



UMHLABUYALINGANA BENEFITS ALLOWANCE POLICY

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6.1 BENEFITS AND ALLOWANCE POLICY

6.1.1 Preamble

In an attempt to attract suitably qualified employees in line with the Recruitment and Selection Policy, uMhlabuyalingana Local Municipality will endeavour to maintain fair and competitive remuneration which is consistent with the necessary Collective Agreement for the Local Government Sector and to maintain remuneration consistent with sector practices.

6.1.2 Application and Scope of This Policy

This policy shall be applicable to all permanent and fixed-term-contract employees of uMhlabuyalingana Local Municipality subject to the provisions of this policy and shall be remunerated in line with the SALGBC

Collective Agreements with an exclusion of the Municipal Manager and Manager directly accountable to the Municipal Manager.

6.1.3 Definitions

"Employees" shall mean Permanent employees; and Fixed-term-contract employees of uMhlabuyalingana Local Municipality.

"Municipality" unless otherwise indicated, shall mean uMhlabuyalingana Municipality.

"Remuneration" means financial compensation granted by uMhlabuyalingana Local Municipality to its employees for the execution of designated duties. This includes the basic salary and any bonuses or other economic benefits that an employee receives during employment.

6.1.4 Policy Statement

Ill-defined management of remuneration of employees may lead to irregularities and inconsistencies in the manner in which a municipality compensates employees.

Such irregularities do not conjure up for a healthy working environment and may impact negatively on employee relations and productivity. This policy is thus formulated with the aim of addressing problems that may arise due to the absence of formalised remuneration measures.

uMhlabuyalingana Local municipality is committed to attracting, retaining and motivating a competent and professional workforce that will ensure the long-term sustainability of the municipality and create a competitive advantage in the development arena.

6.1.5 Role of and types of Remuneration

The competitive nature of the Local Government Labour market and the need for the attraction of relevant skills as well as the retention of skills requires the Municipality to be competitive in its remuneration strategy. This in turn shall increase service delivery and therefore it is imperative to ensure that the remuneration offering provided to employees is a key component of the municipality's human resources management strategy and will be directed at making uMhlabuyalingana Local Municipality an organisation that cares for its people and creating an environment that allows employees to grow.

6.1.6 PRINCIPLE: Remuneration

uMhlabuyalingana Local Municipality offers employees two types of remuneration namely:

6.1.6.1 *All-inclusive- Total Package: This shall be composed of a guaranteed portion and a variable portion.*

- ***Guaranteed Portion of Remuneration***

Employees shall receive the guaranteed portion of their Total Package on a monthly basis. The Total Package includes both cash and guaranteed benefits such as employer contribution to retirement funds, medical aid funds, car allowances, Unemployment Insurance Fund Contribution, etc.

- ***Variable Portion of Remuneration***

Incentive Bonuses, which are not guaranteed, are intended to reward employees for exceptional performance above the accepted standard and are variable. These rewards are based on individual, departmental and municipal performance relative to predefined targets. Performance is measured over a 12 month period (performance cycle) and payment made at the end of this period.

- ***Total Package Structuring and Restructuring***

Employees on Total Package who structure their packages *must* allocate at least 60% of the Total Package to basic salary. The employee may also elect to make changes to the remuneration structure of the Total Package whenever his/her remuneration is reviewed, or at least once a year.

6.1.7 Basic Plus Benefits Remuneration

All permanent employees with the exception of the Municipal Manger and the Managers directly accountable to the Municipal Manager shall be remunerated on the basis of a basic salary plus benefits. Their salaries shall be governed by the provisions of the South African Local Government Bargaining Council Agreements, the relevant regulations shall be composed of:

- a. Basic Salary;
- b. 13th Cheque
- c. The Municipality's contribution to an approved Retirement Fund;

- d. The Municipality's contribution to an approved Medical Aid Scheme;
- e. An allowance approved by the Municipality, provided that qualifying criteria are met – such allowances are provided for in relevant policies.

