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OVERSTRAND

FLEET ACQUISITION & DISPOSAL POLICY

Page

TABLE OF CONTENTS

1. PURPOSE

The purpose of this policy is to regulate the management of Council's motor plant and vehicle assets, providing clarity in terms of guidelines relating to vehicle replacement and disposal of fleet assets.

2. OBJECTIVES

The objectives of this Policy are to:

a) Provide a systematic and accountable method for the disposal of surplus assets, and to ensure the process is transparent and complies with the Municipal Finance Management Act No 56 of 2003, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005.

b) The Procurement of goods and services by Council must be in accordance with the Legislative framework that is defined in the Municipal Finance Management Act No 56 of 2003, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005.

3. BACKGROUND

The primary role of fleet assets is to support the delivery of services that deliver Council's activities and objectives.

Council is committed to implementing asset management best practices across all areas of Council. This includes ensuring that assets are planned, created, operated, maintained, renewed and disposed of in accordance with Council's priorities for service delivery.

4. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) has the same meaning as in the Act, and –

- *Disposal Delegation:* is an authority which enables the nominated delegate to authorize the disposal of goods;
- *Fleet Asset:* is any motor plant and vehicle owned and recorded in Council's Asset Register;
- *Plant:* describes any motor machinery and its related equipment, implements, components and fittings;
- *Motor Vehicle:* means a passenger sedan or station wagon, motorcycle or commercial motor vehicle including vans, utilities, buses and trucks;
- *Beyond Economic Repair:* means a classification given to an asset where that asset requires repairs likely to be more expensive than its replacement value.

5. LEGISLATIVE FRAMEWORK

5.1 This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act No 117 of 1998
- Municipal Systems Act No 32 of 2000
- Municipal Finance Management Act No 56 of 2003 ("MFMA"), including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636
- SANS 10090 Community Protection against Fire 2003
- Occupational Health and Safety Act & Regulations Act 85 of 1993
- National Road Traffic Act, 93 of 1996

5.2 This Policy must be read in conjunction with any of the Overstrand Municipality's related approved policies, practices and standard operating procedures addressing specific issues essential for a full understanding of this Policy and which are not dealt with adequately herein, such as:

- Asset Management Policy;
- Supply Chain Management Policy (specifically Part 2 – Acquisition Management and Paragraph 40 – Disposal Management);
- Fleet Management Policy;
- Vehicle & Equipment Maintenance and Replacement Policy for Fire & Emergency Services, Disaster Management and Security Services.

6. IMPLEMENTATION & DELEGATION

Council –

- to act as custodians for plant and vehicle assets;
- approve Council's Fleet Acquisition and Disposal Policy;
- ensure appropriate resources for plant and vehicle replacement activities are made available.

Accounting Officer –

- Appoints members to the Fleet Acquisition, Management & Disposal Committee to provide inputs into Fleet Management Related policies, for the implementation thereof, and to consider and prioritize items of fleet to be either disposed of or to be acquired

Directors –

- Communicate Fleet Asset Acquisition & Disposal across Council and ensure that all staff adhere to this Policy.

All Staff –

- Implement Fleet Acquisition and Disposal Policy within the boundaries of individual responsibilities.
- Staff with delegated authority from the Accounting Officer will place Purchase Orders and enter into contracts on behalf of Council.
- Council staff responsible for purchasing goods and services is to comply with this Policy. It is the responsibility of each Council employee involved in the procurement process to understand the policies as well as their meaning and intent.

7. ACQUISITION OF FLEET ASSETS

When considering the acquisition of fleet assets, Council will take into consideration the comparative long term ownership costs of the asset and evidence of community demand for the provision or retention of the asset.

A formal written request ("Fleet Acquisition and Disposal Request") must be submitted to the Fleet Manager stating the specific need purpose for which the fleet asset will be used. An appropriate vehicle budget allocation shall be provided for in each directorate's budget for the internal charge out rates prior to actioning the request.

8. PROCUREMENT

In accordance with the MFMA, and in relation to the purchase of Council's fleet, the applicable competitive procurement process must be followed for each and every motor plant and vehicle unless a procurement contract is in force at the time.

