

**MATJHABENG LOCAL MUNICIPALITY
DRAFT CAR ALLOWANCE POLICY: EXPLANATORY MEMORANDUM**

1. INTRODUCTION

- 1.1 The Municipal Manager of Matjhabeng Local Municipality [the Municipality] engaged Friday Management Solutions (Pty) Ltd [Friday] to review and rewrite the Municipality's current motor allowance policy on an expedited basis. Dr Koos Smith, Friday's managing director, executed the assignment.
- 1.2 About 629 employees currently participate in the municipality's car allowance scheme. Under the proposed policy which was recently submitted to the Mayoral Committee the municipality will pay ± R 3 million/per month to employees in respect of car allowances.

2. APPROACH AND METHODOLOGY

- 2.1 The Municipal Manager supplied Friday with a copy of the current vehicle and transport allowance policy and scheme of Mangaung local municipality, as well as the Municipality's [proposed] motor allowance policy. Friday also obtained copies of a legal opinion regarding the existing and proposed scheme obtained by the Municipal Manager, as well as a report of Latitude Programme Services regarding specific aspects of the scheme.
- 2.2 Friday collected copies of vehicle/car allowance policies of a number of municipalities selected at random, namely Ekurhuleni metropolitan municipality as well as Mbombela, Msunduzi and Greater Tzaneen local municipalities. These car allowance schemes and that of Mangaung were used to benchmark the municipality's [proposed] scheme.

3. FINDINGS OF BENCHMARK PROCESS

The benchmarking processes indicated differences and similarities between the Municipality's [proposed] car allowance scheme and those of the benchmark municipalities.

3.1 Significant differences

- (a) Not one of the benchmark municipalities used a percentage of an employee's basic salary as determinant for a monthly car allowance. All of the benchmark municipalities use "deemed travelled" distance allocations and the Automobile Association of South Africa's vehicle operating cost tables to determine monthly car allowances payable.
- (b) All of the benchmark municipalities expressly require that the recipient of a car allowance must have the vehicle in respect of which she/he receives the allowance available and at her/his disposal during every day which she/he is at work and that she/he must undertake any and all official journeys with that vehicle. The Municipality's [proposed] scheme does not contain such a requirement.

- (c) All of the benchmark municipalities' schemes expressly state that recipients of car allowances may only claim travelling cost additional to their allowances after they have exhausted the "deemed travelled" distance allocation. The Municipality's [proposed] scheme is quiet about this matter.
- (d) All of the benchmark municipalities stated as a condition of participation in their schemes that a prospective recipient must have a valid driving license. The Municipality's [proposed] scheme is quiet about the matter [see, however, par. 5.11, *inf.*]

3.2 Similarities

A range of issues contained/prescribed in the car allowance schemes of the benchmark municipalities and the Municipality's [proposed] scheme are similar. The most significant of these similarities are –

- (a) Provision is made for a "two tier" car allowance scheme. The first tier of these schemes provides that certain positions in the upper levels of the administration are, by virtue of their grading, "car allowance bearing positions", i.e. incumbents of these positions are entitled to car allowances for the mere fact that they hold those positions and not because they need to, or indeed do, travel in discharging their job duties or because the municipality's operational requirements and/or financial capacity dictates payment of car allowances as the more efficient or preferable solution to avail official vehicles to them when they have to travel on official business. The second tier of these schemes provides for certain employees, who are by virtue of their nature of their job duties required to travel, combined with the operational requirements, risk appetite and financial wherewithal of the municipality, to receive car allowances rather than for the municipality to acquire and maintain a fleet of vehicles for this purpose.
- (b) The scheme provisions invariably prescribe the circumstances under which an allowance may be reduced or a recipient may forfeit an allowance.

4. WEAKNESSES AND DEFICIENCIES

The single most significant and alarming feature of the municipality's current/proposed scheme is that it is calculated as a percentage of a participant's salary. The following table indicates the amounts of money participants earn under the current scheme at 40% and 30% respectively of their monthly basic salaries:

Monthly basic salary	Monthly car allowance		
	@40%	@30%	Average
24,671.00	9,868.40	7,401.30	8,634.85
23,118.00	9,247.20	6,935.40	8,091.30
22,380.00	8,952.00	6,714.00	7,833.00
20,298.00	8,119.20	6,089.40	7,104.30

In terms of the proposed draft policy the car allowances of these individuals would be as follows

Basic salary/ month	Basic salary/ year	Assumed purchase price [80% of salary]	Fixed cost/ month [850 km]	Running cost/month [2500 cc]	Allowance/ month
24,671.00	296,052.00	236,842	3,978	1,612	5,590
23,118.00	277,416.00	221,933	3,978	1,612	5,590
22,380.00	268,560.00	214,848	3,978	1,612	5,590
20,298.00	243,576.00	194,861	3,162	1,612	4,774

The savings the municipality could realise if it implements the proposed scheme are as follows –

Monthly allowance		Difference	
Current [Average]	Proposed	Rand	%
8,634.85	5,590.00	3,044.85	35.26
8,091.30	5,590.00	2,501.30	30.91
7,833.00	5,590.00	2,243.00	28.64
7,104.30	4,774.00	2,330.30	32.80
31,663.45	21,544.00	10,119.45	31.90

One of the implications of the municipality's current scheme is that every time a participant's basic salary increases, her/his car allowance increases. This means that all participants' car allowances increase at least once a year when municipal employees receive an annual general salary increase. In some cases participants may receive increases of their car allowances twice a year: once when they receive the annual general increase and the second time when they receive a notch increase.

