km per month
Grade 3 to 1	150km per month

Employees who travel the distances determined, qualify for the full benefit in terms of Clause 4.1 of the scheme. As an interim measure and until such times the Industrial Council determined otherwise, the following ruling will apply to those employees who do not qualify in terms of the minimum cut-off points:

- (a) The incumbents are compensated on a log basis for a period of three months
 - (b) The incumbents fully participate in the rest of the scheme
3. Until such time as consensus is reached by the Industrial Council in respect of the method of allocating a scaled down benefit, the matter will be dealt with as in paragraph 2(a) & (b) above.
 4. Local authorities are free to allocate the full benefit to their respective employees regardless of the number of kilometres travelled. Where a local authority so determines, it is required that exemption be obtained from the Industrial Council.

Local authorities who have already granted the full benefit prior to the date of this circular need not apply for exemption. The stipulations only affect present incumbents.

5. Existing schemes representing a more favourable benefit, are retained by employees as contractual to holder and until such time as the particular post is vacated.
6. In order to obviate any possible disputes regarding the necessity to undertake trips, it is suggested that trips (for log purposes) be approved in conjunction with the Town Clerk/Head of Department.
7. Official vehicles currently utilised, are retained until expiry of the normal economic life of the vehicle and no official vehicle may be replaced by another official vehicle during the phasing in period.
8. As soon as consensus has been reached on matters dealt with on an interim basis, the Industrial Council will inform you accordingly.

**A TRANSPORT ALLOWANCE AND LOAN SCHEME
FOR EMPLOYEES OF
LOCAL AUTHORITIES UNDER JURISDICTION OF
THE INDUSTRIAL
COUNCIL FOR THE LOCAL GOVERNMENT
UNDERTAKING
[DIVISION S.A.A.M.E. – NATAL]**

ITEM	SUBJECT
1.	DEFINITIONS

- 1.1 Official distance
- 1.2 Days
- 1.3 Participating Local Authorities
- 1.4 MEO
- 1.5 Car Ownership Cost
- 1.6 Total Fixed Cost
- 1.7 Total Running Cost
- 1.8 An allowance bearing job or post
- 1.9 Association
- 1.10 Transport allowance Scheme

2. OBJECTS OF THE SCHEME

3. SCHEME PARTICIPATION

4. SCHEME STIPULATIONS

- 4.1 Classifying of Transport Allowance
 - 4.1.1 A Fixed Transport allowance
 - 4.1.2 A Running Transport Allowance
 - 4.1.3 An Ad Hoc Transport Allowance in Respect of temporary and Casual Official Drives
- 4.2 Calculation of Transport Allowances
 - 4.2.1 Basis of compensation (tables)
 - 4.2.1.1 Fixed cost
 - 4.2.1.2 Cost of fuel
 - 4.2.1.3 Maintenance cost
 - 4.2.1.4 Total Ownership cost
 - 4.2.2 Principles of Compensation
 - 4.2.3 Fixed Transport Allowance payments

4.2.4 Payments for Running and Ad Hoc

4.3 Adjustment and Revision of Transport Allowance Tariffs

4.4 Suspension of Transport allowance

4.5 Relaxation of Scheme Stipulations

5. VEHICLE LOANS

➤ Conditions

- i. Qualifying requirement
- ii. Vehicle choice and purchase price
- iii. Loan limitations
- iv. Determination of rate of interest
- v. Redemption periods
- vi. Loan frequency
- vii. Redemption of loan obligations as a result of death or termination of services

➤ Formalities to be heeded when entering into a vehicle loan agreement

5.3 Safeguarding of risks

1. DEFINITIONS

For purposes of this scheme, the following definitions will apply:

1.1 Official distance

The distance in kilometres travelled by an employee in his/her employer's services excluding distances between place of work and residence.

1.2 Days

Indicates the number of working days of working days in the service of the participating local authority

1.3 Participating local authorities

All local authorities under jurisdiction of the Industrial Council for the Local Government Undertaking.

1.4 M.E.O.

The Municipal employer's Organisation or it's representative.

1.5 **Car Ownership Cost**

As reflected and maintained by the automobile association of South Africa in the tables for "Estimated average car ownership cost over 6 years".

