

Enquiries: Ms Fikile Tshabangu  
Tel: 012 369 8000  
Fax: 012 369 8001  
E-mail: ftshabangu@salga.org.za



**Physical:**  
Block B, Menlyn Corporate Park,  
175 Corobay Ave, Waterkloof  
Glen Ext II, PRETORIA 0181  
**Postal:** PO Box 2094,  
PRETORIA 0001

## CIRCULAR 29 / 2022

FROM : MR LANCE JOEL  
CHIEF EXECUTIVE OFFICER (ACTING)

TO : EXECUTIVE MAYORS/MAYORS/CITY/MUNICIPAL MANAGERS  
POLITICAL HEADS OF CORPORATE SERVICES, PORTFOLIO COMMITTEES,  
SPEAKERS, HEADS OF CORPORATE SERVICES/HUMAN RESOURCES

DATE : 22 AUGUST 2022

### PROPOSED GOVERNMENT NOTICE ON THE DETERMINATION OF 2021/2022 COST OF LIVING ADJUSTMENTS FOR THE UPPER LIMITS OF THE TOTAL REMUNERATION PACKAGES OF MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS

#### 1. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 1.1 Formally bring to the attention of Municipalities the draft Notice - Determination of 2021/2022 Cost of Living Adjustments (herein after referred to as the COLA) for the Upper Limits of the Total Remuneration Packages of Municipal Managers (MM) and Managers Directly Accountable to Municipal Managers and its key components.
- 1.2 Request the Municipal Managers as the primary recipients of this Circular to mobilize the consideration of the draft Upper Limits and submit written responses on the proposals contained therein to SALGA on behalf of their municipality, by no later than 26 August 2022.
- 1.3 Invite Senior Managers to a SALGA convened virtual meeting, scheduled to take place on the 30 August 2022 to consider a consolidated view of the submissions that would have been received from written inputs, for informing a position that would be advanced with the Minister.
- 1.4 Register the ongoing late issuing of the Notice, including, 2022/2023, which was due to be issued by end March 2022, in terms of the regulations.



## 2 BACKGROUND

2.1 The President of SALGA has been invited by the Minister for Cooperative Governance and Traditional Affairs to provide comments on the draft Notice, attached hereto within 14 days, effective from the date of the letter, which is 11 August 2022. Notwithstanding that, it should be noted that the communication was received by SALGA on the 18 August 2022, and therefore the 14 days would be calculated from that date of receipt.

2.2 Senior managers' remuneration is determined, annually through the Upper Limits Notice Government Gazette published by the Minister of CoGTA since 29 March 2014, informed by a range of the following factors set out in regulation 35 of the (2014) Local Government Regulations on the Appointment and Conditions of Employment of Senior Managers:

- Classification of municipalities according to different grades;
- Respective duties, powers and functions and responsibilities of a municipality;
- Affordability of different levels of remuneration, the number of municipal employees, and the salary and wage bill of the municipality;
- Population, operating budget and assets of the municipality;
- Current principles and levels of remuneration in society in general;
- Need for the promotion of equality and uniformity of salaries, allowances and benefits for equal work performed;
- Provision of uniform norms and standards nationally to address disparities; and
- Inflationary increases.

2.2 Specifically, the above regulation enjoins the Minister to determine the upper limits of the total remuneration package of senior managers annually, by Notice in the gazette before 31 March of the following financial year, after consultation with the South African Local Government Bargaining Council, Ministers for Finance and Public Service and Administration, Members of the Executive Councils responsible for Local Government and the Organized Local Government.

## 3 DISCUSSION

### 3.1 SALGA Documented Positions on the Previous Notices

This section briefly highlights some of concerns and comments that were previously submitted to CoGTA as mandated by municipalities.

- The attempt to regulate the remuneration of senior managers without any scientific model for differentiation is a direct breach of the constitutional integrity of local government.
- Notice developed and issued without impact assessment, to determine the status quo on how each municipality would be affected and how to model and manage the different permutations that could arise.
- Source of data for benchmarking did not provide a sufficient defensible posture for the now applicable salary upper limits, in so far as grading of municipalities, factors used to determine point allocation etc.
- Unclear thrust of the strategic remuneration framework amidst the existence of the sphere of local government 25 years on, (larger strategic drivers in view of the disparities between municipalities in macro-economic and financial terms and the greater need for deployment and retention of expertise in rural areas, the growing need



to build real capacity in local government in general and therefore the need to attract and deploy seasoned managers in the sector).