5. PRINCIPLES GUIDING THE DRAFTING OF NEW POLICY

During the preparation of the attached proposed draft policy, the consultant was led by the following principles –

- 5.1 **Industry standard:** The proposed policy must be consistent with the industry standard as demonstrated by the car allowance policies and schemes of the benchmark municipalities.
- 5.2 **Affordability:** The financial burden the proposed scheme may impose on the Municipality must be reasonable and affordable.
- 5.3 **Sustainability:** The scheme must be financially sustainable.
- 5.4 **Fairness:** The scheme must be fair to both employees and the Municipality as employer. In principle, an employee should only receive a car allowance if the nature of her/his job duties require that she/he should undertake official journeys on regular basis and it would be more economical and efficient for the Municipality, and thus the local communities within the Municipality, than it having to supply vehicles.

- 5.5 **Equity:** The financial benefit recipients of car allowances receive should not materially affect the wage differentials between such recipients and other employees. Employees in comparable circumstances must be treated similarly.
- 5.6 **Certainty:** The policy and scheme prescripts must be clear and unambiguous. Ambiguous, incomplete and vague provisions must be avoided in order to prevent disputes arising.
- 5.7 **Transparency:** Details of the policy and scheme must be transparent so as to promote accountability.
- 5.8 **Risk neutrality:** The policy must ensure that the risks associated with, and arising from, the scheme are allocated to the appropriate party, whether the Municipality or a recipient.
- 5.9 **Uniformity:** The proposed draft policy seeks to phase any other car allowance schemes out in favour of one uniform policy. The reason for seeking to achieve uniformity is to reduce the administrative burden on the municipality and to reduce the opportunity for disputes arising due to perceive unequal treatment of employees in comparable circumstances.

6. EXPLANATORY NOTES

- 6.1 Clause 2 of the draft policy defines the terms and expressions used in the policy which may be interpreted differently by different people.
- 6.2 Clause 3 sets out the purpose of the policy and scheme and its specific objectives.
- 6.3 Clause 4 determines that there are two "types" of car allowance, namely a car allowance attaching to a position regardless of the incumbent's job requirements and a car allowance attaching to the incumbent of a specific position in specific circumstances. It also determines which employees may not participate in the scheme and in what circumstances an employee who may otherwise qualify may not be allowed to participate.
- 6.4 Clause 5 regulates the coming into operation of the proposed scheme and the termination of existing schemes. The scheme proposed in the draft policy comes into operation on the first day of the month following the month during which the Council adopts the proposed draft policy and existing schemes phase out at the end of six months after the Council adopted the proposed draft policy. Participants in current schemes therefore have six months to get used to the new scheme.
- 6.5 Clause 6 [read with clause 25] prescribes the ethical considerations associated with the scheme. It is sad and unfortunate, but fact, that employee benefit schemes are prone and vulnerable to various forms of mischief, including corruption, fraud and other forms of dishonesty. It is also, unfortunately, a fact that public sector managers are unable or unwilling, or both, to determine, communicate and properly enforce sound value

- systems. The clause therefore not only attempts to clearly determine what would be regarded as inappropriate behaviour with regard to the scheme but also disallows supervisory and managerial staff to exercise any discretion in enforcing appropriate behaviour.
- 6.6 Clause 7 states that a recipient's car allowance must be paid together with her/his monthly salary. Clause 8 regulates the calculation of car allowances, by reference to the fixed and running cost tables compiled by the Automobile Association. Clause 9 provides for additional payments to recipients of car allowances in specific circumstances.
- 6.7 Clause 10 dictates that a participant must supply a vehicle which is suitable for the effective and efficient discharge of her/his job duties. If, for instance, the nature of a participant's job is such that she/he must transport goods, equipment or tools from time to time, the vehicle supplied must be suitable for that purpose. Further, the recipient of a car allowance must have the vehicle in respect of which she/he receives the allowance available and at her/his disposal every day when she/he is at work, whilst clause 11 forbids the use of official/municipal vehicles by recipients of car allowances.
- 6.8 Clause 12 sets out the circumstances during which a recipient's fixed car allowance must be reduced and prescribes the formulae to be used to calculate such reductions. Clause 13 determines in what circumstances a recipient of a car allowance shall forfeit the allowance and the opportunity to participate in the scheme.
- 6.9 Clauses 14 and 15 regulate the adjustment of a car allowance when a recipient is promoted or acts in a higher position respectively.
- 6.10 Clause 16 prescribes the procedures to be followed when an employee desires to be admitted to the *ad hoc* car allowance scheme.
- 6.11 Clause 18 prescribes that official journeys for which recipients of car allowances may claim travelling cost must be approved and how such approval must be obtained. Clause 19 requires recipients of car allowances to keep and maintain personal logbooks, which are subject to inspection by the Internal Auditor.
- 6.12 Clause 21 departs from the industry standard. The general expectation/industry standard is that a person who occupies a car allowance bearing position, i.e. an employee who is entitled to a car allowance because of the position she/he holds, should be lawfully able to drive that vehicle, i.e. must have a valid driving license. However, the point of departure in proposed clause 21 was that if occupation of a particular position creates a right to receive a car allowance, disallowing such an allowance for an arbitrary reason would be unfair [if not downright unlawful and discriminatory]. The clause, therefore, does not set additional hurdles to participation for employees holding car allowance bearing positions to whom specific and, sometimes, individual circumstances apply, provided that claiming the entitlement does not require the municipality to incur additional costs or to indulge the employee unfairly.

- 6.13 In terms of clause 22 the recipient of a car allowance does not have any legitimate claim to be allocated a parking space and, if the municipality does provide such parking, it need not be free of charge.
- 6.14 Clause 23 seeks to indemnify the municipality against claims which may result from the use of privately-owned vehicles to discharge an employee's official duties.
- 6.15 The running cost component of a car allowance is to be adjusted quarterly in arrears, whilst the fixed cost component of an allowance is determined at the time when a participant brings in new vehicle into the scheme in terms of clause 24.

