



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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TO: ACCOUNTING OFFICERS, CHIEF FINANCIAL OFFICERS, BUDGET MANAGERS, FINANCIAL PRACTITIONERS, FINANCIAL SYSTEM CONTROLLERS AND OTHER RELEVANT OFFICIALS IN ALL NATIONAL AND PROVINCIAL DEPARTMENTS AS WELL AS OTHER AFFECTED GOVERNMENT INSTITUTIONS

BUDGETARY PROVISIONS FOR PERFORMANCE BONUSES IN TERMS OF THE 2019 INCENTIVE POLICY FRAMEWORK FOR EMPLOYEES IN THE PUBLIC SERVICE

PURPOSE

1. The purpose of this circular is to outline the budgetary process for the payment of performance bonuses to qualifying employees prior to the 2021/22 performance cycle, in line with the 2019 incentive policy framework for employees in the public service as issued by the Department of Public Service and Administration. The document further intends to inform all government financial practitioners of the deactivation of the Salaries and Wages: Performance Bonus line item as reflected in the Standard Chart of Accounts as well as BAS and PERSAL systems adjustments.

DISCUSSION

2. The 2019 Incentive Policy Framework for employees in the Public Service came into effect on the 1st April 2019 and was applicable to employees on salary levels 1 to 12 (hereafter referred to as non-Occupation Specific Dispensation (OSD) employees); employees covered by OSDs (hereafter referred to as OSD employees); and members of the Senior Management Service (hereafter referred to as SMS members) who are appointed in terms of the Public Service Act, 1994, either in a full-time or part-time capacity (including 5/8 and 6/8th capacity), and who fall within the scope of the Public Service Coordinating Bargaining Council (PSCBC).
3. The framework clearly sets out the implementation of performance bonuses from the 2018/19 performance cycle up to post-2022 performance cycle. The Minister of Public Service and Administration further determined that the annual expenditure on performance bonuses is set as the maximum percentage indicated below of a department's annual remuneration budget:

Performance Cycle	Maximum % of Remuneration Budget (To be paid in the Budget Year)	Budget Year
2018/19	1.5%	2019/20
2019/20	0.75%	2020/21
2020/21	0.5%	2021/22
2021/22	0%	2022/23
Post 2022	To be determined based on the Comprehensive Review of ALL PMDSs for ALL categories of Employees	

4. The following paradigm further clarifies the above table:
- a. The performance cycle for a financial year usually starts within that year and is mostly likely finalized in the subsequent financial year as part of the employees' performance management system.
 - b. Therefore, the payment of performance bonuses to qualifying employees will ordinarily be budgeted for and paid from the subsequent financial year's Remuneration Budget.
 - c. In this case the incentive framework provided for up to a maximum of 0.5% of the 2020/21 Remuneration Budget towards performance bonuses relating to the 2020/21 performance cycle. This should've been budgeted for in the 2021/22 financial year.
 - d. In 2022/23, departments are not expected to have budgeted for performance bonuses as the incentive framework makes a 0% provision for 2021/22. For 2022/23 performance cycle onwards, the Department of Public Service and Administration (DPSA) will undertake a comprehensive review of all Performance Management and Development Systems for all categories of public service employees. Therefore, post-2022/23, the budgeting of performance bonuses will be informed by further directives from the DPSA.
5. As disclosed in the 2019 incentive policy framework and clarified in paragraph 4 above, all payments relating to performance bonuses should have been finalized by end of the 2021/22 financial year. However, in the 2022/23 financial year, departments will be allowed to settle any backlogs prior to the 2021/22 performance cycle, despite the 0% share of the Remuneration Budget. This is subject to an evaluation process by the National Treasury as outlined in the below section.
6. It is also necessary to reiterate that Executive Authorities do not have the authority to exceed the caps indicated above as determined by the Minister of Public Service and Administration.

Deactivation of the Salaries and Wages: Performance Bonus line item

7. In the Standard Chart of Accounts, expenditure on performance bonuses is included under items that are coded for the purposes of budgeting, recording, and reporting of expenditures within the accounting system as follows:

1	2	3	4	5	6	7	8	SEGMENT DETAIL	POSTING LEVEL
								1	N
								5	N
								25	N
								45	N
								46	N
								48	N
								64	N
								81	Y

8. Given the fact that the payment of performance bonuses is discontinued from the 2022/23 financial year, all government financial practitioners are therefore advised that the National Treasury will temporarily deactivate the line item from 01 April 2022 on BAS. The SCOA Committee is also working on a classification circular that will inform users of the deactivation and refer them to this circular. PERSAL system will also be adjusted accordingly not to allow performance bonus payments until approval has been granted by the Budget Office in the National Treasury. PERSAL communication will be sent through as soon as the necessary system adjustments have been affected.
9. Departments are further advised that if any backlogs still need to be paid during the 2022/23 financial year and going forward, a formal submission/motivation will have to be sent to the Budget Office (Chief Directorate: Public Sector Remuneration Analysis and Forecasting) within the National Treasury. The submission must include clear reasons on the non-payment of performance bonuses for the outstanding year/s as well as the amounts to be paid.
10. The Public Sector Remuneration Analysis and Forecasting team in the Budget Office of the National Treasury will evaluate the submission and engage with various units internally (i.e., Public Finance division and Intergovernmental Relations) and if necessary, the Department of Public Service and Administration. Upon approval of the submission, an instruction will be sent to both the SCOA, BAS and PERSAL teams to open the function and the Salaries and Wages: Performance Bonus line item for the corresponding department to effect payment for any backlogs relating to performance bonuses.
11. Departments will only be allowed to finalize the payment of backlogs by 31 March 2024, after such time the Salaries and Wages: Performance Bonus will be permanently closed and no longer opened subject to further directives from the DPISA.

CONTACT INFORMATION

12. Please send all submissions to the following officials within the Public Sector Remuneration Analysis and Forecasting team:
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13. Also contact the abovementioned officials if further clarity or discussion is required regarding the changes highlighted above.

REGARDS

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Date: 07 July 2022