

**REMUNERATION POLICY
2021/22**

Summary

This remuneration policy of Ngqushwa Local Municipality provides guidelines for managing the remuneration of both bargaining unit and non-bargaining unit employees. To ensure that the Municipality can attract and retain adequate numbers of suitable personnel in the Municipality.

Publication Date	
Review Date	September 2021
Related Legislation/Applicable Section of Legislation	<ul style="list-style-type: none"> • Municipal Systems Act, 2000 • the Municipal Finance Management Act, 2003 • Bargaining Council Agreements.
Related Policies, Procedures, Guidelines, Standards, Frameworks	
Replaces/ Repeals (whichever is relevant, if any)	
Policy Officer (Name/Position)	MW MXEKEZO
Policy Officer (Phone)	040-6733095
Policy Sponsor (Name/Position)	
Department Responsible	Corporate Services
Unit responsible	Human Resources
Applies to	All Municipal Employees
Key Words	Remuneration Policy
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Council approval date	
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REVISION RECORD

Date	Version	Revision Description

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1. TITLE

Remuneration Policy

2. PURPOSE

The purpose of this policy is to: -

Advance labour peace and efficient human resources management by fulfilling the primary objects of the Constitution, relevant employment law and local government legislation.

3. SCOPE

This policy applies to all Municipal Employees

4. PROCEDURE DETAIL

4.1 POLICY PRINCIPLE

This policy is based on the following principles:

- **Equal pay for equal work of equal value:** The Municipality shall pay equal remuneration to employees performing equal work of equal value.
- **Transparency:** All municipality personnel remuneration should be treated openly and in a transparent manner.
- **Equity:** The Municipality shall strive to remunerate employees fairly so as to ensure that external, internal and individual equity principles are maintained with regard to the remuneration of management.

4.2 POLICY OBJECTIVES

The objectives of this policy are –

- To promote effective, efficient and economic use of resources, including human resources;
- To promote fairness and transparency in decisions regarding the remuneration of personnel;
- To provide a framework for linking managers' remuneration to their performance;
- To comply with the relevant legal requirements including collective agreements, statutory provisions and applicable regulations;
- To provide a framework that is flexible enough to prevent bureaucratic rigidity and allow for relative market rates and individual differences in terms of merit;

- To attract the right quality of applicants.
- The municipality follows a **total cost of employment approach** in the determination and management of remuneration, as set out in the remuneration structure except where indicated otherwise;
- The remuneration policy and practices must support the vision, mission, strategies and objectives of the municipality;
- The municipality remunerates employees in accordance with the “value of their work” as defined by the organization in terms of capabilities i.e. competencies, technical skills and experience (input) and performance (output), at the various organizational levels;
- Remuneration is one of the factors that influence employee behaviour and must therefore be managed in such a way that it contributes to a motivating work climate.
- Communicates and supports organisational values and strategy and creates focus on key organisational objectives through the performance management system

4.3 JOB EVALUATION AND GRADING

4.3.1 The content of all jobs (positions) in the Ngqushwa Local Municipality’s organizational structure will be properly described and evaluated in terms of agreed systems;

4.3.2 Jobs will be linked to the pay structure in accordance with their relative evaluated level and the agreed systems.

4.4 EMPLOYEES UNDER SECTION 56 OF THE MUNICIPAL SYSTEMS ACT

4.4.1 Determination of pay ranges

4.4.1.1. The pay range applicable to the Municipal Manager shall be the pay range recommended by SALGA/DPLG for a —section 56 employee on the valid category of the Municipality for the determination of councillor remuneration.

4.4.1.2. The pay range for a manager who is directly accountable to the Municipal Manager shall be the pay range recommended by SALGA/DPLG for a —section 56 employee on the category referred to in par. (4.4.1.1).