7. IMPLEMENTATION

The consultant's mandate does not extend to assisting the Municipality with the implementation of the proposed scheme.

Prepared by

Dr Koos Smith

Managing Director, Friday Management Solutions (Pty) Ltd

11 October 2010

MATJHABENG LOCAL MUNICIPALITY

CONFIDENTIAL

DRAFT CAR ALLOWANCE POLICY

**MATJHABENG LOCAL MUNICIPALITY
DRAFT CAR ALLOWANCE POLICY**

TABLE OF CONTENT

Par.		Page
1	Introduction	3
2	Definitions and interpretation	3
3	Objects of the policy	6
4	Types of car allowance and participation	5
5	Effective date of the scheme, period of operation and termination of current schemes	7
6	Disciplinary transgressions, termination of participation, forfeiture of benefits and reimbursement of payments received under false pretences	8
7	Payment of car allowance and deduction of overpayments	10
8	Determination of amount of car allowance	10
9	Travelling allowance	11
10	Availability and use of vehicle	12
11	Use of official vehicles	12
12	Reduction of car allowance	12
13	Termination of eligibility to receive, and reduction of, car allowance	14
14	Promotion	15
15	Acting in a higher position	15
16	Admission to <i>ad hoc</i> car allowance scheme	15
17	Redetermination of distance allocation	16
18	Approval of official journeys	18
19	Keeping of logbook	18
20	Replacing a vehicle in respect of which car allowance is received	19
21	Participant's ability of drive vehicle	19
22	Parking	19
23	Damage and loss	19
24	Adjustment of allowances	20
25	Obligations of employees when suspecting abusive practices	20
26	Indulgences	21

**MATJHABENG LOCAL MUNICIPALITY
DRAFT CAR ALLOWANCE POLICY****1. INTRODUCTION**

This document contains and prescribes the municipality's policy regarding car allowances for certain employees.

2. DEFINITIONS AND INTERPRETATION

2.1 In this policy, unless the context indicates otherwise –

- (a) **“AA”** means the Automobile Association of South Africa;
- (b) **“annual basic salary”** means a participant's annual salary excluding any allowances, bonuses, overtime pay, employer contributions made on her/his behalf and for her/his benefit to a retirement fund, medical aid scheme, insurance fund or scheme or any other similar fund or scheme and any benefit *in natura*, including free housing or housing at rental below market value;
- (c) **“approved”** means granted, approved or authorised by an employee lawfully acting in terms of a delegated or sub-delegated power;
- (d) **“car allowance bearing position”** means a position on grades ... and ... of the prescribed job grading system;
- (e) **“car allowance”** includes a fixed car allowance and an *ad hoc* car allowance;
- (f) **“Council”** means the municipal council of Matjhabeng local municipality and includes any political structure, political office-bearer, councillor or employee lawfully acting on behalf of the Council in terms of a delegated or sub-delegated power;
- (g) **“day”** means a working day;
- (h) **“departmental head”** means a manager who is directly accountable to the Municipal Manager for the management of a department in the administration and includes any employee lawfully acting in a departmental head's stead;

- (i) **"distance allocation"** in relation to –
 - (i) a car allowance bearing position, means 850 km per month; and
 - (ii) an *ad hoc* car allowance, means the amount of km determined from time to time in respect of a particular recipient for a month;
- (j) **"employee"** means an employee of the municipality;
- (k) **"fixed cost table"** means the fixed cost table which forms part of the total vehicle operating cost table published from time to time by the AA ;
- (l) **"fixed cost"** means the tariff in c/km read off in the "10,001 to 15,000km" column of the fixed cost table against the purchase price of the vehicle in respect of which a participant receives a car allowance;
- (m) **"month"** means a calendar month;
- (n) **"Municipal Manager"** means the head of the administration and accounting officer of the municipality and includes any employee lawfully acting in her/his stead in terms of a delegated or sub-delegated power;
- (o) **"municipality"** when referring to –
 - (i) an entity, means the Matjhabeng local municipality established in terms of section 12, read with section 14, of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998); and
 - (ii) a geographic area, means the municipal area of Matjhabeng local municipality determined in terms of the Local Government: Municipal Demarcation Act 1998 (Act No 27 of 1998);
- (p) **"non-accountable"** in relation to a car allowance, means that the recipient thereof is not required to account for the distance she/he is deemed to have travelled in terms of the particular scheme in order to receive such allowance;
- (q) **"occupational detriment"** has the meaning assigned thereto in section 1 of the Protected Disclosures Act 2000 (Act No 26 of 2000);
- (r) **"official journey"** means any approved journey undertaken by an employee in the execution of her/his official duties, excluding any journey between her/his residence and place of work;

- (s) **“participant”** means an employee who receives or is entitled to receive a car allowance;
- (t) **“permanent employee”** means an employee who has been appointed to a position the municipality’s permanent establishment for an undefined period of time;
- (u) **“prescribed job grading system”** means the job evaluation and grading system established in terms of a collective agreement of the South African Local Government Bargaining Council;
- (v) **“purchase price”** means 80% of the commencement notch of the salary scale applicable to the participant concerned on the date of a vehicle being purchased;
- (w) **“running cost table”** means the running cost table for petrol or diesel vehicles, as the case may be, which forms part of the total vehicle operating cost table published from time to time by the AA;
- (x) **“running cost”** means the tariff in c/km based on the sum of the amounts set out in columns A, B and C of the running cost table read off against the smaller of the engine capacity of the vehicle in respect of which a car allowance is received or 2,500 cc;
- (y) **“scheme”** means the car allowance scheme determined in this policy;
- (z) **“section 56-employee”** means the Municipal Manager and any manager who is directly accountable to the Municipal Manager;
- (aa) **“supervisor”** means the employee to whom a participant is directly accountable and who may grant, authorise, certify or approve an application or claim in terms of this policy; and
- (bb) **“total car ownership cost”** means the sum of a vehicle’s fixed and running costs.