The tariff is reflected in cents per kilometre and is composed of the following:-

- Fixed cost of the vehicle.
- Total running cost of the vehicle

1.6 **Total Fixed cost**

The tariff in cents per kilometre as determined on the normal retail price (plus GST excluding accessories) of the vehicle, provided that this value does not exceed the retail selling value of the relative vehicle as reflected in the "Auto Dealers Digest" plus general sales tax.

1.7 **Total Running Cost**

The tariff in cents per kilometre which is composed of the following:-

- Cost of fuel in relation to the vehicle's engine capacity or as restricted in this scheme.
- Maintenance costs in relation to the vehicle's engine capacity or as restricted in this scheme.

1.8 **An allowance bearing job or post**

A job or post to which a fixed or running monthly transport allowance is couple and which qualify for a vehicle loan in term of the scheme.

1.9 **Association**

The South African Association of Municipal Employees (non – political) and /or any branch of the association.

1.10 **Transport allowance Scheme**

This scheme as agreed between the M.E.O. and the association.

2. **OBJECTS OF THE SCHEME**

This scheme deals with the payment of a transport allowance to employees of participating local authorities who are required to utilise private transport in the execution of official duties including posts on job levels 1, 2 or 3 who qualifies.

The objects of the scheme are thus to provide for the following:-

2.1 Uniform guidelines, conditions and limitations in terms of which the scheme is to be run in order to restrict differences between participating local authorities to a minimum.

2.2 To make provision for the basis of compensation and scheme benefits in respect of employees who utilise private transport in the execution of official duties, after prior agreement with an employee to utilize private transport for official purposes.

3. **SCHEME PARTICIPATION**

Any employee of a participating local authority, who with specific agreement of his employer, utilizes a private vehicle in the execution of his duties is a participant to the scheme subject to all the conditions and limitations contained in the scheme

4. **SCHEME STIPULATIONS**

With the exception of town clerks, this scheme provides for participation by all employees of a local authority who, with the approval of such authority, utilizes private transport in the execution of official duties. Admission to and participation in the scheme is thus primarily determined by the utilisation of private transport for official purposes.

Participation in the scheme is thus determined and limited by cost advantaged and economical considerations. It is therefore the responsibility of participating local authorities themselves, with due consideration to the scheme stipulations, to determine to what extent private transport is to be utilized for official purposes.

4.1 **Classifying of Transport allowances**

Provision is made in this scheme for the payment of transport allowances in respect of the utilization of private transport in an official capacity.

Subject to conditions elsewhere contained in this scheme the following forms of transport allowance are distinguished:-

4.1.1 **A fixed transport allowance**

The allowance is intended for incumbents of posts of head of department, deputy head of department and assistant head of department, who in terms of this scheme qualify.

Incumbents receive a fixed monthly allowance according to the following tables:-

(a) Grade 7 and higher local authorities

Head of Department: Minimum 850 km per month

Deputy Head of Department: Minimum 750km per month

Assistant Head of Department: Minimum 650 km per month

(b) Grade 4 – 6 Local authorities

Head of Department: Minimum 650 km per month

Deputy Head of Department: Minimum 550km per month

Assistant Head of Department: Minimum 450 km per month

(c) Grade 1– 3 Local authorities

Head of Department: Minimum 550 km per month

Deputy Head of Department: Minimum 450km per month

Assistant Head of Department: Minimum 350 km per month

It is thus a requirement that such incumbents of posts must have their subsidized private transport available on a daily basis for the execution of official duties. The payment of a monthly transport allowance is however subject to the following conditions, ie

- No official transport is provided to such incumbents:
- The maximum distance prescribed for chief executive officers is not exceeded;
- Residence to place of work journey do not form part of the allowance
- That all other requirements contained in this scheme are complied with, and
- Where local circumstances justify or require that in respect of a certain class of employee the restrictions contained in this scheme be relaxed, it may be done with sanctioning by the Industrial Council'

4.1.2 A Running Transport Allowance

When it is per agreement required from an employee to utilize private transport for the execution of official duties, and such employee travels more than 300km per month in the process, a monthly transport running allowance must be paid in term of the total distance travelled, provided that the maximum limitation as agreed and stipulated by the relevant local authority is not exceeded.

