



LOCAL MUNICIPALITY

TRANSPORT ALLOWANCE POLICY 2021/22

Purpose of the policy

The purpose of this policy is to regulate travelling allowance in the municipality in line with SALGA guidelines which will eventually create a uniform transport allowance policy within Local Government Sector.

1. Preamble

Okhahlamba Local Municipality shall provide guidelines as to how travelling allowance can be used to achieve its strategic objectives. It shall strive to balance travelling allowance costs with legislative mandates.

2. Definitions

All terminology used in this policy shall bear the same meaning as in the applicable legislation.

- 2.1. **Day**" means a working day in service of the Municipality.
- 2.2. **Official distance**" means the distance in kilometres travelled for official purposes by an employee in the Council employment, excluding distance between place of work and residence.
- 2.3. **Fixed Transport Allowance**" means the reimbursement intended for incumbents of a specific post on a specific post level. This allowance is seen as an additional income and a customary right or privilege applicable to the incumbents of these posts.
- 2.4. **Running Transport Reimbursement**" means the allowance negotiated with incumbents not receiving a fixed transport allowance to which a transport allowance is paid in accordance to the fixed average journey distance per month. The allowance is not seen as an additional income or customary right, but is regarded as an allowance to enable them to perform their duties.
- 2.5. **Fixed costs**" means the tariff in cents per kilometre as determined by the salary notch of the official concerned calculated on the AA rates based on the 10 000 - 15 000km column in the AA rates for estimated average fixed cost.
- 2.6. **Private transport**" represents that private vehicle used by an employee for official purposes.
- 2.7. **Maximum kilometre limit**" represents the maximum kilometre limit which applies to a running – cost allowance.
- 2.8. **Fixed average running cost allowance**" is the running cost multiplied by the fixed average kilometre limit.
- 2.9. **Fixed average kilometre limit**" is the distance in kilometres on which a monthly transport allowance is based as determined by the Council.
- 2.10. **AD HOC transport allowance**" is the allowance payable to any official not receiving either a fixed, running or negotiated travelling allowance, but who are requested to use private transport in the execution of his/her duties.

- 2.11. **Fixed travel allowance**” is the running cost plus fixed cost multiplied by the fixed average kilometre limit.
- 2.12. **Running-cost allowance**” is the running cost multiplied by the actual kilometres travelled in the execution of official duties, but limited to the fixed average kilometre limit.
- 2.13. **Travelling allowance bearing position**” is a position or post to which a fixed average or a running monthly travel allowance, is linked after the council has declared such a post to be subject to a travelling allowance through the approval of the Organogram where such position was identified as travelling bearing.
- 2.14. **Purchase value**” of a vehicle is deemed to be equal to 100% (unless Council decides less) of the incumbent's salary which is determined on 1 July every year or when a change in salary occurs. The purchase value is used to determine the fixed cost portion as per AA rates for the Averaged Fixed Cost, updated annually on 1 July of that year and valid for 12 months.
- 2.15. **AA TABLES** — all transport allowance payments shall be calculated in accordance with the tables of the Automobile Association of South Africa for Estimated average car ownership cost over 6 years.
- 2.16. **A travel allowance** is also called a transport allowance or locomotion allowance.
- 2.17. **Effective date**” the travelling allowance shall be effective upon submission of the valid registration certificate by the Official entitled to the allowance and that Official must be the owner of the vehicle on the registration certificate.

3. Legal Framework

- Municipal Finance Management Act, 56 of 2003
- Basic Conditions of Employment Act, 57 of 1997
- RSA Constitution Act, 108 of 1996

4. Scope and Application

All Travel Bearing Positions, except Municipal Systems Act section 56 employees. The policy does not, however, apply to Councillors or Traditional Leaders as they are remunerated according to the Remuneration of Public Office Bearers Act.

5. Objectives of Policy

The policy shall be utilized as a framework document that provides for the minimum conditions for a travel allowance in order to cater for the varying municipal positions in this regard - a policy that is fair towards both Council and the employees and primarily focused to compensate the employees for travel expenditure.