2.2 The footnotes included in this policy are for interpretative and explanatory purposes.

3. OBJECTS OF THE POLICY

- 3.1 The purpose of the policy is to prescribe the rules, procedures, conditions and principles to be applied for –
- (a) participating in the car allowance scheme; and
 - (b) determining the amount of a car allowance payable.
- 3.2 The specific objectives of the policy are –
- (a) to prescribe uniform rules, procedures, conditions and principles for awarding and paying car allowances to employees; and
 - (b) to ensure compliance with relevant legislation and collective agreements.

4. TYPES OF CAR ALLOWANCES AND PARTICIPATION

- 4.1 A permanent employee who has completed her/his period of probation and who –
- (a) permanently occupies a car allowance bearing position is entitled to receive a non-accountable fixed car allowance; and
 - (b) due to the municipality's operational requirements and with the approval of the Municipal Manager must regularly utilise her/his privately-owned vehicle in the execution of her/his official duties may be admitted as a participant to the scheme and, when so admitted, is entitled to receive a non-accountable ad hoc car allowance¹.
- 4.2 A section 56-employee may not participate or receive any benefit in terms of this scheme.
- 4.3 The Municipal Manager may, after consultation with the Executive Director: Human Resources Management and the relevant departmental head, admit an employee other than a section 56-employee who has been employed for a defined period of time and who must, due to the municipality's operational requirements and at the request and with the approval of the Municipal Manager, regularly utilise her/his privately-owned vehicle in the execution of her/his official duties as a participant to the scheme and, when so admitted, such employee is entitled to receive a non-accountable *ad hoc* car allowance.

¹ A fixed car allowance, therefore, attaches to a specific position, whilst an *ad hoc* car allowance attaches to the employee who from time to time holds a specific position.

- 4.4 Notwithstanding any provision to the contrary in this scheme, an employee may not be allowed to participate in the *ad hoc* car allowance scheme and to receive such allowance if –
- (a) the nature of her/his job duties require that –
 - (i) she/he must regularly transport personnel of the municipality in the execution of her/his official job duties; or
 - (ii) the vehicle she/he will use must be equipped with specialised equipment; and
 - (b) she/he is unable to drive a vehicle for any reason, including a physical impairment, medical condition or because she/he does not have a valid driving license.

5. EFFECTIVE DATE OF THE SCHEME, PERIOD OF OPERATION AND TERMINATION OF CURRENT SCHEMES

- 5.1 This scheme comes into operation on the first day of the month following the month during which it was adopted by the Council.
- 5.2 This scheme shall apply for a period of three years calculated from the date of its coming into operation.
- 5.3 Any existing scheme terminates with effect from the first day of the seventh month of this scheme being adopted by the Council². The Municipal Manager shall cause every beneficiary of a scheme that is to terminate in terms of this paragraph to be notified in writing of that fact.
- 5.4 The recipient of an *ad hoc* car or similar allowance in terms of a scheme that terminates in accordance with sub-paragraph 5.3 is not automatically entitled to participate in the *ad hoc* car allowance in terms of this scheme. Every recipient of an *ad hoc* car or similar allowance in terms of a scheme that terminates in accordance with sub-paragraph 5.3 which had to be individually allowed to receive such allowance must first comply with all the conditions for admission to the *ad hoc* car allowance in terms of this scheme.

² All existing car allowance schemes, including schemes "inherited" from former transitional local councils are to come to an end, six months after the Council adopts this scheme, consistent with the purpose of this scheme, namely to establish a uniform scheme.

6. DISCIPLINARY TRANSGRESSIONS, TERMINATION OF PARTICIPATION, FORFEITURE OF BENEFITS AND REIMBURSEMENT OF PAYMENTS RECEIVED UNDER FALSE PRETENCES

- 6.1 A participant is guilty of misconduct if she/he –
- (a) falsified any document [including, but not limited to, a certificate, claim, application, form or travelling log sheet] in relation to the scheme or made a false declaration or statement in order –
 - (i) to be admitted to participate in the scheme; or
 - (ii) to qualify for, or to receive, a greater benefit in terms of the scheme than what she/he would have been entitled to but for such falsification;
 - (b) failed to comply with any rule, procedure or condition of the scheme;
 - (c) failed, refused, neglected or unreasonably delayed submitting a logbook or presenting a vehicle for inspection by the Internal Auditor in terms of sub-paragraph 18.2, below;
 - (d) failed, refused, neglected or unreasonably delayed responding in full, truthfully and to the best of her/his knowledge to an inquiry made by a person who has the authority to make such an inquiry regarding her/his participation in the scheme; or
 - (e) caused or authored an occupational detriment to accrue to an employee who reported an abusive practice in terms of paragraph 25.
- 6.2 A supervisor is guilty of misconduct if she/he –
- (a) approved, certified or recommended for approval any application, claim or log sheet which she/he knew or suspected to be false;
 - (b) approved an official journey knowing that it was unnecessary for that journey to be undertaken or, in appropriate circumstances, that a suitable municipal vehicle was available to undertake such journey;
 - (c) expressly or tacitly permitted a participant not to comply with any rule, procedure or condition of the scheme;
 - (d) failed, refused, neglected or unreasonably delayed promptly informing the relevant superior official of any disqualifying condition or circumstance which affected a participant's eligibility to continue participating in the scheme or to receive any benefit in terms thereof;
 - (e) approved a claim for payment of a travelling allowance knowing that the claimant was not entitled thereto³;
 - (f) recommended that an application to be admitted to participate in the scheme be approved knowing that such application or any information supplied there-in or in support thereof was false or exaggerated;

³ Where, for example, the journey did not take place or the claimant travelled with someone else.