4.1.2.1 Participating local authorities will individually decided whether employees who qualify for scheme participation should submit a monthly log sheet and whether compensation is to be determined on a fixed average drive distance per month as determined by the local authority for the particular post

4.1.2.2 When a participating local authority decides in terms of 4.1.2.1 paragraph that a fixed monthly transport allowance be paid for the execution of duties applicable to any position, a provisional monthly official kilometre distance, calculated to the nearest 25 kilometre for such position, will be determined after submission of a report by the relative head of department. This report will serve as the basis of assessment of the provisional monthly official kilometre distance.

4.1.2.3 During the first three months after the determination of the provisional monthly official kilometre distance in terms of paragraph 4.1.2.2, the incumbents of the specific post must maintain a daily kilometre distances return (log sheet) of official journeys as approved by the head of department. The kilometre travelled during the foregoing three months must be multiplied by four and the result rounded off to the nearest hundred kilometre relative to the post.

4.1.2.4 In case the participating local authority or incumbent of a transport allowance bearing post requires a re-determination of the official distance limitation of the connected to a position, written notice must be given to the particular head of department. Immediately after expiry of seven days of serving such notice, the relative employee must continue for three months to maintain a daily return of all official journeys, in accordance with the procedure stipulated in paragraph 4.1.2.3.

4.1.2.5 The maximum kilometre distance (distance limitation) per month that a participating local authority determines for each post other than of a head, deputy or assistant head of a department as contemplated in paragraph 4.1.1., must be pertinently made known to the employee and preferable be reflected on his duty sheet,

4.1.2.6 In cases where an employee has to travel in excess of 1500km per month for official purposes, it is suggested as guideline that such incumbent rather be provided with an official vehicle- Participating local authorities should however themselves decide on scheme admission in accordance with own circumstances.

4.1.3 An Ad Hoc Transport Allowance in respect of Temporary and Casual official journeys

Ad hoc transport allowance are payable in cases where temporary or casual official journeys are undertaken by way of private journey transport. The following provisions apply:-

- 4.1.3.1 An employee occupying a transport allowance bearing position and who temporarily occupies another transport allowance bearing position and vacates his own position, is from that date, and for as long as s/he temporarily acts in the other position, paid a transport allowance based on the official annual kilometre distance applicable to the temporary position, or the transport allowance applicable to his own position, whichever one is the higher, and the transport allowance payable in terms of this paragraph, is calculated as follows:-

$$A = \frac{C1}{b} \times \frac{k}{12} \times f + \frac{c2}{b} \times \frac{m}{12} \times f$$

Where A = the monthly transport allowance

B = total vehicle ownership cost per kilometre bases on the actual new purchase price of the vehicle provided by the employee, subject to the provisions of paragraph 5 and on an annual kilometre distance of 14 000 kilometres:

c1 = official annual kilometre distance in respect of employee's own post as determined:

c2 = official annual kilometre distance in respect of the post temporarily occupied by the employee as determined:

f = number of working days in the calendar month for which the transport allowances are calculated:

k = number of working days that the employee occupies his own post in the calendar month mentioned in f: and

m = number of working days in the calendar month mentioned in f that the employee occupies the temporary position mentioned in c2

- 4.1.3.2 An employee who occupies a transport allowance bearing post and who temporary, apart from his own duties, occupies that of another employee for a period of five working days per month or more, will receive the

transport allowance applicable to the post occupied by him/her as well as an additional amount for official kilometres travelled in the execution of duties applicable to the post of the other employee. This additional amount, payable after submission of daily returns, is calculated as follows:-

$$A = g \times a.$$

Where A = additional amount

G = total running costs per kilometre:

And

A = kilometre distance travelled in execution of duties applicable to the post of the other employee.