8.1 Supply Contract

Where a period contract exists, the requirements must be ordered under that arrangement in accordance with the agreed terms and conditions and at the agreed prices without the need to obtain competitive offers or tenders. The only situation where it would be permitted to obtain competitive quotations or utilize a supplier outside of these pre-existing arrangements would be if all the contracted suppliers were unable to supply the goods / services required (e.g. no contractors / goods are available), in which case the purchasing officer will follow the method of 'Invitation to Quote' herein.

All records associated with the purchasing process must be recorded and retained including quotes, correspondence and purchase orders.

8.2 Invitation to Quote

A quote can be obtained from suppliers or use pre-negotiated contracts with Governmental buying groups such as Transversal Tenders. All quotations shall be assessed on the basis of value for money. Council continues to strive for transparency and accountability when dealing with funds, and as such binds itself to procurement based on value for money. Council must request that suppliers ascertain their application of Local Government Pricing in their submitted quotes.

All records associated with the purchasing process must be recorded and retained including quotes, correspondence and purchase orders.

8.3 Public Tender

Tenders are to be advertised publicly by the following methods:
- Newspaper;
- Web; and / or
- Community Notice Boards

The tender must remain open for at least 14 days from the date the tender is advertised. Care must be taken to ensure that 14 full days are provided as a minimum.

Each tenderer shall be notified of the outcome of the tender following Council resolution or appropriate delegated authority. Notification shall be publicly advertised including the details and total value of the successful tenderer.

All records associated with the tender process, or a direct purchasing process must be recorded and retained. For a tender process this includes:
- tender documentation;
- submission documentation;
- internal documentation;
- evaluation documentation;
- enquiry and response documentation; and
- notification and award documentation.

9. FLEET ASSET CHANGE OVER

The optimum replacement timing for a motor vehicle or plant is calculated to best estimate the optimum time, in either kilometers or engine hours, and time to achieve the lowest average annual cost during the life of an asset. This should be used as a guideline in the preparation of the replacement programme.

The optimum replacement point for all light vehicles is ± 5 years or ± 150,000km.

The table below is the optimum replacement timing of motor plant and equipment:

Group/Type	Years	Km/Hrs
Backhoe Loader	± 7	± 5,000 Hrs
Compactor – Landfill	± 10	± 8,000 Hrs
Compactor – Rear Lift	± 10	± 8,000 Hrs
Compactor – Small waste	± 5	± 5,000 Hrs
Excavator (3.5tonne)	± 8	± 5,000 Hrs
Excavator (8tonne)	± 10	± 8,000 Hrs
Excavator (15tonne)	± 10	± 8,000 Hrs
Grader	± 10	± 8,000 Hrs
Loader	± 8	± 8,000 Hrs
Mower – Front Deck	± 5	± 2,000 Hrs
Mower – Slasher	± 7	± 5,000 Hrs
Roller – Rubber Tired	± 10	± 5,000 Hrs
Roller – Vibrating Drum	± 8	± 5,000 Hrs
Skid Steer	± 5	± 5,000 Hrs
Sweeper – Car Park / Footpath	± 8	± 5,000 Hrs
Sweeper – Road	± 8	± 8,000 Hrs
Tractor (PTO Hrs)	± 7	± 5,000 Hrs
Truck – Light duty (LR)	± 6	± 150,000 Kms
Truck – Medium duty (MR)	± 8	± 200,000 Kms
Truck – Heavy duty (HR & HC)	± 8	± 500,000 Kms
Wheel Loader – Landfill	± 10	± 8,000 Hrs
Woodchipper	± 8	± 5,000 Hrs

The table below is the optimum replacement timing of Frontline Emergency Vehicles as per SANS 10090:2003:

Type of Vehicle / Equipment	Years
Aerial appliances	20
Light vehicles	8
Off-road vehicles	10
Pumping appliances	15
Special appliances	20

Fleet Assets should ideally not be held beyond the recommended changeover times due to increasing risk in terms of vehicle safety and breakdowns and increasing maintenance costs.

A replacement programme should ensure that newer and older vehicles are spread as evenly as possible throughout the fleet to avoid too many ageing emergency vehicles remaining in commission simultaneously.

Provision shall also be made in the replacement programme to replace problematic vehicles sooner than the maximum prescribed period. Such vehicles would include units which have high maintenance and repair costs and vehicles which do not serve the purpose for which they were intended.

Any decision to replace a fleet asset outside of these suggested changeover periods will require appropriate documentation outlining the reasons for the request and will require the approval of the Chief Financial Officer.