- Isolating only one of the three screening tiers, the competency achievement level (competent, advanced or superior) to determine appointment and remuneration on offer.
- The requirement for approval by the Minister/MEC is seen as a direct attack on the Constitutional integrity of municipalities in terms of its ability to pay employees within the upper limits structure, as required in the event of change of categorization of the municipality.
- Remoteness allowance was welcomed; however, it was pointed out that the list was incomplete as other municipalities who could benefit were excluded.
- Transitional provisions: The notice should specify in precise terms that existing incumbents will not be affected where a municipality is “downgraded” in terms of the notice.
- Delayed and or non-response to application for selected provisions to be waived was a concern. It was proposed that the process for waiver applications be specified with a deadline for responses from the Minister or MEC as the case maybe.
- Revenue driven salary determination frameworks: Another critical issue is the fact that remuneration frameworks for local government are tied to revenue of municipalities. In fact, the factors used to determine grading of municipalities for purposes of determining remunerations included revenue to which a higher weighting of 60% compared to other factors. If this approach persists, municipalities in rural areas will never be able to have better remuneration levels and therefore attract the needed scarce skills compared to their urban counterparts.
- Constitutional issues and the right of municipalities to govern own ‘affairs’, with the evolution and maturation of the local government system, it is the right thing to do to take away the right of municipalities to determine own systems including remuneration frameworks.
- Salary differentials between Municipal Managers, managers directly accountable to Municipal Managers and level 3 managers: In most municipalities the packages for senior managers would go lower than the current, the gap in packages between municipal managers and managers directly accountable would be higher and in others lower, and this holds important implications for motivation, retention and succession in municipalities.
- As indicated above, in many cases level 3 managers ended up earning same or more than managers accountable to municipal managers and ripple effects of this would soon be felt heavily in many municipalities.
- Integrity of internal management systems: The variations, inconsistencies, and lack of justifiable alignment between packages of the top 3 managers, would negatively affect the integrity of management regime in many municipalities.
- Equity in distribution of capacity in the sector: Upper limits will certainly affect the low-income municipalities more and most of these are rural municipalities struggling to attract or retain imminent managers.

**Comments on the most recent draft 2020/21 Notice:**

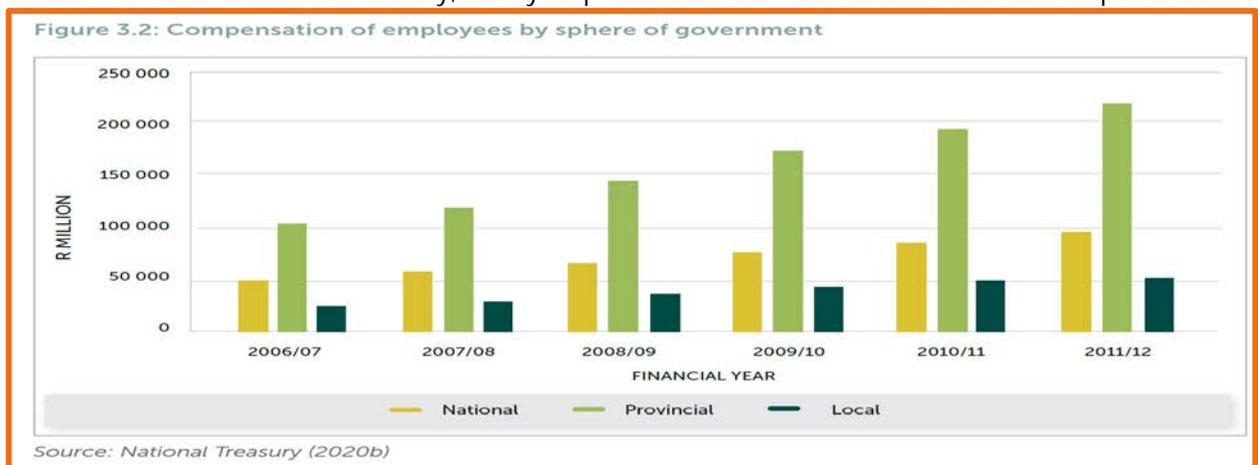
- Concerns about unsubstantiated zero percent salary adjustment were raised.
- The vacuum created by the non-pronouncement on the salary adjustments for senior managers during period is of concern as this is contrary to regulation 35 cited above, which promises to deliver the Notice by March annually. The table below demonstrates the inconsistencies on the issuing of the Notice.

#	GG Number	Year	Date Issued
1.	37500	2014	▪ 29 March 2014
2.	38946	2015	▪ 1 July 2015
3.	40117	2016	▪ 1 July 2016
4.	41173	2017	▪ 10 October 2017
5.	42023	2018	▪ 8 November 2018
6.	43122	2019	▪ 20 March 2020
7.	46062	2020&21	▪ 18 March 2022



The Minister was also requested to consider an increase, whether across the board or differentiated based on the following:

