

BA-PHALABORWA LOCAL MUNICIPALITY



Payroll Policy

2016/17

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- The Municipal Manager
- Municipal Council

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1. Purpose

- 1.1 The purpose of this policy is to guide Ba-Phalaborwa Local Municipality in the management of its remuneration so as to attract, and retain critical skills necessary for the fulfilment of the municipal mandate.

2. Scope

- 2.1 This policy will apply to all employees of Ba-Phalaborwa Local Municipality save for the Municipal Manager and Managers reporting directly to the Municipal Manager in terms of sections 56 and 57 of the Municipal Systems Act of 2000.

3. Definitions

- 3.1 The following definitions will apply in this policy:

- 3.1.1 **Job Evaluation** is a systematic process of defining the relative worth of jobs within an organisation in order to establish an equitable job grading structure.
- 3.1.2 **Base or basic pay** is the amount of pay that constitutes the rate for the job. It refers to the cash component of monthly remuneration without benefits and prerequisites.
- 3.1.3 **Total cost of employment** refers to a combination of base pay and employee benefits.
- 3.1.4 **Market rate analysis** is the process of identifying the rates of pay in the labour market for comparable jobs so as to inform decisions on levels of pay within the organisation.
- 3.1.5 **Employment benefits** include pension, leave, travel allowance, housing allowance, cell phone allowance, medical aid etc.
- 3.1.6 **Performance management processes** define individual performance and contribution expectations; assess performance against those expectations; provide regular

constructive feedback; and result in agreed plans for performance improvement, learning and personal development.

- 3.1.7 **Non-financial rewards** are rewards that do not involve any direct cash payments and often arise from the recognition of extra-ordinary effort 'beyond the call of duty'

4. Principles

4.1 The following principles underpin this remuneration policy:

- 4.1.1 The remuneration policy and practice will support the attainment of the Municipality's strategic objectives.
- 4.1.2 The Municipality's remuneration policy seeks to attract, retain and motivate staff.
- 4.1.3 The Municipality will reward employees according to the effective execution of the jobs that they occupy and value contribution as determined by the performance management system.
- 4.1.4 The Municipality will allow reasonable flexibility, within the law, in the operation of reward processes and in the choice of benefits by employees.
- 4.1.5 The remuneration policy will be influenced by affordability and sustainability factors.

5. Policy Provisions

- 5.1 The Municipality will remunerate its employee's fair and competitive salaries, taking into cognisance prevailing market rates in similar organisations and the ability of the municipality to sustain the salaries budget.
- 5.2 The Municipality will reward its employee's equal pay for similar work and will not discriminate based on gender or age.
- 5.3 Competence will be used to determine the level of remuneration, as guided by the municipality's performance management policy.
- 5.4 Remuneration levels will take cognisance of both internal equity and external competitiveness
- 5.5 Managerial employees and other contract will be paid on a total cost of employment basis and will be allowed to structure their packages (within limits of the law) to suit their individual needs.

5.6 Remuneration levels of employee's below Grade 4, i.e. non-managerial staff, will be guided by, and adhere to SALGA Bargaining Council Agreements on salaries and allowances.

5.7 Confidentiality will be observed in all matters relating to individual salaries.

5.8 Line Managers will be consulted in the determination of salary levels for their subordinates.

6. Procedures

6.1 Job Evaluation and Grading

6.1.1 The content of all jobs will be properly described and evaluated in terms of the agreed job evaluation system. The Municipality currently uses the Task job evaluation system.

6.1.2 Jobs will be linked to the pay structure in accordance with their intrinsic value and relative ranking in relation to other jobs.

6.1.3 Pay levels in the structure will be influenced by market rates as determined by market surveys.

6.1.4 All new jobs, or jobs whose responsibilities have changed, will be submitted to the SALGA Evaluation Committee for evaluation.

6.2 Base or Basic Pay

6.2.1 Base or basic pay will be determined by internal (as measured by job evaluation) and external (as measured by tracking market rates) considerations.