4.1.3.3 An employee who does not occupy a transport allowance bearing post, when acting temporarily in the place of an employee who does occupy a transport allowance bearing post, will if such employee provides a private vehicle for the period during which so acting, receive the transport allowance applicable to such transport allowance bearing post. Such transport allowance is calculated as follows:

$$A = b \times \frac{c}{12} \times \frac{e}{f}$$

Where A = transport allowance payable

B = total vehicle ownership cost per kilometre based on the Actual new purchase price of the vehicle provided by the employee, subject to the provisions of paragraph 5 and on an annual kilometre distance of 14 000 kilometres:

C = annual kilometre distance as determined in respect of the post in which the employee temporary acts:

E = number of working days that the employee acts in the temporary post in the calendar month mentioned in f; and

F = number of working days in the calendar month for which the transport allowance is calculated.

$$A = b \times c.$$

Where a = the casual transport allowance payable:

B = total vehicle ownership cost per kilometre based on Actual new purchase price of the vehicle provide by the employee, subject to the provisions of paragraph 5 and on an annual kilometre distance of 14 000 kilometres:
and

C = actual kilometre distance travelled.

4.2 Calculation of Transport allowance

4.2.1 Basis of Compensation (AA tables)

All transport allowance payments are calculated in accordance with the tables of the Automobile Association of South Africa for “Estimated Average Car Ownership Cost over six years” (Hereafter referred to as AA- Tables)

The AA-Tables provides for the following cost factors:

4.2.1.1 Fixed cost

This factor includes the following elements, i.e.:

Depreciation on new car value, loss of interest (at current rates) comprehensive insurance (based on Reef premiums), licence registration and parking fees. To calculate fixed cost relate the actual purchase price with the annual distance applicable in the case. For purposes of fixed cost, the purchase price of the vehicle is used as basis. Should this price be higher than the retail sales value of the vehicle, according to the Auto Dealers Digest, the latter mentioned value is used for calculation purposes.

4.2.1.2 Cost of Fuel

This factor is related to the price of premium and regular fuel on the Reef and Coast. Fuel consumption factors for urban and rural journeys have been applied.

4.2.1.3 Maintenance Cost

This factor includes the following elements. I.e., tyres, spares, repairs, servicing, lubrication and wash and polish over a six year car life. To obtain maintenance cost in cents/ kilometre relate the engine size to annual distance travelled.

4.2.1.4 Total Ownership Cost

This factor represents the sum total of the fixed, fuel and maintenance cost of a vehicle and represents the tariff base for transport allowance calculations,

4.2.2 Principles of Compensation

4.2.2.1 A transport allowance is payable monthly and is calculated as follows:-

$$A = b \times \frac{C}{12}$$

Where A = the monthly transport allowance;

B = total ownership cost per kilometre; and

C = total annual kilometre distance

4.2.2.2 The transport allowance for a particular calendar month will, where possible, be paid to the employee at the end of the same month

4.2.2.3 With regard to periods of unpaid leave or the period prior to an employee assuming duties in the particular transport allowance bearing position, such monthly transport allowance of an employee will be reduced on a pro rata basis.

4.2.3 Fixed transport Allowance payments

This payments refers to the fixed amount which is payable monthly to the incumbent of posts of head of department, deputy head of department, and assistant head of department, on job levels one, two and three on the establishment of participating local authorities. The basis for calculation and payment is as follows:-

4.2.3.1 The specified tariff for fixed , fuel and maintenance costs in the appropriate AA-Tables for vehicle travelling 10 000 kilometres per annum provided that the calculation is limited to the maximum of 100% of the employee's salary.

4.2.3.2 The fixed distance limitation pertaining to the particular post, i.e., 850 kilometres per months

4.2.3.3 In respect of official jomeys outside the limitation specified above, only the prescribed tariff for total running cost (fuel and maintenance cost) is payable because the fixed cost of the vehicle is fully recovered by the fixed transport allowance, based on the distance limitation of 850 kilometres.

4.2.4 Payments for Running and Ad Hoc Transport Allowance

These allowances refer to the amounts payable monthly to incumbents of transport allowance bearing posts who, in accordance with distance limitations and with the aid of journey or log sheets, submit claims for the actual distance travelled (up to and including the maximum prescribed distance). This basis of calculation also applies to employees who are not appointed to transport allowance bearing posts but who do from time to time utilize private transport to undertake ad hoc journey for official purposes.

The basis for calculation and payment of running and ad hoc transport allowances is as follows:-

- 4.2.4.1 The tariff for fixed, fuel and maintenance costs, as specified in the appropriate AA-Tables for vehicles travelling 14 000 kilometres per annum. Calculations with regard to running and ad hoc transport allowance are however limited to vehicle with a maximum cylinder capacity of 2 500cc and the maximum of 100% of the employee's salary.