6.1.8 Remuneration

All remuneration interventions and the application of this policy will be tested against the following practice principles. These principles will accordingly be applied when deciding on the Total Package levels / increases and the quantum of Incentive Bonuses paid employees.

- **External Competitiveness**

The quantum and nature of the total reward offering to employees determines how competitive uMhlabuyalingana Local Municipality is in recruiting and retaining employees. The appropriate mix of guaranteed cash benefits and incentives further enhances the municipality's ability to motivate employees in a manner that will improve the municipality's competitiveness.

6.1.8.1 This offering includes, but is not limited, to the following:

- o The physical work environment;
- o Training, development and career opportunities;
- o Induction and other support programs;
- o The Municipality's transformation and social responsibility activities; and
- o The perceived fairness of performance measures, incentive and promotions

6.1.9 Internal Equity

Individual remuneration levels shall be based on the "worth" of an employee's role to the municipality. The "worth" referred to is determined by the size and complexity of the employee's role in the municipality and the demonstrated competency to perform the role. Employees of similar worth (i.e. positions with similar size and complexity, performed at a similar level) should therefore be paid a similar rate, regardless of non-value adding measures such as tenure, association etc.

The size and complexity of a position is determined through a valid Job Evaluation System – TASK in the case of uMhlabuyalingana Local Municipality. Individual performance is measured through the established and approved *Performance Management System*.

- *Performance Focus*

Remuneration should recognise and reward both high levels of competence and superior performance through the use of incentive bonuses linked to performance.

These two processes are very closely linked. Highly competent employees will generally perform their jobs better, although this is not a given. Competence effectively indicates an employee's ability to perform, while performance indicates the application of this competence to the benefit of uMhlabuyalingana Local Municipality. This is provided for in Municipal Performance Regulations where the weighting is structured on an 80:20 ratio for Key Results Areas and Core Competencies respectively.

- *General Annual Salary Increases*

Permanent Employees

Remuneration of employees within the Bargaining Unit shall be governed by Collective Agreements negotiated centrally with the South African Local Government Bargaining Council (SALGBC). Over and above the cost of living adjustment which will take into account the CPIX, similar adjustments will be bargained for such additional allowances as employer contributions to retirement funds, employer contributions to medical aid schemes, overtime, acting, night work, standby, etc.

Municipal Manager and Managers directly accountable to the Municipal Manager and Fixed-Term-Contract Employees.

This category of employees shall receive an annual salary increase that is linked to their performance as assessed in line with their performance agreements. In reviewing their remuneration, Council shall consider among others:

1. The Consumer Price Index (CPIX);
2. Any general salary agreement reached in the SALGBC; or
3. If such an agreement had not been reached, any arbitration award regarding salary increases affecting local government; or
4. If such an award is not made, an amount equivalent to the official inflation rate for the year immediately preceding the year which the adjustment becomes effective.

Temporary Contract Employees

In reviewing the rates of this category of employees, Council shall consider among others the official inflation rate for the year immediately preceding the year which the adjustment becomes effective.

Volunteers

These person are not regarded as employees of uMhlabuyalingana Local Municipality and as such may not be remunerated in any way.

- **Cost Management**

The objective of remuneration cost management is the accurate pricing of the employee's role, thereby reflecting their relative worth to the municipality. Cost Management does not necessarily imply a reduction of the overall salary and wage bill, but rather the correct allocation thereof. Remuneration differentiation between employees should be based on criteria that are fair and objective.

There should, however, be separate annual salary adjustment budgets for the Municipal Manager and managers directly accountable to the Municipal Manager and those covered by the Collective Bargaining processes, and Council has the authority to determine increases for the above Managers within the budget allocated.

The Treasury and Budget Department in conjunction with Corporate Services Department should manage remuneration costs within budgetary constraints, while ensuring that the remuneration levels of competent, exceptional performers and key employees are positioned competitively against the market. The remuneration levels of roles are critical to the success of the department and ultimately uMhlabuyalingana Local Municipality should also be positioned competitively against the market.