- (g) failed, refused, neglected or unreasonably delayed investigating and reporting any alleged abusive practice reported to her/him in terms of paragraph 25;
 - (h) caused or authored an occupational detriment to accrue to an employee who reported an abusive practice in terms of paragraph 25; or
 - (i) failed, refused, neglected or unreasonably delayed responding in full and to the best of her/his knowledge to an inquiry made by a person who has the authority to make such an inquiry regarding any matter relating to the scheme in respect of one or more participants.
- 6.3 A participant who has been found guilty of misconduct contemplated in sub-paragraph 6.1 shall, despite any sanction imposed for committing such offence –
- (a) without further notice and with effect from the date on which the verdict in the disciplinary inquiry was delivered be disqualified from participating in the scheme and receiving any benefit in terms thereof; and
 - (b) be liable for reimbursing the municipality for the full amount she/he has received in a dishonest manner, from the date of the transgression being committed. Any such amount –
 - (i) is a debt due to the municipality; and
 - (ii) shall be collected in terms of the municipality's debt collection and credit control policy.
- 6.4 The Chief Financial Officer shall, in the circumstances contemplated in sub-paragraph 6.3(a), stop paying a car allowance to a participant with effect from the first day of the month following the month during which the verdict was delivered.
- 6.5 A supervisor who, by action or omission, allowed a participant to gain a financial advantage to which such participant was not entitled shall, notwithstanding any sanction imposed for misconduct, be jointly with such participant, and separately, liable for any amount contemplated in sub-paragraph 6.3(b).
- 6.6 The delegated or sub-delegated power of a supervisor shall, despite any sanction for such offence, without notice be withdrawn with effect from the date on which the verdict in the inquiry was delivered.
- 6.7 The Municipal Manager shall not –
- (a) decline to institute disciplinary proceedings against an employee accused of misconduct in terms of sub-paragraph 6.1 or 6.2 for the mere fact that the employee concerned acknowledges that she/he has committed such offence

- and offers to reimburse the municipality in terms of sub-paragraph 6.2(b) or 6.5 ;
- (b) enter into a plea bargain agreement with an employee accused of misconduct in terms of sub-paragraph 6.1 or 6.2 unless the employee concerned pleads guilty to the offence(s) she/he is charged with; or
 - (c) reinstate the participation in the scheme of an employee who has been found or pleaded guilty to an offence in terms sub-paragraph 6.1.
- 6.8 Nobody may –
- (a) delay the collection of a debt contemplated in sub-paragraph 6.2 or 6.5;
 - (b) direct that such debt not be collected;
 - (c) enter into an agreement with a debtor to waive a such debt; or
 - (d) write such debt or any portion thereof off as irrecoverable.
- 6.9 The Municipal Manager shall –
- (a) report any incident contemplated in sub-paragraph 6.1 and/or 6.2 to the South African Police Service in terms of section 32(6) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003); and
 - (b) not withdraw any such complaint.

7. PAYMENT OF CAR ALLOWANCE AND DEDUCTION OF OVERPAYMENTS

- 7.1 A car allowance shall be paid, less such income tax as may be prescribed, together with an employee's salary monthly in arrears.
- 7.2 The Chief Financial Officer shall deduct from the relevant employee's pay any overpayment made by the municipality in respect of a car allowance at the first opportunity after such overpayment was discovered.

8. DETERMINATION OF AMOUNT OF CAR ALLOWANCE

- 8.1 A fixed car allowance is calculated by applying the following formula:

$$A = [850(B + C)] \div 100$$

Where –

A is the monthly fixed car allowance payable to a participant in Rand;

850 is the participant's distance allocation;

B is the fixed cost of the vehicle in respect of which the car allowance is received;

C is the running cost of the vehicle in respect of which a car allowance is received;
and
100 is the factor used to convert the result of the calculation in square brackets to Rand.

- 8.2 An *ad hoc* car allowance is calculated by applying the following formula:

$$A = [B(C + D)] \div 100$$

Where –

A is the monthly *ad hoc* car allowance payable to a participant in Rand;
B is the participant's distance allocation;
C is the fixed cost of the vehicle in respect of which a car allowance is received;
D is the running cost of the vehicle in respect of which a car allowance is received;
and
100 is the factor used to convert the result of the calculation in square brackets to Rand.

9. TRAVELLING ALLOWANCE

- 9.1 A participant who in any month has exceeded her/his distance allocation is entitled to a travelling allowance in terms of this paragraph in respect of such excess.

- 9.2 A travelling allowance is determined by applying the following formula:

$$A = B \times C \div 100$$

Where –

A is the travelling allowance payable to a participant in Rand;
B is the amount of kilometers in excess of the allocated amount of km the participant has actually travelled;
C is the running cost of the vehicle in respect of which a car allowance is received;
and
100 is the factor used to convert the result of the calculation in square brackets to Rand.

- 9.3 An employee who does not receive any car allowance who, at the request and with the express prior approval of the Municipal Manager, utilises her/his privately-owned vehicle to undertake an official journey is, in respect of each such journey,

entitled to a casual travelling allowance determined in accordance with sub-paragraph 9.2.

- 9.4 Payment of a travelling allowance must be submitted on or before the last day of the second month after which the official journey[s] in respect of which the claim is made has been undertaken. A claim that has not been submitted in terms of this sub-paragraph prescribes.