4.4.2 Approach to structuring management remuneration

4.4.2.1 According to Local Government: Municipal Systems Act 32 of 2000:

4.4.2.2 The employment contract must provide that the employee shall be paid an all-inclusive annual remuneration package (total cost to employer), to be indicated in Rand value and payable in equal monthly instalments;

4.4.2.3 The all-inclusive annual remuneration package consists of a basic and a flexible portion. The rules governing the structuring of the flexible will portion will be provided by the employer.

The basic pay of a manager shall be used to determine –

The performance bonus which may be payable to him/her in terms of his/her performance agreement with the Municipality;

- His/her annual salary increase;
- Any acting allowance to which she/he may be entitled;
- The cash value of any annual leave standing to his/her credit at the termination of his/her employment for whatever reason; and
- The employer's contribution to any retirement fund and medical aid scheme of which he/she is a member.

4.5 REMUNERATION PHILOSOPHY

4.5.1 Every employee, except employees who were appointed in terms of section 56 of the Municipal Systems Act insofar as any collective agreement excludes them, must be remunerated according to the relevant collective agreements

4.5.2 The remuneration of an employee consists of:

- his/her basic salary;
- a 13th cheque;
- the municipality's contribution to a retirement fund in respect of the employee;
- the municipality's contribution to a medical aid scheme in respect of the employee;
- provided the qualifying conditions are met, such allowances as set out in this policy;
- payments for overtime work as prescribed by relevant legislation; and such allowances as may be payable in terms of a collective agreement.

4.6 ANNUAL BONUS

4.6.1 Every employee is entitled to a 13th cheque payable together with her/his salary for last month of every annual employment cycle that she/he completes.

4.6.2 An employee is entitled to the pro-rata payment of her/his annual bonus:

- on retirement;
- when his/her service is terminated for poor performance due to illness or injury;
- when he/she resigns to take up service with another municipality;
- upon her/his death.

4.7 SALARY ADVICES / PAY SLIPS

Every employee is entitled to receive a pay slip on every pay day, as contemplated in section 33 of the Basic Conditions of Employment Act. When an employee who cannot read so requests, the contents of such a pay slip must be explained to him/her

4.8 DEDUCTIONS FROM SALARY

The municipality must deduct from an employee's monthly salary and pay the amounts deducted over to the relevant institution (where applicable), together with the municipality's contribution (where applicable):

- Income tax in terms of relevant legislation
- The employee's contributions to the retirement and medical aid funds
- Any deductions ordered by a court of law
- Any deduction authorised in terms of a law
- Any deductions permitted in terms of a collective agreement
- Any fines and reimbursements imposed as a penalty for misconduct.
- Any deduction must be clearly shown on the employee's salary advice

4.9 MONIES OWED UPON TERMINATION OF SERVICE

Whenever the services of an employee are terminated, any monies that -

- the employee owes to the municipality or
- the municipality owes to the employee.

Will be due and payable by cheque or cash on his/her last working day.

4.10 STOP-ORDER FACILITIES

The municipality shall not honour any authorisation given by an employee for deducting money from her/his salary unless such authorisation is given in relation to-

- the payment of any insurance premiums
- any deductions authorised in terms of a collective agreement
- the payment of monies owed to a medical aid scheme or in relation to the supply of medicine under prescription of a medical practitioner.

4.11 COMMENCING SALARIES

4.11.1 New external and internal appointments will be offered remuneration in the first notch of applicable range of the applicable salary scales at the time of appointment.

4.11.2 Where new external and internal appointments are equivalent or above the first notch he/she will be offered two notches above his/her current notch

4.12 ADDRESSING THE SCARCE SKILLS CHALLENGE

4.12.1 This section serves as the Ngqushwa Local Municipality's commitment to address the issue of a scarce skills challenge.

4.12.2 The Human Resources division shall, in consultation with the Municipal Manager and if need be in consultation with Council, Identify occupational groups affected by a scarce skills challenge using the following criteria:

4.12.2.1 Turnover rate of employees in a particular occupation or position must be significantly above the Ngqushwa Local Municipality's average turnover – this relates to the resulting high vacancy or turnover rate.

