

A1593 DISPOSAL OF MUNICIPAL FLEET ASSETS

(6/2/4/4)

Cluster: Corporate Services

Portfolio: Administration

PURPOSE

To seek approval from Council for the disposal of redundant Council's Fleet assets.

BACKGROUND

The Municipality runs its business utilizing most of the vehicles that are due for disposal due to the fact that most of the vehicles have reached the point whereby they are unserviceable to render their intended purposes. Such hinders the smooth running of the services.

The approved Council Fleet Policy Clause 7.11 allows for vehicles to be considered as obsolete for disposal under the following circumstances:

- *Vehicles will be replaced every 5-7 years or 200 000km of the vehicle.*
- *Sedan vehicles to be replaced every 4 years or 120 000km's*
- *Light commercial vehicles to be replace every 5 years of 160 000km's*
- *Heavy commercial vehicles to be replaced every 7 years or 500 000km's*

Consideration for disposal will also be subjected to the overall condition of the vehicle and total repair and maintenance costs.

For a more entrenched changes The Municipality has entered into a thirty six (36) months Service Level Agreement (SLA) with Fleet Horizons Solutions as per bid number 8-2/2/25 2014 for management of fleet, amongst other functions that the SLA provides for is the Disposal of Fleet.

Clause 3 of the addendum to the SLA; *Vehicle Disposal Management* states that:

The Service Provider; Fleet Horizons Solutions: *To dispose of the Client Owned Vehicles at the value determined by the Municipality.*

DISCUSSION

The identified fleet that has deteriorated due to the prolonged ownership and excessive usage require prompt replacement to avoid more financial value loss by keeping them on the asset register for some extended period. Attached hereto as

* Annexure "A" (page 1) is the list of vehicles that are earmarked for disposal.

It will be observed from the attached list that the age of all vehicles and of those that are unserviceable qualifies for disposal to enable the Municipality to replace the Fleet accordingly with intention to retain the serviceable fleet for smooth running of services. An assessment condition has been carried by Fleet department together with Fleet Horizons Solutions whereby all details were gathered taking into consideration the historical damages that were previously repaired to the identified vehicles inclusive of both mechanically and accidentally repairs.

ALIGNMENT WITH COUNCIL STRATEGIES

The provision safe vehicles aligns with the strategy of developing and maintaining high quality Municipal Facilities by ensuring that there is effective Fleet Management so that safe vehicles are available to staff and Council.

COMMENTS: CHIEF FINANCIAL OFFICER

The current book value of the vehicles as it appears on Councils Asset Register amounts to R422 096.00 (Attached as Annexure "A"). The transfer and the disposal of assets are regulated and set out in a prescribed framework in Section 14 (6) and 90 (6) of the Municipal Financial Management Act, Act No. 56 of 2001.

The principles are as follows:

1. A Municipality may not transfer ownership as a result of sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
2. A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in Subsection (1), but only after the municipal council, in a meeting open to the public-
 - a) Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
 - b) Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
3. A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.
4. A municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in Subsection (2) (a) and (b) in respect of movable capital assets below a value determined by Council.

5. Any transfer of ownership of a capital asset in terms of subsection (2) or (4) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality must have and maintain in terms of Section 111.
6. This section does not apply to the transfer of capital assets to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the Nation Treasury, provided that such transfers are in accordance with a prescribed framework.

LEGAL IMPLICATIONS

The disposals will be in order if they are done following the prescribed procedure in the Municipal Financial Management Act, Act No. 56 of 2001.

CONCLUSION

Facilities Management's determination is to dispose the identified Fleet asset to reduce the unnecessary expenditure that are linked to maintenance costs, licenses renewals, storage and depreciation of underutilized assets with intention to generate possible revenue that is in line with the current book value as determined by asset register.

RECOMMENDED

1. THAT the disposal of all vehicles, attached as Annexure "A", be hereby approved.
2. THAT Council's asset register be amended accordingly.

ANNEXURE "A"

SEDIBENG DISTRICT MUNICIPALITY FLEET EARMARKED FOR DISPOSAL

VEHICLE REGISTRATION NO	MAKE & MODEL	YR MODEL	KM READING	CURRENT BOOK VALUE	COMMENTS
1 PMV115GP	MAZDA 323 STING	2003	377 443	R 6 644.20	High kilos and replacement criteria exceeded
2 PYS703GP	MAZDA 323 STING	2003	303 119	R 6 723.40	High kilos and replacement criteria exceeded
3 SBD002GP	TOYOTA TAZZ 1.3	2005	344 363	R 6 129.22	Replacement criteria exceeded
4 XHG595GP	NISSAN TIIDA 1.6	2008	484 903	R 14 011.40	High kilos and replacement criteria exceeded
5 XHG809GP	NISSAN MURANO	2008	202 050	R 40 745.20	Beyond economical repair- too costly to repair
6 XHG784GP	NISSAN PRIMASTER	2008	72 018	R 28 871.53	Beyond economical repair-vehicle out of production
7 BC39TWGP	NISSAN MURANO	2010	142 500	R 143 907.55	Beyond economical repair- too costly to repair
8 BB99TCGP	BMW 325(i)	2010	190 860	R 118 602.00	Requires engine overhaul which will be too costly
9 PXK567GP	MAZDA 323 STING	2003	155458	R 6 723.40	Kilometre and age replacement criteria exceeded
0 XHF243GP	FORD IKON 1.6	2008	251 057	R 14 703.30	High kilos and replacement criteria exceeded
1 XHF217GP	FORD IKON 1.6	2008	235 581	R 14 703.30	High kilos and replacement criteria exceeded
2 RVF941GP	NISSAN 1400LDV	2005	88799 (clocked over)	R 5 628.20	High kilos and replacement criteria exceeded
3 XMV537GP	FORD IKON 1.6	2008	208 075	R 14 703.30	High kilos and replacement criteria exceeded
				R 422 096.00	

EXTRACT OF THE MINUTES OF THE 95th COUNCIL
MEETING OF THE SEDIBENG DISTRICT MUNICIPALITY
HELD ON 22/02/2017

At its meeting held on the abovementioned date, Council resolved as follows:

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RESOLVED

1. THAT the disposal of all vehicles, attached as Annexure "A", be hereby approved.
2. THAT Council's asset register be amended accordingly.