6. Requirements for participation

- 6.1. Participation is dependent on the primary requirement that the use of private transport will be more beneficial than the provision of an official vehicle. An incumbent must furthermore comply with the following requirements for participation, namely:
- 6.1.1 The employee must maintain a daily official kilometre distance return (log sheet) of all official journeys for a period of at least 12 months for tax purposes.
 - 6.1.2 The use of transport solely by the incumbent must be necessary for the execution of the duties by the relevant incumbent.
 - 6.1.3 Private transport must be available on a daily basis for official use.
- 6.2. An employee who, in terms of the above requirements, does not qualify for a travel allowance can, on the approval of the Municipal Manager, use private transport whether for temporary or occasional trips, and be compensated thereof.
- 6.3. Motivation for application of a travel allowance or review of current allowance:
- The HOD will send a motivated report along with the log sheets to the Human Resource Division for investigation and recommendation, to the Chief Financial Officer for recommendation, where after the Municipal Manager will approve / disapprove the coupling of the allocation to the post.
- 6.3.2 The procedure for the coupling of an allocation to a post will be as follows:
- All travelling bearing post should be advertised with the traveling allowance.
 - Only distances travelled within the boundaries of the Council or outside the boundaries in the execution of official duties related to the post will be taken into account, distances between work and home will also be excluded.
 - Should the HOD after the initial approval wish to increase the kilometre allocations, the procedure above must once again be followed. This implies that the Departmental Manager will not have the discretion to increase allocations at will after the initial approval.
 - The HOD can at any stage terminate the compensatory/negotiable allowance or fixed travel allowance, after giving six months written notice, should he/she deem it no longer a necessity for the incumbent of the post to utilize his vehicle in the completion of his / her duties. During this period, only the fixed cost component of the allowance will be paid. The Divisional Manager: HR should then be informed accordingly.

- 6.4. The application must be lodged by way of motivated report by the HOD concerned to Corporate Department who will then submit the report to the Municipal Manager for consideration. Should the Municipal Manager approve a new travel allowance or kilometre limit, the date of the implementation shall be the first of the month following the date of approval.
- 6.5. A further capping on kilometres travelled or fixed cost or running cost is allowed, if approved by the Municipal Manager, under circumstance where the budget cannot accommodate a full allowance as per this policy.

7. Travel allowance .

7.1. Monthly travel allowance

Incumbents who qualify for a monthly travel allowance must have daily private transport available for the execution of their official duties. A fixed transport allowance is regarded as a fringe benefit. The payment of a monthly travel allowance to the relevant incumbents is however subject to the following conditions, namely:

- That no official transport will be provided to such incumbents;
- That trips from home to work and back do not form part of the allowance.
- That all requirements of this policy must be complied with.

7.1.1 Fixed cost portion

This is deemed to compensate for the fixed cost expenditures which such employee would normally incur for the acquisition, maintenance and keeping available of private transport for official purposes.

This fixed allowance is calculated in accordance with the 10 000 to 15 000 km column of the "estimated average fixed cost" schedule contained in the AA rates and does not detract in any way from the other principles contained in this policy where the purchase price of the vehicle is deemed to be equivalent to 100% of the incumbent's salary, which is determined annually on 1 July remain fixed for 12 months.

Should a Council, based on the cost and economic considerations and the requirements of the travel allowance bearing post be of the opinion that 100% of the incumbent's salary is excessive in regard to the acquisition value of a value, it may, with the exemption of the Bargaining Council, agree to a lesser purchase value.

7.1.2 Running cost portion

This is composed of the fuel and maintenance tariff per km as described in the "estimated average running cost" schedule contained in the AA tariffs and calculated in respect of a vehicle with an engine capacity as determined in the definition of "running cost".

When an agreement has been reached with an employee to have private transport available on a daily basis for the execution of official duties, a monthly running cost allowance must be paid to him/her in accordance with one of the following methods

8. Determination of the kilometre distances

The municipality shall determine the average kilometre per month and communicate the decision in writing to the incumbent. Kilometre distance will be determined on 3 options:

8.1 Fixed average kilometre limit per month as follows:

	MAXIMUM KILOMETRES	POST LEVEL
1.	750	Senior Managers & Senior Accountants
2.	650	Accountants & Senior Officials
3.	550	Officers

9. Calculation of travel allowances

9.1 Monthly travel allowance

After the travel allowance has been approved and the purchase price has been determined in line with the definition above, the following principles in regard to the calculation of the travel allowance will apply:

A fixed transport allowance or a running transport allowance must be payable on a monthly basis, calculated according to the following formula:

$$(F+R) \times \text{Km}$$

Where:

F = Fixed cost component read off 10 000 to 15 000 km column of AA rates (according to annual salary).

R = Running cost according to the AA rates for a vehicle with a maximum engine capacity of up to 2.5 litres.

KM = Fixed kilometre allocation according to allocation to post levels (See 8.1) above.

Amendments to the AA rates and / or of the employee's salary are automatically implemented as from the first day of the month to which such amendment applies.

NB: MAXIMUM MONTHLY TRAVELLING ALLOWANCE IS R8000-00 FOR ALL EMPLOYEES RECEIVING TRAVELLING ALLOWANCE AS PER THIS POLICY.