6.1.10 Functional Differentiation for Scarce Skills

While it is the objective of uMhlabuyalingana Local Municipality to promote internal equity through its remuneration practices, it is recognised that there are specialist skills, critical to the success of the municipality that would demand a premium in the general remuneration market. In order to ensure uMhlabuyalingana Local Municipality's external competitiveness, salary Bands based on direct and functional benchmarks will be developed.

6.1.11 Positioning and managing Total Package within Salary Bands

Generally, an employee's Total Package will fall within the Package levels will vary within the band and at times fall outside these bands. The reasons are specific to each employee (or employee category). The ideal and "best practice" in terms of the Total Package levels are however, for it to fall within the recommended bands.

In order to correct any discrepancies in terms of Total Package levels, employees exceeding the bands should receive lower increases (subject to a pre-agreed minimum increase), even though they may be exceptional performers. This is not necessarily harsh, as these employees are already remunerated at a substantial premium to the market and may find it difficult (even as good performers and highly competent) to find a similar paying position externally.

The converse is also true in that employees falling below the bands should receive higher increases (subject to an overall maximum increase limit) even where their performance and competence may only meet expectations.

Total Package levels may in some instances legitimately fall outside the suggested bands. While these exceptions should be kept to the minimum, a high risk of key employees leaving uMhlabuyalingana Local Municipality or specific job related premiums could justify Total Package levels exceeding the band maximum. Generally, it would be more desirable for the Total Package to fall within the bands and then to supplement this with a bigger incentive, based on actual achievement of the employee, department and the Municipality.

Employees working less than the required working hours per week or employees provided with exceptional training/development assistance may fall legitimately below the band minimum. The reasons for any Total Package falling outside the bands should be documented and retained on file to ensure that decisions made at increase time can be justified in future.

It is important to ensure that employees understand their relative position within a band (i.e. whether their Total Packages fall at the top, middle, bottom etc.) to ensure that exceptional performers and highly competent employees that already receive good salaries do not misunderstand the increase percentage. The objective is not purely to increase the Total Packages levels year on year, but rather to position the employee relative to a target rate relative to the market with the increase being an adjustment in line with the target position.

6.1.12 Cash Incentive Scheme

It is important to consider the degree to which performance of the employee in their role will influence their cash incentive bonus.

The incentive scheme design takes into account the motivation of performance over the short-term and the long-term. The cash incentive scheme will focus the attention of the management on the short-term goals and the scheme will deliver cash payments for the performance.

The cash incentive scheme is intended to focus the employees on the attainment of municipal goals; The cost of the incentive payments is budgeted for on an annual basis and therefore built into the performance targets and linked to individual performance.

The incentive measurements will be based on the performance management process as approved by uMhlangana Local Municipality Council. After the annual performance evaluations have been conducted per the performance management cycle, incentive payments will be payable. Incentive payments, will therefore, be made once per annum. The measures on which the incentive scheme is based include financial and capacity imperatives. These imperatives are:

1. Total programme value – the achievement of contract programme values,
2. Cost management – the management of overhead costs as a percentage of programme value,
3. Stakeholder satisfaction – the attainment of specific levels of objectively measured stakeholder satisfaction results,
4. Technology and Human Capital capability - the creation of a technological and human capital infrastructure to improve the Municipality's sustainability.

These imperatives should be complemented by the individual performance measures for each employee.

The targeted payments will be based on a percentage of Total Package. The incentive scheme will provide for targeted payment levels for all employees. In order to attract and retain competent employees, Council may approve any of the following monetary interventions subject to these not incorporated into the employee's Total Package but paid as an additional allowance.

6.1.13 The Monetary Interventions may include:

1. Market Premium to attract a candidate not exceeding 15% of guaranteed salary paid over a defined period. Maximum period of 1 year would be ideal;

2. Retention Premium not exceeding 15% of guaranteed salary paid over a defined period. Maximum period of 1 year would be ideal;
3. Sign-on Bonus (Recruitment Premium) not exceeding 15% of guaranteed salary paid within a defined period (ideally 6 months to 1 year so as to ensure that the employee is part of the normal incentive scheme processes). This would especially be applicable to the critical occupations/scarce skills category.