4.12.2.2 The local demand for a particular skill/s should outweigh supply.

4.12.2.3 The skill/s should require an advanced knowledge in a field or learning by a prolonged course of study and/or specialized instruction and/or years of service.

4.12.2.4 Vacancies should prove difficult to fill; particularly from within the Ngqushwa Municipal area.

4.12.2.5 There should be a demand for the identified skill in the local and national market, indicating strong factors attracting such employees into the private sector, or toward other municipalities.

4.12.2.6 Individual skills / knowledge / experience critical to a specific project or service

4.12.3 A list of all occupational groups which meet the above criteria must be submitted to the Municipal Manager and or Council, as the case may be, to be designated as such.

4.12.4 Submissions in the above regard must be accompanied by detailed proposals on how a sustainable pool will be established for future use.

4.12.5 No submission will be considered unless accompanied by detailed proposals.

4.12.6 All designations determined in terms of clause 4.12.3 above shall be reviewed every twenty four (24) months to allow for relevant adjustments, based on changing trends.

4.12.7 Individuals with scarce skills may choose to be on fixed term contract but cannot choose to be on permanent contract if employed on fixed term

4.12.8 Occupations, designations / individual cases identified in terms of paragraph 4.11.2 above may be rewarded in one of the following ways;

4.12.8.1 A scarce skills allowance, which should not to exceed the 50th percentile of the next grade and further subject to par 4.12.8.1 above.

4.12.8.2 Scarce skills allowance shall be paid where the individual proposed and approved notch is above the maximum notch

4.12.8.3 A pre-determined and guaranteed annual pay/salary increase in excess of the normal pay/salary increases.

4.12.8.4 Any other method recommended by the Ngqushwa Municipal Council.

4.13 ANNUAL COST OF LIVING ADJUSTMENTS (COLA)

4.13.1 Remuneration will be adjusted annually by means of a cost-of-living adjustment as determined through collective bargaining processes in the South African Local Government Bargaining Council (SALGBC).

4.13.2 COLA for employees will be based on the basic salary, with benefits being adjusted according to policy or collective agreements.

4.13.3 Adjustments to the pay structure may be considered and approved by the Ngqushwa Municipal Council upon receipt of a recommendation from the Municipal Manager, and in accordance with any relevant Agreements.

4.13.4 The Chief Financial Officer will ensure that provision for annual adjustments to the pay structure is made in the budget. Provision for rewarding performance must be included in the budget for each Directorate.

4.14. PERFORMANCE REWARD

4.14.1 Reward for performance may be paid in the form of notch increments or movements within the salary scale structure. (Specify when to be done i.e. quarterly or annually and affordability)

4.14.2 Subject to any agreement regarding the phasing out of existing performance bonuses, no performance bonus shall be payable to employees, unless they are employed on a fixed-term contract which clearly stipulates and regulates performance bonuses.

4.14.3 Performance related notch increments shall be determined by the notches adopted within the salary scales and the Performance Management Policy and shall be considered on an annual basis, provided that implementation shall be effective from 1 January every year.

4.14.4 Performance related movements within the salary scales shall range between 1.5% and 3%, based on individual performance, and shall be managed in terms of the Ngqushwa Local Municipality's Performance Management Policy.

4.14.5 Employees shall be required to have completed a minimum of one year service to become eligible for such performance related increments.

4.14.6 Performance related increments may not exceed the maximum of the applicable salary scale for the pay range for the post; employees whose basic salary is equal to or above the maximum of the relevant salary scale will therefore only be eligible for annual COLA.

4.15. COMPETENCY FRAMEWORK, CAREER PATHS AND ADVANCEMENTS

4.15.1 The Ngqushwa Local Municipality acknowledges the need to determine a framework to support employees' career paths, while advancing organizational needs and service delivery imperatives.

