

## Policy X.XX Employee Gratuity Payments

**Reference/s** Section 5.50 (1) *Local Government Act 1995*  
Local Government (Administration) Regulations 1996 Part 4  
19A

**Date Proposed/Adopted** 17<sup>th</sup> November Motion Number \_\_\_\_\_

***This policy supports the delivery of the Shire of Cranbrook Vision***

*That the Shire of Cranbrook is a proactive, sustainable, safe, friendly and prosperous place to be*

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### **PURPOSE**

The purpose of this report is to determine the manner in which Council may grant a gratuity payment or farewell gift, in addition to any amount to which the employee is entitled under a contract of employment or award at the completion of their service with the Shire of Cranbrook, and to publish these guidelines for a “gratuity payment” in a policy in accordance with Section 5.50(1) of the Local Government Act 1995 as well as noting the limitations set by Regulation 19A of the Local Government (Administration) Regulations 1996.

### **SCOPE**

All permanent full time employees of the Shire and does not form a contractual entitlement for any employee of the Local Government. A pro rata value of gratuity may be considered for permanent part time employees.

### **OBJECTIVE / OVERVIEW**

It is a requirement under the Local Government Act 1995 and the Local Government (Administration) Regulations 1996 to prepare a policy that details the circumstances in which it can approve a “gratuity payment” that recognises a payment to a long serving departing employee.

### **PRINCIPLES**

Section 5.50(1) of the Local Government Act states that:

“A local government is to prepare a policy in relation to employees, whose employment with the local government is finishing, setting out:

- a) The circumstances in which the local government will pay an employee an amount in addition to any amount to which the employee is entitled under a contract of employment or award relating to the employee; and
- b) The manner of assessment of the additional amount, and cause local public notice to be given in relation to the policy.”

Section (1a) of the Local Government Act states that:

A local government must not make any payment of the kind described in subsection (1)(a) unless the local government has adopted a policy prepared under subsection (1).

Section 5.50(2) of the Local Government Act states that:

- (2) A local government may make a payment —
- (a) to an employee whose employment with the local government is finishing; and
  - (b) that is more than the additional amount set out in the policy prepared under subsection (1) and adopted by the local government,
- but local public notice is to be given in relation to the payment made.
- (3) The value of a payment or payments made to a person under this section is not to exceed such amount as is prescribed or provided for by regulations.
- (4) In this section a reference to a payment to a person includes a reference to the disposition of property in favour of, or the conferral of any other financial benefit on, the person.
- (5) The CEO must publish the policy prepared under subsection (1) and adopted by the local government on the local government’s official website.

Local Government (Administration) Regulations 1996 Part 4 19A states:

The value of a payment or payments made under section 5.50(1) and (2) to an employee whose employment with a local government finishes after 1 January 2010 is not to exceed in total —

- (a) the value of the person’s final annual remuneration, if the person — (i) accepts voluntary severance by resigning as an employee; and (ii) is not a CEO or a senior employee whose employment is governed by a written contract in accordance with section 5.39; or
- (b) in all other cases, \$5 000

The criteria used by the Shire of Cranbrook is based on years of service with the payment linked to a formula based on the employee’s accrued personal leave at the time of departure. The formula is set out below:

<b>Unused Sick Leave</b>	<b>Entitlement</b>
1 – 200 hours	20%
201 – 400 hours	40%
401 – 600 hours	60%
601 hours +	80%

On resignation, retirement or redundancy, an employee is entitled to a bonus in accordance with the following formula:  $(LR \times EP \times RP)$

Where

LR = Sick leave entitlement on resignation/retirement

EP = Entitlement percentage

RP = Hourly rate of pay at resignation/retirement

## **PROCEDURE ASSOCIATED WITH THIS POLICY**

Shire of Cranbrook Administration Staff Collective Agreement (Draft)  
Shire of Cranbrook Works Staff Collective Agreement

## **ROLES AND RESPONSIBILITIES**

### **Chief Executive Officer**

- Ensure this policy is adhered to when assessing gratuity payments

## **DOCUMENT AND STRATEGIC PLAN LINKS**

### **Strategic Community Plan 2021 – 2031**

**Outcome 16 – High Performing Shire:** An accountable and respected Shire, investing in its people and structures.

**Deliverable 16.1:** A Shire and supporting entities are well-governed with delineated roles and accountabilities.