10. AVAILABILITY AND USE OF VEHICLE

- 10.1 Subject to sub-paragraph 10.2 the choice of vehicle supplied by a participant is in that participant's discretion.
- 10.2 The vehicle a participant brings into and uses for the purpose of the scheme must be suitable for the purpose it is provided, i.e. if the nature of a participant's job requires that she/he should have an LDV available for the effective and efficient discharge of her/his job duties, she/he must supply an LDV with adequate loading capacity and shall not be permitted to use an LDV of the municipality when she/he is required to transport any goods.
- 10.3 A participant shall, during every day which she/he is at work, have the vehicle in respect of which she/he receives a car allowance available and at her/his disposal at her/his ordinary workplace, except when such vehicle is being serviced or repaired or lost.
- 10.4 A participant shall undertake all official journeys with the vehicle in respect of which she/he receives a car allowance, unless such vehicle is unavailable in terms of this paragraph.
- 10.5 Whenever the vehicle in respect of which a participant receives a car allowance is unavailable she/he shall, at her/his own cost, supply and have an alternative vehicle available and at her/his disposal at her/his ordinary workplace during the whole period during which the vehicle is unavailable.

11. USE OF OFFICIAL VEHICLES

- 11.1 Nobody may require or permit a participant to use a municipal vehicle in the execution of her/his official duties.

- 11.2 An order issued or express or tacit permission granted contrary to sub-paragraph 11.1 is unlawful. Anybody who orders or expressly or tacitly permits a participant to use a municipal vehicle in the execution of her/his official duties shall be guilty of misconduct.

12. REDUCTION OF CAR ALLOWANCE

- 12.1 The monthly car allowance payable to a participant shall be reduced *pro rata* for every day she/he is absent from work –
- (a) on approved unpaid leave;
 - (b) without leave;
 - (c) whilst participating in a strike; or
 - (d) whilst incarcerated in a jail or correctional facility.
- 12.2 The *pro rata* portion of a participant's travelling allowance which she/he shall forfeit whilst any circumstance contemplated in sub-paragraph 12.1 applies, shall be calculated by applying the following formula:

$$A = (B \div 21.67) \times C$$

Where –

- A** is the total amount by which a monthly travelling allowance must be reduced;
B is the monthly car allowance payable to the participant concerned at the time of the event happening;
21.67 are the number of working days in a calendar month; and
C is the total number of days the participant concerned was absent from work.

- 12.3 Notwithstanding any provision to the contrary contained in this scheme, only fixed cost shall be payable to a participant –
- (a) during any period she/he is absent from work on maternity leave or on sick leave at half-pay; and
 - (b) for a period not exceeding six months with effect from the first day of the month following the month during which the job duties and/or work circumstances of the recipient of an *ad hoc* car allowance are temporarily altered to such an extent that she/he does not have to regularly undertake official journeys in order to accommodate her/his temporary incapacity due to illness or injury.
- 12.4 If the vehicle in respect of which a participant receives a car allowance is unavailable as contemplated in paragraph 10 for more than five consecutive days –

- (a) the participant concerned shall notify the Chief Financial Officer in writing of the alternative vehicle's make, model, year of manufacture and engine capacity; and
 - (b) the participant's regular car allowance shall be suspended and she/he shall be paid a car allowance based on the relevant particulars of the alternative vehicle until such time as participant informs the Chief Financial Officer that the vehicle in respect of which she/he received a car allowance before it was suspended is available. For the purpose of recalculating a participant's car allowance, the alternative vehicle's purchase price shall be deemed to be the smaller of -
 - (i) that vehicle's retail price indicated in the Auto Dealer's Guide; or
 - (ii) 80% of the relevant participant's annual basic salary.
- 12.5 A participant's car allowance that has been suspended and changed in terms of sub-paragraph 12.4 shall be reinstated when the vehicle in respect of which she/he receives a car allowance becomes available or is replaced, as the case may be.
- 13. TERMINATION OF ELIGIBILITY TO RECEIVE, AND REDUCTION OF, CAR ALLOWANCE**
- 13.1 A participant shall -
- (a) cease to participate in the scheme and no longer be entitled to receive a car allowance if she/he is demoted or transferred to a position that is not eligible for car allowance; or
 - (b) be entitled to a reduced car allowance if she/he is demoted or transferred to a position that qualifies for a reduced car allowance.
- 13.2 The effective date of terminating or reducing a participant's participation in the scheme pursuant to her/his demotion or transfer in terms of sub-paragraph 13.1 is the first day of the month following the month during which her/his demotion or transfer was affected.
- 13.3 The recipient of an *ad hoc* car allowance shall no longer be entitled to such allowance and shall cease to participate in the scheme if -
- (a) she/he is, upon expiry of the period contemplated in sub-paragraph 12.2(b), not able to resume and perform her/his normal job duties;
 - (b) her/his job duties and/or work circumstances are permanently altered to such an extent that she/he is not required to regularly undertake official journeys in order to accommodate her/his incapacity due to illness or injury;

- (c) she/he, due to illness or injury, is unable to regularly undertake official journeys in discharging her/his job duties; or
- (d) the municipality, due to its operational requirements, supplies the employee concerned with an official vehicle to use in the execution of her/his job duties.

13.4 Whenever the circumstances in sub-paragraph 13.3(d) arises, the Municipal Manager shall cause the employee concerned to be given written notice that she/he is no longer eligible to participate in the scheme and to receive a car allowance. Payment of a car allowance shall cease to be made to the employee concerned with effect from the first day of the seventh month after having been given such notice.