10. FLEET SELECTION

The make and model of vehicles supplied will be subject to the terms and conditions of the motor vehicle procurement contract in force at the time.

All motor vehicles will be selected on the basis of:
- Vehicles that are fit for the use / application proposed for the vehicle;
- Lowest whole of life costs;
- Safety rating;
- Environmental considerations

11. COLOUR OF MOTOR PLANT & VEHICLES

When selecting the colour of new fleet assets, consideration must be given to:
- the colour for occupational health and safety reasons, given the evidence that lighter colours are more visible and thus help
- reduce the frequency and severity of accidents
- the dignity of the Council business in which the vehicle will be engaged
- the preservation of the maximum vehicle value at disposal
- operational necessity (including reflective strips, lights and sirens).
- Dark colours will not be permitted as it lessens the resale value

12. FLEET FINANCE & LEASING AGREEMENTS

Any fleet assets obtained by lease rather than ownership will be changed over in accordance with the lease agreement conditions. These will be for periods as appropriate to the use of the vehicle and circumstances as determined by the relevant Director.

It is the responsibility of the Fleet Manager to advise the nominated officer of likely usage rates, as there are substantial penalties for inaccurate lease agreements, and these will, if necessary, be passed back to the user. Where Council leases vehicles, the lease agreement's provisions on fleet options and accessories must be followed.

13. REPLACEMENT FUNDING

Fleet replacement may be funded by means of own revenue or external borrowing, which borrowing will not be repaid over a period beyond the expected economic life of the financed asset.

14. DISPOSAL PROCESS

The disposal method that is chosen must promote fair and effective competition to the greatest extent possible and disposals should be conducted in an ethical and transparent manner.

15. DECISION TO DISPOSE

Disposal of a fleet asset will be assessed for cost effective purchase and disposal advantages, excess kilometers, recurrent costs or accident damage. Retention periods may be extended or varied by the Chief Financial Officer.

Before any disposal action can be taken, it is necessary to seek approval that the fleet assets are appropriate for disposal from Council and / or delegated authority.

Common criteria for determining that fleet assets may be suitable for disposal include:
- No longer required
- Unserviceable or beyond economic repair
- Technologically obsolete
- Operationally inefficient
- Surplus to current or immediately foreseeable needs
- Part of an asset replacement plan
- Unsustainable costs associated with the retaining of fleet assets such as storage, insurance, security, condition and management

16. FINANCIAL DELEGATIONS

In line with the approved System of Delegation and Powers, the person with appropriate delegated authority will be required to sign the "Asset Disposal Form" to commence the accounting procedure of disposing asset on the financial asset register.
- Post Level T13 and higher : R0 – R70'000.00
- Post Level T16 and higher : R70'000.01 – R500'000.00
- Directors and Accounting Officer : > R500'000.00

17. EXTERNALLY FUNDED ASSETS

A fleet asset which has been purchased, or the purchase of which has been contributed to, by a funding source, may not be disposed of unless the terms of the funding agreement have been met. This includes any requirement to gain approval from the funding body to dispose of assets.

18. METHOD OF DISPOSAL

The disposal method chosen must be appropriate to the value, nature, quantity and location of the goods, and to promote fair and effective competition to the greatest extent possible. Negotiated assets sales and internal expressions of interest for sales of asset to staff will not be allowed. To help achieve these objectives the following methods are to be utilized:

Scrapped / Wreck – The value of an item may be written off and the item recycled or destroyed if it is deemed:
- to have no value;
- to be unserviceable or beyond economical repair; or
- that the disposal cost is higher than the likely return.

Public Auction – Goods valued up to R150,000 (excl. VAT) each may be disposed of by public auction. Public auction maximizes the opportunity for public participation in the disposal process and is the appropriate method when:
- there is public demand for the items;
- alternative disposal methods are unlikely to realise higher revenue; and
- the costs associated with the auction can be justified in relation to the expected revenue from the sale.

Expressions of Interest / Public Tender – Council may determine to dispose of items by advertising for expressions of interest or public tender where:
- the items are of low value;
- the costs of disposal are disproportionate to the expected returns; or
- there is very limited interest.

The tendering process must be utilised pursuant to MFMA, including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636.