Eligibility for any of the above will be based on Council discretion and must be approved through a Council Resolution.

6.1.14 PROCEDURES

Prescribed Remuneration Components

a. Retirement/Pension Fund

It is a compulsory condition that all employees appointed on a permanent basis or on a fixed term basis be members of and contribute to a retirement fund recognised by the municipality and registered in terms of the Pension Fund Act (1956). Contributions and employer-employee proportions shall be in terms of the rules of the Retirement Fund as will be determined from time to time:

b. Group/Life Insurance

Membership of the Group Life Insurance Scheme shall be linked to the membership of the pension/retirement fund. Contributions to this scheme will be included in the contributions for the pension/retirement fund. The assured amount is based on the pensionable income.

c. Medical Aid

It is a compulsory condition that all employees appointed on a permanent basis or on a fixed term basis be members of and contribute to an accredited Medical Aid Scheme, unless they are registered as dependents in another accredited Medical Aid Scheme. Contributions and employer-employee proportions shall be in terms of the rules of the Medical Aid and as will be reviewed from time to time by the municipality or through the collective bargaining process.

d. Flexible Remuneration Options

The following flexible remuneration options are available to employees who qualify in terms of their positions and according to the requirements of the South African Revenue Services:

i. Vehicle Allowance

If employees have to use their own private vehicles for official business on a regular basis, at the request of the Municipality, a portion of their remuneration package must be allocated to a car allowance and should be reimbursed for all official Kilometers travelled in line with the municipality's approved rates.

The maximum amount which an employee may allocate to car allowance is 25% of the total annual package.

Employees who are required by uMhlabuyalingana Local Municipality to have a vehicle for municipal business (essential users) must be comprehensively insured.

ii. Thirteenth Cheque

Employee on a total cost may elect to be paid in either twelve or thirteen equal payments, of which the 13th will be paid on the employee's appointment anniversary. Permanent employees shall be paid their 13th Cheque on the month of their birth. Should an employee not have completed a twelve month cycle on his/her birth month a pro rata payment shall be effected.

6.1.15 General Administrative Considerations on Payment Date

Remuneration is presently transferred electronically to an employee's bank account to be available to employees on the 25th day of each month or to be available on the preceding Friday should the twenty fifth fall on a Saturday or Sunday.

Remuneration for December month and, where applicable, annual bonus, shall be paid on or before the 15th day of the month

6.1.16 Month-end Closing and Notification of Change of Personnel Particulars

All amendments pertaining to a service contract or personal particulars for implementation from the first of the month must reach Corporate Services on before the 15th of the particular month

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In this regard, it is the responsibility of every employee to inform the employer in writing, within fourteen days, if any of the following changes take place:

- a. Residential address
- b. Number of dependents
- c. Marital status
- d. Banking arrangements
- e. Telephone number
- f. Personal status which can influence the Receiver of Revenue, the
- g. Retirement Fund Medical Scheme

6.1.17 Overpayment/Repayment

uMhlabuyalingana Local Municipality reserves the right to recover from the employee's remuneration of any overpayment owed by the employee. The recovery will take effect after consultation with the employee including:

- a. The following of a fair procedure during which the employee is given reasonable opportunity to show reason why the recovery should not take place;
- b. The total amount of the recovery does not exceed the actual amount overpaid;
- c. No single deduction from the employee's monthly remuneration will exceed one quarter of the cash portion of the employees' monthly remuneration.

6.1.18 Deductions

uMhlabuyalingana Local Municipality will make deductions from an employee's monthly remuneration in accordance with legal requirements relating to such a deduction and/or the stipulation of the agreed benefit funds. However, the municipality reserves the right to refuse to deduct any amount unless mutually agreed upon.

6.1.19 No Cession

The employee does not have the right to cede or to transfer his remuneration or part of it to a third party.

Council Approval:

Date: 28/06/2018

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Acting MM' Signature.....