14. PROMOTION

- 14.1 The recipient of a fixed car allowance shall, with effect from the first day of the month following the month during which she/he was promoted, be entitled to the fixed car allowance attached to the position to which she/he has been promoted.
- 14.2 The recipient of an *ad hoc* travelling allowance who is promoted to a car allowance bearing position shall, with effect from the first day of the month following her/his promotion receive the relevant fixed car allowance.

15. ACTING IN A HIGHER POSITION

The recipient of a fixed car allowance who acts in a higher position, which is a car allowance bearing position, in terms of clause 7 of the *Collective agreement on conditions of service for the Free State Division of the SALGBC* [dated 10 June 2010] shall, for the whole of the period during which she/he so acts, provided such period exceeds nine consecutive working days, be entitled to be paid the difference between the allowance she/he receives and the allowance attached to the position in which she/he acts.

16. ADMISSION TO THE AD HOC CAR ALLOWANCE SCHEME

- 16.1 An employee may be eligible to participate in the *ad hoc* car allowance scheme if she/he –
- (a) permanently holds a position on grades ... to ..., inclusive;
 - (b) has completed her/his period of probation;
 - (c) at the request and with the approval of the Municipal Manager regularly utilises her/his privately-owned vehicle in the discharge of her/his official duties; and

- (d) during a period of four consecutive months has travelled in excess of 300 km per month on official journeys within the municipality.
- 16.2 An employee who satisfies all the requirements of sub-paragraph 16.1 may lodge an application to participate in the car allowance scheme and to receive an *ad hoc* car allowance. Such an application must be –
- (a) lodged with the employee's supervisor; and
 - (b) accompanied by completed and signed log sheets for each of the preceding four months.
- 16.3 A supervisor shall, within 14 days of receiving an application in terms of sub-paragraph 16.2, submit such application, together with her/his comments and recommendation thereon, to the Executive Director: Human Resources Management for investigation. The supervisor's commentary on the application must reflect on the reasons why –
- (a) the applicant has had to undertake the journeys recorded in the log sheets; and
 - (b) official transport was not available to undertake each such journey.
- 16.4 The application accompanied by the supervisor's commentary and recommendations and the report of the Executive Director: Human Resources Management thereon shall be submitted to the applicant's departmental head within 30 days of the matter being referred to her/him.
- 16.5 The departmental head concerned shall consider the application and concomitant documents and reports and, within 14 days of receiving the report of the Executive Director: Human Resources Management –
- (a) deny the application; or
 - (b) recommend that the application be granted, in which event the departmental head must submit the matter to the Municipal Manager.
- 16.6 If the departmental head concerned recommends that the application be granted, she/he must make a recommendation as to the distance allocation to be made to the employee.
- 16.7 The Municipal Manager shall consider the departmental head's recommendation within 14 days of receiving same and may deny or grant the application, provided that if the Municipal Manager grants the application she/he shall determine the distance allocation in respect of the employee.

- 16.8 An employee whose application to receive an *ad hoc* car allowance has been –
- (a) granted, shall commence participating in the car allowance scheme with effect from the first day of the month following the month during which the application was granted; or
 - (b) denied, may lodge a grievance in terms of the relevant collective agreement.

17. REDETERMINATION OF DISTANCE ALLOCATION

- 17.1 The Chief Financial Officer shall, whenever a participant exceeded her/his distance allocation during three consecutive months by more than 150 km each month, instruct such participant in writing to keep log sheets of her/his official journeys during the next three months, which period shall be extended by any period of leave taken by the employee concerned during such period.
- 17.2 The log sheets contemplated in sub-paragraph 17.1 shall be submitted to the participant's supervisor at the conclusion of the three month period. The supervisor shall certify the log sheets as correct and submit the certified log sheets, together with an explanation as to why each of the journeys recorded thereon was necessary, to the Executive Director: Human Resources Management.
- 17.3 The Executive Director: Human Resources Management shall investigate the matter and shall, within 30 days of receiving the certified log sheets and concomitant documentation, submit her/his report and recommendation regarding a revised distance allocation to the participant's departmental head.
- 17.4 The departmental head concerned shall consider the documents and reports and, within 14 days of receiving the report of the Executive Director: Human Resources Management –
- (a) deny the review of the participant's distance allocation; or
 - (b) recommend that a new distance allocation be made, in which event the departmental head must submit the matter to the Municipal Manager.
- 17.5 If the departmental head concerned recommends that the participant's distance allocation be increased, she/he must make a recommendation as to the new distance allocation to be made.
- 17.6 The Municipal Manager shall consider the departmental head's recommendation within 14 days of receiving same and may determine a new distance allocation in respect of the employee.

- 17.7 A new distance allocation awarded to an employee comes into operation on the first day of the month following the month during which such new allocation was made.
- 17.8 Whenever a supervisor, departmental head, the Executive Director: Human Resources Management or the Chief Financial Officer has reason to believe that a recipient of an *ad hoc* car allowance has, during three consecutive months, travelled 150 km or more less than her/his distance allocation, she/he shall instruct such participant to keep log sheets of her/his official journeys during the next three months. The provisions of sub-paragraphs 17.2 to 17.7, inclusive, apply, with the necessary changes, in every instance contemplated in this paragraph.

18. APPROVAL OF OFFICIAL JOURNEYS

- 18.1 Regardless of whether an employee participates in the scheme, no official journey shall be undertaken with an employee's privately-owned vehicle until and unless it had been approved by her/his supervisor to whom authority to give such approval had been delegated or sub-delegated.
- 18.2 Nobody shall authorise an official journey after it has been undertaken.
- 18.3 An application to undertake an official journey with an employee's privately-owned vehicle shall not be approved unless the prescribed trip authorisation form had been completed in full and signed by the employee concerned. If the journey involves visiting a number of destinations, the breakdown of the distance between the various destinations shall be shown as independent journeys on the trip authorisation form and shall be approved individually.
- 18.4 A supervisor shall, before she/he approves an application to undertake an official journey with an employee's privately-owned vehicle –
- (a) consider the necessity of the trip; and
 - (b) if the applicant does not participate in the scheme, satisfy her-/himself that suitable official transport is unavailable.
- 18.5 A copy of each completed, signed and approved trip authorisation form shall be affixed to the monthly reimbursement claim form and submitted to the claimant's supervisor, who shall authorise payment of such claim. No claim for payment of a travelling allowance shall be paid unless its payment had been authorised in terms of this paragraph.