4.15.2 For this purpose, the Municipal Manager, in consultation with the Human Resources division, will determine a framework to facilitate:

4.15.2.1 Career planning, development and management; and

4.15.2.2 Implementation of focused training and development programmes to facilitate employee's career movements.

4.15.3 Such framework shall determine which positions are to be considered for advancement between salary scales and shall further identify the necessary competence, experience and qualifications required for such advancements.

4.15.4 Employees may be entitled to progress between pay ranges subject to formal assessment by competent assessors, and further subject to recommendation by his/her line manager and or application for such advancement by the employee. Employees will be required to have worked a minimum of 24 months in a position before any such application can be considered.

4.16 MAINTENANCE OF THE NGQUSHWA LOCAL MUNICIPALITY'S REMUNERATION STRATEGIES

4.16.1 Though the determination and review of salaries falls within the scope of SALGBC, the Ngqushwa Local Municipality has to be up to date with all the changes in the labour market to ensure that its strategies remain relevant and do not compromise its capacity to compete for skills in the labour market.

4.16.2 To facilitate the above, a Technical Remuneration Committee may be established. Membership of the structure will be approved by the Municipal Manager.

4.17 TECHNICAL REMUNERATION COMMITTEE

The committee consists of:

- the Mayor, who shall be the chairperson
- the Municipal Manager
- the chairpersons of the portfolio committees responsible for finance and human resources, and
- An external remuneration expert appointed/ supplied in conjunction with SALGA.

The committee is a committee contemplated in section 79 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998).

4.18 The functions of the committee are –

- To monitor the implementation of this policy; and
- To review this policy as may be required.
- The committee shall report to the Council as often as the Council may require.
- A member of the committee who is a councillor may not receive any additional remuneration because she/he is a member of the committee.
- The committee must have at least two ordinary meetings during a financial year at a time, place and date determined by the chairperson.
- The chairperson may at any time call a special meeting of the committee at a time, place and date determined by her/him.

4.19 THE REVIEW

The Municipal Manager will mandate the review of the Ngqushwa Local Municipality’s remuneration strategies every three years to ensure that the Ngqushwa Local Municipality’s systems and practices remain current and appropriate in supporting its strategic business and objectives.

4.20 MANAGEMENT OF TOTAL COST OF EMPLOYER (TCOE)

4.20.1 Total Cost of Employer (TCOE) is defined as follows:

4.20.1.1 TCOE = BASIC ANNUAL SALARY PLUS:

- employers contributions to retirement fund
- employers contributions to Unemployment Insurance Fund and In terms of the Workman’s Compensation Fund
- employers contributions to medical aid
- housing subsidy
- car allowance, if any
- annual bonus (13th cheque)
- long service bonus
- all allowances not defined as operational allowances
- Group Life Assurance

4.20.1.2 A hundred percent (100%) of TCOE is deemed to be retirement funding income provided that annual salary and allocation to benefits be determined as follows:

- Annual salary = 60% of TCOE and
- Benefit allocation = 40% of TCOE

4.20.1.3 The definition of annual salary (60% of TCOE) will, irrespective of an employee's specific ratio, be used and applied in all calculations that require a value based on annual or basic salary (e.g contributions to benefit schemes, allowances, overtime, etc.)

4.20.1.4 The portion of benefits not used for benefits will be paid in cash as a benefit allowance.

4.20.1.5 TCOE is paid in 12 monthly instalments.

4.20.1.6 Employer and employee contributions towards the recognized benefit schemes that the employee is eligible for, or compelled to provide, in terms of the employees conditions of service, will be the contribution rates as contained in the rules of the relevant scheme, or as agreed to in terms of a relevant collective agreement, as amended from time to time

4.20.1.7 Where contributions to a medical aid or pension scheme are based on annual salary in terms of the fund's or scheme's rules, the annual salary is regarded as 60% of TCOE. (e.g. employee pension fund contributions to Cape Joint Retirement Fund will be equal to 9% of 60% of TCOE and employer contributions will be 18% of 60% of TCOE).