4.3 Adjustment and revision of Transport Allowance Tariffs

The calculation of transport allowances are adjusted Automatically and amended in terms of the AA-Tables published from time to time. The adjustments and amendments will be effected from the first day of the month following the month of adjustment in which the Automobile Association of South Africa publishes such revised calculations for car ownership cost.

4.4 Suspension of Transport allowance

- 4.4.1 Should an employee occupying a transport allowance bearing post at his own request be transferred to another post not bearing any transport allowance, no transport allowance is payable from date of transfer.
- 4.4.2 Should an employee who occupy a transport allowance bearing post be transferred by the Council to a non transport allowance bearing post, and such employee did not request-such transfer, the participating local authority will give such employee six months written notice of the cancellation of the transport allowance, during which period of six months the employee will receive a monthly transport allowance calculation on the following basis, provided the employee's vehicle is not utilized by the Council during this period.

$$A = h \times \frac{C}{12}$$

Where A = monthly transport allowance

H = total fixed cost per kilometre: and

C = annual kilometre distance as determined in
Accordance with the scheme.

- 4.4.3 Should a Council decide to cancel an employee's transport allowance, the participating local authority will give such employee six months written notice of such cancellation during which period of six months the employee will receive a monthly transport allowance calculated on the basis as determined in paragraph 4.4.2. provided the employee's vehicle is not utilized by the Council during this period.
- 4.4.4 The determination of this paragraph does not influence any loans granted in terms of paragraph 5 for purchasing of vehicle.

5 VEHICLE LOANS

5.1 Conditions

The granting of vehicle loans is subject to the following conditions and limitations:-

5.1.1 Qualifying Requirements

Vehicle loans are intended for employees, who by agreement, participate in the transport allowance scheme, such loans are however limited to incumbents of transport allowance bearing post on account of such employees being required to utilize daily private transport for the executive of official duties.

Employees receiving casual or ad hoc transport allowance do therefore not qualify for benefits under this scheme.

5.1.2 Vehicle Choice and purchase Price

5.1.2.1 With due regard to the limitations contained in this scheme, the choice of vehicle to be utilized by the employee in term of the scheme for daily use on behalf of the Council, will be vested in the employee.

5.1.2.2 The purchase of second hand vehicles is however subject to a roadworthy certificate issued by an examining officer appointed by

the particular participating local authority to report on the general condition and value of the vehicle.

- 5.1.2.3 A vehicle loan may not be acquired for more than 100% of the actual cost of the vehicle (VAT included). The vehicle in respect of which the loan is granted, must be the vehicle utilized for the execution of official duties.
- 5.1.2.4 In the case of second hand vehicles, the maximum loan amount equals that of the retail sales value of the particular reflected in the "Auto Dealer's Digest" plus general sales tax, provided that it may never exceed the amount referred to in subparagraph 5.1.2.3 above.
- 5.1.2.5 In cases where the purchase price of a vehicle (new or second hand) exceeds the maximum loan amount, the borrower must pay the difference in cash to the seller. A receipt to this effect must be handed to the participating local authority.

5.1.3 Loan Limitations

The maximum loan amount which an employee may borrow to purchase a vehicle must not exceed 100% of the particular employee's annual salary. Provided that no employee may borrow an amount in excess of the maximum amount prescribed for the town clerk. This salary excludes any bonuses or allowances.

5.1.4 Determination of rate of interest

Vehicle loans are financed from funds as determined by the particular participating local authority at an interest rate of 8.5% calculated monthly on the outstanding balance.

5.1.5 Redemption Periods

The maximum period for repayment (redemption of a vehicle loan) is as follows:-

- 5.1.5.1 New vehicle 6 years
- 5.1.5.2 Second hand or used vehicles:-
- Less than one year old – 5 years
 - From 1 to 2 years old – 4 years

- More than 2 years old as determined by the particular participating local authority

5.1.6 **Loan Frequency**

No employee may receive a new or further loan before the former loan has been fully redeemed. An employee shall only be entitled to one loan every three years unless the participating local authority specifically decides otherwise in respect of an application by an employee who cannot comply with this requirement: Provided that in a case where a loan is granted before the expiry of three years, the proceeds from the realisation of the particular vehicle shall firstly be utilised towards the redemption of the outstanding loan amount and the balance, if any for the reduction of the new loan amount.

