

ST1. Gratuity Payments Policy

Policy Objective

This policy is to determine the manner in which the Shire 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 Dundas.

Policy Statement

The policy sets out the guidelines with regard to gratuity payments or farewell gifts that the Shire can confer on an employee who retires or resigns from full time or permanent part-time (pro-rata payment) employment.

The policy shall be published in accordance with Section 5.50(1) of the Local Government Act 1995 and notes the limitations set by Regulation 19A of the Local Government (Administration) Regulations 1996.

A “gratuity payment” means any payment of monies in excess of any contract or award entitlement including the disposition of Shire property to any employee.

The Shire may confer a farewell gift or a gratuity payment to an employee who after continuous employment with the Shire ceases employment, retires or resigns. The maximum value allowed for the gift or gratuity will accord with the length of continuous employment by the employee with the Shire as follows:

Up to 2 years	No gratuity payment or gift would be made unless exceptional circumstances apply and are reported to the Council by the Chief Executive Officer for consideration.
2 to 5 years	The Chief Executive Officer may elect to confer a gratuity payment or gift to an employee with between 2 years and 5 years continuous service who has displayed excellent performance, initiative or commitment to the Shire.
5+ years	The Council may elect to confer a gratuity payment or gift to an employee with more than 5 years continuous service who has displayed excellent performance, initiative or commitment to the Shire.

The value of the gift or payment is to be calculated using the following formula:

(Personal leave in hours) multiplied by (5%) multiplied by (number years of continuous service) multiplied by (the current rate of pay on the resignation date)

The value of the gift or payment is to be a maximum of **50%** of the accumulated personal leave entitlements at the current rate of pay on the resignation date.

Note:

- If the Council wishes to approve a gratuity payment or farewell gift that is in excess of the maximum for the relevant term of service stipulated in this policy, then it must give notice of

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the proposed payment in accordance with the provisions of Section 5.50 (2) of the Local Government Act 1995.

- Continuous employment does not include unpaid maternity, unpaid paternity or unpaid leave in excess of three months.
- The gratuity payment will be calculated only on personal leave accrued during employment with the Shire of Dundas, not the amount of personal or sick leave transferred from a former local authority under the previous award.
- The employee is responsible for any taxation implications associated with the payment.

Examples of gratuity calculation.

Personal Leave	5%	Years of Service	Pay Rate	Maximum	Gratuity
100 hrs	5	4	\$32.00	\$1,600	\$640
150 hrs	7.5	15	\$24.00	\$1,800	\$1,800
200 hrs	10	8	\$28.00	\$2,800	\$2,240

The Local Government (Administration) Regulations 1996 Part 4 19A limits the monetary value of gratuities paid to employees who are finishing employment with a Local Government to \$5,000.

Policy Reviewed October 2020