9.2 Ad-hoc travel allowance

An ad hoc transport allowance must be payable on an ad hoc basis, calculated according to the following formula:

Where:

A the ad hoc transport allowance

B = the total daily car ownership costs (fixed cost plus running cost) on the AA rates.

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

- Fixed cost, determined by the actual purchase price of the vehicle or the annual salary of the employee concerned, whichever is lesser, calculated against the 10 000 column, and
- Running cost comprising of a fuel and maintenance tariff as described in the AA rates and calculated at the actual engine capacity of the vehicle with a maximum of 2000 cc)

C = the actual distance travelled in the execution of official duties.

10. Excess distance travelled for allowance bearing positions

Should it happen that an employee, who is in receipt of a transport allowance, travels more than the allocated monthly kilometre distance, he/she is entitled to be remunerated for the excess kilometres travelled. The onus rests solely on the employee concerned to proof the actual distance travelled and the reasons for the journeys in execution of official duties to be attached. The travel claim form (attached to the Subsistence & Travel Policy) should be completed and submitted within 30 days to Payroll Officer after approval by the relevant Department Head or Municipal Manager. Calculation for the reimbursable kilometres shall be done according to the following formula.

- Excess Km travelled x Running cost for month of travel

11.1 Suspension of a transport allowance

11.1.1 The Municipality may terminate or vary any transport allowance on the recommendation of the overall head of department concerned and Human Resources with the concurrent approval of the Municipal Manager after consultation with the affected employee.

11.1.2 The Departmental Manager, through consultation with HR, with the Municipal Manager's consent, shall approve of any employees' in receipt of permanent transport allowances, which are required to be transferred by the municipality to other posts where no transport allowances

are attached to discontinue the transport allowance from the date of the transfer. Should the municipality decide to withdraw an employee's travel allowance for reasons of than change of position, e.g. those duties or the current position change to the extent that their posts no longer justify transport allowances being attached to them or the kilometres travelled do not justify a permanent travel allowance but rather utilization of a municipal vehicle or ad hoc allowance, the municipality must, after consultation with such employee, give 6 months written notice of the withdrawal of the travel allowance.

12 General Requirements

- 12.1 Employees in receipt of permanent transport allowances shall at all times provide motor vehicles of suitable types and conditions as predefined and approved by the overall heads of department concerned for the proper discharge of their duties.
- 12.2 Employees are to provide proof of availability of suitable vehicles on the request of management and /or Human Resources. Alternatively, the affected employees' transport allowances must be stopped until such vehicle is available / provided. Eligible employee must always ensure that the vehicle is always available and in good condition to execute official duties at all times. Employees must inform their employer (the municipality) immediately if they do not have a vehicle available.
- 12.3 Employees who receive a travel allowance may not use official transport in the execution of their duties unless otherwise authorized in unforeseen circumstances. The distance travelled with the official vehicle will not be considered as part of the employee's business-related travel when accounting for his/her travel allowance.
- 12.4 In the event that it can be shown that the employee has received the transport allowance without having the requisite vehicle available the overpayment of the allowance for the identified non-qualifying period must be recovered from the employee's salary.
- 12.5 Further, they may face disciplinary action and/ or incapacity proceedings relating to their non-compliance with this provision and inability to perform their duties due to them not having the requisite vehicle and where they continue to receive the allowance without complying with the above qualifying requirements they must be charged with fraud
- 12.6 The municipality must include 80% of the traveling allowance in the employee's remuneration for the purposes of calculating PAYE. This will be adjusted to new SARS guidelines as and when they are issued.

13 IMPLEMENTATION AND MONITORING

This policy will be implemented and effective once recommended by the Local Labour Forum and approved by Council. The Accounting Officer is required in terms of Section 66 of the Municipal Finance

Management Act to report to the Council within the time periods stipulated on all expenses pertaining to salaries, allowance and benefits paid.

All previous policies on travel allowances accepted by Council, as well as all previous Council resolutions in this regard will be rescinded from the date of the Council resolution adopting this policy as the Council's only policy on travel allowance for employees. This policy can therefore only be amended by a resolution of Council and no deviations will be allowed.

14 COMMUNICATION

This policy will be communicated to all Municipal employees using the full range of communication methods available in the municipality.

15 POLICY REVIEW

This policy will be reviewed annually and revised as necessary.

16 BUDGET AND RESOURCES

The financial and resource implications related to the implementation of this policy should be qualified and quantified.

17 ROLES AND RESPONSIBILITIES

The Municipal Manager or his / her delegates assigned accepts overall responsibility for the implementation and monitoring of the policy.

18 PENALTIES

Non-compliance to any of the stipulation contained in this policy will be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code.