19. KEEPING OF LOGBOOK

- 19.1 A participant and any employee who occasionally undertake official journeys with her/his privately-owned vehicle, shall keep and maintain a logbook as prescribed by the South Africa Revenue Service, which shall be subject to inspection by the Internal Auditor.
- 19.2 A participant and any employee who occasionally undertake official journeys with her/his privately-owned vehicle, shall submit or present, as the case may be, a logbook contemplated in sub-paragraph 19.1 and any vehicle in respect of which she/he receives or received a car and/or travelling allowance to the Internal Auditor for inspection at the latter's request on a date and at a time and place stipulated by the Internal Auditor.

20. REPLACING A VEHICLE IN RESPECT OF WHICH A CAR ALLOWANCE IS RECEIVED

A participant may replace a vehicle in respect of which she/he receives a car allowance every three years, unless such vehicle has been written off by the participant's insurer.

21. PARTICIPANT'S ABILITY TO DRIVE VEHICLE

An employee occupying a car allowance bearing position who is not able to drive a vehicle for any reason, including a physical impairment, medical condition or because she/he does not have a valid driving license shall not be disqualified from participating in the scheme and shall be entitled to the fixed car allowance prescribed in this scheme, provided that –

- (a) she/he shall not be granted any indulgence with regard to complying with the rules and conditions for participating in the fixed car allowance scheme or any latitude, relaxation or less strict enforcement thereof; and
- (b) the municipality shall not be liable for any expense such participant may have to incur to comply with the rules and conditions of the scheme, such as engaging a driver.

22. PARKING

- 21.1 The mere fact that a participant is obliged to have a vehicle available and at her/his disposal at her/his work place during every day whilst she/he is at work, does not oblige the municipality to provide a parking space to a participant.
- 21.2 Any parking space which the municipality may provide to an employee shall be provided at the tariff, if any, determined by the Council.

23. DAMAGE AND LOSS

- 23.1 The municipality shall not be liable for any damage to, or loss of, a vehicle supplied and utilised by an employee in the course of the execution of her/his job duties.
- 23.2 An employee who receives a car or travelling allowance in terms of this scheme shall irrevocably and in writing indemnify the municipality from any liability whatsoever for any damage to, or loss of, any property, including property of third parties, and any injury to, or the death of, any person, including third parties, which may arise from that employee's use of her/his privately-owned vehicle, or an alternative vehicle supplied pursuant to sub-paragraph 10.3, to discharge her/his job duties.
- 23.3 The municipality shall not, despite the provisions of section 109A of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) and clause 13 of the *Collective agreement on conditions of service for the Free State Division of the SALGBC*, incur any expense whatsoever in relation to any claim or proceedings against an employee who receives a car or travelling allowance in terms of this scheme which may arise from that employee's use of her/his privately-owned vehicle, or an alternative vehicle supplied pursuant to sub-paragraph 10.3, to discharge her/his job duties.

24. ADJUSTMENT OF ALLOWANCES

- 24.1 The Chief Financial Officer shall, if necessary, adjust the running cost payable to a participant and transport allowance payable to an employee on –
- (a) 1 July;
 - (b) 1 October;
 - (c) 1 January; and
 - (d) 1 April.
- 24.2 The fixed cost component of a car allowance shall –
- (a) not be adjusted because a participant received an increase;
 - (b) only be adjusted when a participant replaces the vehicle in respect of which she/he receives such allowance.
- 24.3 The recipient of a car or transport allowance which increases in terms of sub-paragraph 24.1 shall not be entitled to claim or receive the difference between the allowance she/he received and the allowance payable after such adjustment in respect of a previous quarter; neither shall the municipality be entitled to

reimbursement in respect of a previous quarter due to any decrease in the amount payable.

- 24.4 The amount payable in respect of a car or transport allowance in terms of sub-paragraph 24.1 shall remain in force and applicable until it is adjusted.

25. OBLIGATIONS OF EMPLOYEES WHEN SUSPECTING ABUSIVE PRACTICES

- 25.1 An employee who has reason to believe that –

- (a) another employee has received or is attempting to receive any benefit in terms of this scheme in a dishonest manner; or
- (b) an employee's supervisor has expressly or tacitly permitted an employee to receive a benefit to which that employee is not entitled or a larger benefit than what she/he is entitled to,

shall disclose such belief to a shop steward, superior official and/or the Internal Auditor.

- 25.2 A disclosure in terms of sub-paragraph 25.1 shall be deemed to be a protected disclosure in terms of the Protected Disclosures Act 2000 (Act No 26 of 2000).

- 25.3 An official to whom a disclosure has been made in terms of sub-paragraph 25.1 shall promptly investigate the matter and submit a written report containing her/his findings thereon, and a recommendation, to the Municipal Manager.

26. INDULGENCES

No indulgence, extension of time, relaxation or latitude of or in respect of any rule, condition, procedure or other prescript contained in this policy which the municipality may show, grant or allow an employee shall constitute a waiver by the municipality of any of its rights and the municipality shall not thereby be prejudiced or prevented from exercising any of its rights against an employee which may have then already arisen or which may arise thereafter.