19. APPROVAL OF RESERVE PRICES

Fleet assets that have an apparent value for disposal through public auction or tender shall be approved by the Accounting Officer. The reserve price-value put forward will be determined by way of:
- Book value;
- Assessment from third party auction provider;
- Market value, taking into consideration the condition, the age of the asset, and the perceived value of the asset to a buyer.

20. FACTORS TO CONSIDER IN THE DISPOSAL PROCESS

There are factors apart from the monetary value of the goods that can affect the choice of disposal method, including:
- The market available for the assets
- Time considerations
- Council resources required to manage the disposal
- The costs associated with the different disposal methods, i.e. administration and transport cost to Council
- The size, portability and number of assets

In any event, the methods of disposal and reasons should be documented and filed according to the monetary value of the goods in question.

Irrespective of the disposal method, it is essential that all prospective buyers are advised in writing that fleet assets are disposed of, with any faults and at the buyer's risk.

Buyers are to rely on their own enquiries regarding the condition and workability of the fleet assets.

21. CONFLICT OF INTEREST

The official/s responsible for the disposal of any Council asset and the Fleet Manager must ensure that no conflict of interest occurs in or because of the asset disposal process and must disclose any actual or perceived conflict of interest that may arise in the performance of their duties.

22. SALE OF FLEET ASSETS TO STAFF / COUNCILORS

As a general principal, sale of fleet assets to municipal employees / Councillors is **NOT** to occur outside of a public process. Invitations to bid for the purchase of any Council assets should not be limited to municipal employees or to elected officials. Members of the public must also be allowed to compete for the purchase.

23. DONATIONS TO COMMUNITY GROUPS / CHARITIES

Donations of fleet assets may only be made with the authority of the Council and only after exploring all avenues to recuperate fair value for the Council. Council should only consider donations in response to a formal written request.

Authorization by way of a resolution of Council is required before such a sale or transfer can be affected.

24. PREPARING FLEET ASSETS FOR DISPOSAL

Vehicles are to be presented for disposal in a condition that will assist in gaining the greatest return to Council.

The motor vehicle and plant interior and exterior must be cleaned. Responsible officers should note that costs of cleaning the interior or exterior of the fleet asset will be the responsibility of the relevant Division allotted the fleet asset.

A check must be carried out to ensure that fleet assets do not contain:
- Additional Items not intended for sale
- Confidential papers (records, files, papers)
- Documents on Council letterheads or which may be used for fraudulent purposes
- Council properties (i.e. software which could lead to breach of license or containing confidential data)
- Hazardous materials
- Council branding and insignia.

25. TRANSFER OF FLEET ASSETS INTERNALLY

Where the Council is the registered owner of the asset, the vehicle may be transferred between Directorates and Divisions. The Fleet Manager must be notified in writing of the intention and approval must be obtained from both sides of the parties before the fleet asset can be transferred.

26. PROCEEDS FROM SALES

a) If there was debt attributable to the fleet asset, payment of that debt is the first call upon any proceeds of sale (that is the cash value less any costs relating to the sale).

b) The proceeds of sale (that is the cash value less any costs relating to the sale) following the retirement of any debt will be used for the purposes of:
   - The retirement of debt in relation to assets; or
   - The funding of the purchase of new assets as scheduled within the asset replacement program; or
   - To a specific Reserve Fund if appropriate or to the asset replacement reserve.

c) The proceeds will not be used to fund general operational expenditure.

27. DOCUMENTATION OF ASSET DISPOSAL PROCESS

- Documentation detailing decisions made on the fleet asset disposal must be archived in Council’s records management system by the Fleet Manager;
- Correspondence, Invoices / Remittance advise, and disposal documents in relation to sale of the fleet asset must be archived in Council’s records management system by the Fleet Manager;
- Receipt of the disposal of materials to a licensed scrap dealer or contracted engineer are to be included in the documentation;
- Finance Services must be informed by the Fleet Department of the disposed fleet asset/s so that the asset register can be updated and accounting treatments for disposed assets can be initiated.

28. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect on **1 July 2026.**

This policy will be reviewed at least annually or when required by way of a Council resolution.

29. SHORT TITLE

This policy will be known as the Fleet Acquisition & Disposal Policy of the Overstrand Municipality.

POLICY SECTION:	**DIVISIONAL MANAGER: EXPENDITURE, ASSETS, FLEET AND LOGISTICS MANAGEMENT**
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