4.20.1.8 Current total cost of employment will include the value of those contributions, allowances and subsidies which employees currently actually receive. The value of benefit entitlements available but not utilized, will not be included in the sum of any employee's total cost of employment.

4.20.1.9 TCOE does not include the value of any leave.

4.21 OPERATIONAL ALLOWANCES

4.21.1 The following are currently deemed to be operational allowances and are therefore excluded from TCOE:

- Standby allowances
- Travel allowances
- Overtime
- Shift allowances
- Uniform allowances
- Night Work Allowances
- Acting Allowances

4.21.2 The payment of operational allowances takes place in accordance with the policies applicable to such allowance.

4.21.3 Employees who are required to use their private vehicles for execution of their functions and duties and who have structured their TCOE for a car allowance may claim running costs for kilometres travelled on official trips in excess of 600 km per month and up to 2000 km per month (i.e. a maximum of 1400 km per month).

4.22 STRUCTURING OF TOTAL COST OF EMPLOYMENT (TCOE) PACKAGES

4.22.1 Employees will be allowed flexibility to structure their TCOE packages to suit their needs within the parameters of the Income Tax Act, the Ngqushwa Local Municipality’s policies and relevant collective agreements.

4.22.1.1 Structuring options (for purpose of take home pay & tax)

4.22.1.2 Employees may re-negotiate their package structure annually, provided that such restructuring be confirmed in writing, to be implemented on the first day of July annually.

4.22.1.3 TCOE can be structured according to the following elements.

- Annual salary
- Benefit schemes
- Membership of one of the approved pension funds and medical aid schemes is governed by the applicable and relevant conditions of service and policies.
- Membership of the recognized pension and medical aid schemes as contained in the Ngqushwa Local Municipality’s conditions of service is currently compulsory for all employees except the Municipal Manager, managers reporting directly to the Municipal Manager and fixed-term contract appointments.

4.22.1.3.1 Car allowance

- For an employee to benefit from car allowance, the employee’s position must require and warrant the use of a private vehicle for the execution of his/her functions and duties as an employee;
- The employee must provide his/her private vehicle for official trips in the execution of his her functions and duties in order to partake in this benefit.

4.23 COMMUNICATION

Circulars, messages and notices on notice boards will be utilized in order to inform all employees of the availability of the policy. Copies of the policy will also be distributed to the parties that took part in the consultation process

4.24 REVIEWAL OF THE POLICY

It will be the responsibility of the Corporate Services Department to consider the provisions of this policy on annual basis. The Corporate Services Department shall request all Departments to submit their proposed changes for submission to Council for approval.

5. ROLES AND RESPONSIBILITIES

Role	Authority
<ul style="list-style-type: none"> • Create, evaluate, review and adopt the Remuneration Policy 	Council

<ul style="list-style-type: none"> • Implement and enforce this policy • Establish and control the administration necessary to fulfil this policy, and report efficiently and regularly to the Committee in this regard. 	Municipal Manager
<ul style="list-style-type: none"> • Ensure that there is compliance with the Remuneration Policy 	Director Corporate Services

6. MONITORING, EVALUATION AND REVIEW

A report detailing the progress with the implementation of Attendance and Punctuality Policy with specific reference to achievement of this policy has to be compiled every year by the person with the responsibility for implementation and monitoring. The policy must be made available to all consulting parties for perusal and comment and must be circulated to all staff members by means of circulars, notices and notice boards.

7. DEFINITIONS AND ABBREVIATIONS

Term	Meaning

8. SUPPORTING DOCUMENTS

None

9. REFERENCES

None

10. APPENDIX


None

11. ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by the full Ngqushwa Local Municipality Council for Implementation



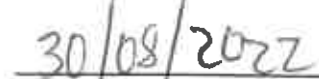
MUNICIPAL MANAGER



DATE



MAYOR



DATE