

POLICY : FUNDING OF REPLACEMENTS AND REPAIRS FROM THE INSURANCE FUND

Item F 27-2003
CM 27.3.2003

FINANCE DEPARTMENT : PROPOSED POLICY : FUNDING OF REPLACEMENTS AND REPAIRS FORM THE INSURANCE FUND (ITEM F 21-2003[MC] - MC 20-2003)

RESOLVED:

1. That the proposed policy regarding the funding of replacements and repairs from the Council's insurance fund, which is attached as **Annexure "A"** to the report **BE APPROVED**.
2. That the authority to extend the operating and capital budgets in respect of insurance claims, **BE DELEGATED** to the Chief Financial Officer in conjunction with the City Manager and the Member of the Mayoral Committee for Finance, provided that quarterly reports **BE SUBMITTED** to the Finance Portfolio and the Council.

ANNEXURE 'A'

EKURHULENI METROPOLITAN MUNICIPALITY

PROPOSED POLICY: FUNDING OF REPLACEMENTS AND REPAIRS FROM THE INSURANCE FUND

1. REPAIRS

- 1.1 Following the incident generating necessity for repairs, a claim form accompanied by relevant quotations (i.e. both internal and/or external) is submitted to the Risk Management Claims forum for approval.
- 1.2 Separate vote numbers per portfolio must be opened to indicate insurance related repairs and maintenance expenditure. The budget of the vote number will be adjusted after the Risk Management Claims Forum had approved the expenditure.
- 1.3 The expenditure will be incurred via the normal payment procedures, debiting the relevant new vote number referred to in paragraph 1.2.
- 1.4 If the claim is approved by the Council's insurers, the approved amount will be transferred to the operating budget from the insurance fund per journal entry.
- 1.5 If the claim is not approved by the insurers, the actual expenditure will be transferred to a repairs and maintenance vote number identified by the department. It will in effect not be funded by the insurance fund but by the departments operating budget.
- 1.6 All budget adjustments must be reported to Council on a quarterly basis and a complete reconciliation must be done at financial year-end to ensure that the income transferred to the operating budget from the insurance fund and the actual expenditure balances.

2. REPLACEMENT OF ASSETS

- 2.1 Vehicles: (i.e. in the event of theft, hi-jack and not recovered or damaged beyond economical repair).
- 2.1.1 The outstanding balance. on the applicable internal Loan will be redeemed from the vehicle aggregate and/or from the payment it received from the Council's insurer.
- 2.1.2 If the balance after redeeming the vehicle loan is insufficient to replace the vehicle, the relevant department needs to consider the following options subject to prevailing Council procedures/policies.
- o Effect no replacement
 - o Effect replacement with a second hand vehicle
 - o Finance the shortage through an identified saving or the relevant departments capital budget
 - o Hiring a vehicle until the end of the financial year and effect replacement on the following financial year's capital budget
 - o The transfer of a suitable vehicle from another section or Department
 - o Leasing a new vehicle
- 2.1 .3 All requests to replace a vehicle must be approved by:
- o The Risk Management Claims Forum
 - o The Fleet Committee
 - o The Chief Financial Officer
- 2.1 .4 A new vote number will be opened on the Capital Budget to facilitate payment, after approval had been obtained.
- 2.1 .5 Replacement payment is effected through the Council's sundry payment procedures to the supplier.
- 2.1 .6 The approved amount will be transferred to the capital budget from the insurance fund per journal entry. The insurance fund will be the source of finance on the capital investment programme.
- 2.1.7 All budget adjustments must be reported to Council on a quarterly basis and a complete reconciliation must be done at financial year-end to ensure that the income transferred to the operating budget from the insurance fund, and the actual expenditure balance.
- 2.2 Other Assets (i.e. in the cent of theft or damage beyond economical repair)
- 2.2.1 The outstanding balance on the applicable internal loan will be redeemed from the assets aggregate and! or from the payment received from the Council's insurer.
- 2.2.2 The balance after effecting paragraph 2.2.1 above is available to implement full replacement or to contribute towards the replacement expenditure
- 2.2.3 Should the balance after redeeming a loan be insufficient to replace the asset, the relevant department needs to consider the options listed below, subject to prevailing Council procedures/policies:
- o Effect no replacement
 - o Effect replacement by budgeting for the asset in a future financial year.
 - o Effect replacement with available funds (e.g. scale down)

- o Finance the shortage through an identified saving on the relevant departments capital budget.
- o Lease/rent equipment instead of replacing for the remainder of the financial year
- o Consider the transfer of a similar asset from another section.

2.2.4 All requests to replace an asset must be approved by:

- o The Risk Management Claims Forum
- o The Chief Financial Officer

2.2.5 Replacement payment is effected through the Council's sundry payment procedures to the supplier.

2.2.6 The approved amount will be transferred to the capital budget from the insurance fund per journal entry. The insurance fund will be the source of finance on the capital investment programme.

2.2.7 All budget adjustments must be reported to Council on a quarterly basis and a complete reconciliation must be done at financial year-end to ensure that the income transferred to The operating budget from insurance fund and actual expenditure. balance.

3. LIABILITY PAYMENTS

3.1 Following the incident a claim form, accompanied by relevant quotations, is submitted to the Risk Management Claims Forum for approval.

3.2 After approval of the claim by the insurer, and the Chief Financial Officer, a payment is made against the specified operating vote.

3.3 The actual payment to the claimant follows the same procedure as for sundry creditor payments

4. EXCESS PAYMENTS

4.1 Following the incident generating necessity for repairs, a claim form, accompanied by relevant quotations (i.e. both internal and/or external), is submitted to the Risk Management Forum for approval.

4.2 After approval of the claim, by the insurer and the Chief Financial Officer, a request is forwarded to the Budget Office to make funds available on the identified operating vote.

4.3 The actual payment of excess amount follows the same procedure as for sundry creditor payments.

5. STATED BENEFITS PAYMENTS AND GROUP ACCIDENT PAYMENTS

5.1 Following the incident, a claim form, accompanied by relevant documentation, is submitted to the Risk Management Claims Forum for approval.

5.2 After approval of the claim by the insurer and the Chief Financial Officer, a request is forwarded to the Budget Office to make funds available on the identified operating vote.

5.3 In cases of permanent disability or death of an employee, the payments received from the insurer will be paid over to the relevant employee or his/her beneficiaries, via the normal payment procedures.