5.1.7 **Redemption of loan obligations as result of Death or Termination of Services**

Should an employee leave the services of the particular participating local authority for whatever reason, the full loan amount is payable before or on his last working day. At death, the claim for redemption of the loan debt will be lodged against the relevant estate.

5.2 **Formalities to be Heeded when entering into a vehicle loan agreement**

The following formalities must be heeded prior to a vehicle loan being granted and paid out:

- 5.2.1 A formal application form must be completed.
- 5.2.2 After approval of the loan application, the following documentation must be submitted prior to the debt acknowledgement (agreement) being signed and payment of loan amount effected:
 - Invoice from the seller
 - Third party insurance token: and
 - Proof of comprehensive vehicle insurance (The vehicle must be insured at the expense of the borrower.)
- 5.2.3 Within two working days from signing the debt acknowledgement and effecting payment, the following documents must be submitted:
 - Original registration certificate issued to the borrower

- Original licence receipt

5.3 Safeguarding of Risks

- 5.3.1 Each employee receiving a vehicle loan, must obtain and maintain a comprehensive vehicle insurance policy to the satisfaction of the particular participating local authority which covers him inter alia against any fire, theft, accident and consequential damage in regard of the particular vehicle.
- 5.3.2 An employee purchasing a vehicle with the aid of a vehicle loan, must agree that the particular participating local authority may confiscate the vehicle when contractual obligations are not adhered to, and also that liquidation of debt may be set-off against leave benefits.
- 5.3.3 An employee purchasing a vehicle with the aid of a vehicle loan may not during the loan period sell, pawn or pledge such vehicle without obtaining prior written approval of the particular participating local authority.
- 5.3.4 The registration certificate of the vehicle that an employee buys with the aid of a loan must be handed to the employer forthwith for safekeeping. During the loan period such employee may not apply for a duplicate registration certificate of the vehicle without obtaining prior written approval from his employer. The registration certificate issued in terms of the new motor vehicle registration system when renewing the vehicle licence must forthwith be submitted by the employee, for safekeeping.
- 5.3.5 Violation of any conditions of the scheme confers the right to the participating local authority to cancel from the contract with accompanying remedies.

ANNEXURE "B"

MOTOR VEHICLE INSPECTION SHEET

Registration Number: _____

Make : _____

Model : _____

The following should be checked before using the vehicle and on every Monday morning.

Any problems should immediately be reported to the Transport Officer.

DESCRIPTION	CHECKED	FAULTS/REMARKS
Mileage		
License		
Tyres		
Jack/Wheel spanner/Spare wheel		

Head/Tail lights		
Indicators – Left / Right		
Oil & Water		
Fuel		
Instrument gauges – Fuel		
Instrument gauges – Temperature		
Wipers		
Dents / damage		
Overall condition		
Service due		
Other		

Checked by : _____
Full names

Signature : _____

Date : _____

Transport Officer _____

ANNEXURE "C"

POOL VEHICLE

Registration Number: _____

Make of Vehicle: _____

Name of Driver	Date	Speedo START	Speedo END	Trip KMS	Trip DESCRIPTION	Dept To be debited	Fuel Litre	Fuel Cost	Oil Cost

RECEIVED BY : _____

FULL NAMES

SIGNATURE _____

ISSUED BY _____

FULL NAMES

DATE _____

ANNEXURE "D"

VEHICLE LOG SHEET

REGISTRATION NUMBER _____

MODEL & MAKE _____

DATE	DEPARTMENT	NAME OF DRIVER	DESTINATION	KM OUT	KM IN	FUEL / OIL LITRES	COST

- * PLEASE CHECK THAT THE ABOVE VEHICLE IS IN PROPER WORKING ORDER, THAT LICENSE & COR IS CURRENT
 - * ENSURE THAT YOU HAVE TRIP AUTHORITY
 - * REPORT ANY DEFAULTS IMMEDIATELY TO SUPERVISOR
-