6.2.2 Base or basic pay will also be determined in accordance with national collective agreements.

6.2.3 The Municipality will endeavour to pay its employees at the median of the market, subject to its ability to sustain the salary budgets.

6.3 Total Cost of Employment

6.3.1 The Municipality will pay a total package (total cost of employment) for all positions designated and occupied by managerial employees and contractual employees.

6.3.1.1 Total Cost of Employment (TCOE) includes:

- Basic Salary
- Employer's contribution to retirement fund
- Employer's contribution to medical aid
- Housing subsidy
- Car allowance
- Annual bonus
- All allowances not defined as operational allowances

6.3.1.2 TCOE will be split as follows:

- Basic salary will be 60% of total package
- Benefits will be 40% of total package

6.3.1.3 The definition of annual basic 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)

6.3.1.4 TCOE is paid in 12 monthly instalments

6.3.1.5 Qualifying employees will be allowed flexibility to structure their TCOE packages to suit their needs within the parameters of the Income Tax Act, the Municipality's policies and relevant collective agreements

6.3.2 The Municipality will pay a salary plus benefits for all other positions (Post Levels 3 and below)

6.4 Reward Mix

6.4.1 The reward mix for all employees will be made up of guaranteed pay and benefits

6.4.2 Guaranteed pay includes all guaranteed items such as basic salary, car allowance (perk), medical aid, pension and guaranteed allowances (legislated and non-legislated)

6.4.3 Guaranteed pay for an individual will be based on their level of responsibility in the organization and the size of their job, as determined by the job evaluation process.

6.4.4 Benefits will be provided in accordance with national collective agreements as well as the Municipality's conditions of service and human resource policies.

6.5 Commencing Salaries

- 6.5.1 New employees, and employees that have been promoted, will be placed at the entry level of the pay scale/notch for that particular job grade.
- 6.5.2 Where there is a justifiable reason for a higher notch, the Head of Department will motivate for approval by the Municipal Manager.

6.6 Annual Cost of Living Adjustment (COLA)

- 6.6.1 Remuneration will be adjusted annually by means of a cost-of-living adjustment as determined through the collective bargaining processes in the South African Local Government Bargaining Council (SALGBC)
- 6.6.2 COLA for Managerial employees will be based on the total cost of employment (basic salary plus benefits).
- 6.6.3 COLA for other employees will be based on the basic salary, with benefits being adjusted according to municipal policy and collective agreements
- 6.6.4 The CFO will ensure that provision for annual adjustments is made in the budget

6.7 Performance Rewards

- 6.7.1 Reward for performance shall be paid in the form of notch increments
- 6.7.2 Performance related notch increments shall be determined by the employee's performance in relation to his/her targets, as governed by the Performance Management Policy.
- 6.7.3 Employees will be required to have completed a minimum of 6 months service to become eligible for such performance related increments.

6.8 Operational Allowances

- 6.8.1 The following are deemed to be operational allowances:

- Standby allowances
- Overtime
- Acting allowances
- Uniform Allowances

7. Payment of Monthly Remuneration

- All submissions of memorandums from Human Resource Management to Salaries Section should be submitted on or before the 18th of each month to allow payroll staff to process them in time so that any errors are detected early during the salary trial run.
- Salaries are payable on the 25th of each month only if the date does not fall on weekends.
- In cases of over – payment of salary due to errors or fraud, the affected employee shall payback the excess of the salary into the Municipal Bank Account immediately, of which failure to do shall lead to the whole excess paid be deducted from following month salary.
- In the event of the over-payment of monthly where the excess cannot be wholly deducted from the following month salary the excess amount will be spread over the fewest possible month limited to the maximum of three (3) months.

8. Delegations

8.1 Officials, implementing this policy, are required to make reference to the latest delegation framework and identify the appropriate delegations applicable to this policy, which may be subject to change from time to time.