- An inflation related increase based on the applicable CPI as @ 01/07/21, given that the previous upper limits Notice also applied a 0% increase in certain categories of municipalities, considering that municipal employees have just been hard hit during the economic downturn and having to adapt to the rising cost of living e.g. food and fuel hikes affecting household budgets.
- The remuneration creep factors brought about by the 3,5% effected for municipal employees falling under the jurisdiction of the SALGBC who directly reports to the MMs could perpetuate the unjustifiable salary discrepancies, as well as also drawing from an analysis of the waiver applications that have been lodged through to the minister to illustrate the unevenness of the municipal remuneration structures at senior as well as at non - senior municipal management level.
- SALGA further expressed a view that a 0% proposal, if upheld, opposes, at the very least the remuneration philosophy espoused in the previous Notices.
- The graph below, extracted from the FFC's submission for the 2022/23 division of revenue, was surfaced in the communication with the Minister to further demonstrate the lack of external equity on the remuneration of public servants, especially when local government is compared to the two other spheres of government. Provincial and national governments have the highest share of government's compensation of employees' expenditure, whilst municipalities are tasked with the mammoth task of being on the coalface of service delivery, is only responsible for the lowest share of the same expenditure.



- Beyond dealing with the immediate pressures of annual salary adjustments, SALGA advanced a submission the Minister to implement the outcomes and recommendations of the benchmarking commissioned to 21<sup>st</sup> Century by the Department in 2019, to address anomalies and adopt a competitive pay structure for senior managers.

#### 4. KEY FEATURES OF THE PROPOSED NOTICE FOR FINANCIAL YEAR 2021/2022

##### 4.1 Definitions

The draft Notice introduces a new definition, namely, that of the Non-Pensionable Cash Gratuity, which is defined as the income that is not subject to a compulsory contribution towards a pension or provident fund.



- 4.2 Allocation of Number of Points for Total Municipal Income, Total Populations and for Municipal Equitable Share.
- 4.3 Determination of Categorization of Municipalities, including Change to a Higher or Lower Category and Implications for remuneration of senior managers.
- 4.4 Annual Total Remuneration Packages of Municipal Managers
- Both tables on 4.8 and 4.9 tables, respectively reflect figures incorporating the proposed 1.5% offer of Cost-of-Living Adjustments.

MUNICIPAL MANAGERS			
MUNICIPAL CATEGORIZATION	TOTAL REMUNERATION ON PACKAGE (MINIMUM)	TOTAL REMUNERATION ON PACKAGE (MIDPOINT)	TOTAL REMUNERATION ON PACKAGE (MAXIMUM)
10	R 2,607,286.00	R 3,300,363.00	R 3,993,439.00
9	R 2,237,533.00	R 2,796,918.00	R 3,356,303.00
8	R 1,931,770.00	R 2,370,269.00	R 2,808,769.00
7	R 1,671,343.00	R 2,025,870.00	R 2,380,398.00
6	R 1,486,297.00	R 1,731,513.00	R <sup>1</sup> 2,017,213.00
5	R 1,296,395.00	R 1,534,480.00	R 1,724,052.00
4	R 1,178,260.00	R 1,370,071.00	R 1,561,862.00
3	R 1,083,601.00	R 1,245,520.00	R 1,407,437.00
2	R 1,046,220.00	R 1,158,623.00	R 1,286,072.00
1	R 1,007,596.00	R 1,103,450.00	R 1,213,795.00

4.5 Annual Total Remuneration Packages of Managers Directly Accountable to Municipal Managers

MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS			
MUNICIPAL CATEGORIZATION	TOTAL REMUNERATION ON PACKAGE (MINIMUM)	TOTAL REMUNERATION ON PACKAGE (MIDPOINT)	TOTAL REMUNERATION ON PACKAGE (MAXIMUM)
10	R 2,085,830.00	R 2,640,291.00	R 3,194,751.00
9	R 1,790,028.00	R 2,237,533.00	R 2,685,041.00
8	R 1,545,416.00	R 1,896,215.00	R 2,247,015.00
7	R 1,374,513.00	R 1,620,698.00	R 1,904,319.00
6	R 1,206,468.00	R 1,436,273.00	R 1,620,698.00
5	R 1,070,906.00	R 1,259,888.00	R 1,448,871.00
4	R 987,238.00	R 1,124,899.00	R <sup>2</sup> 1,276,762.00

<sup>1</sup> There are two figures on the draft notice R 2,017,213.00 and R 1, 987,402. It assumed that it is an error and that the correct amount is R 2,017,213.00 as R 1, 987,402 is the previous year's figure

<sup>2</sup> This figure of R276,762.00 once again seems to be an error and that R 1 27676.00 is the correct figure.



3	R 907,864.00	R 1,037,559.00	R 1,150,465.00
2	R 859,002.00	R 965,171.00	R 1,055,932.00
1	R 827,289.00	R 919,210.00	R 1,011,131.00

#### 4.6 Non-Pensionable Cash Allowance

- An additional non pensionable monthly gratuity of R1695 is offered to Senior Managers earning below R1.9m and R1818 for those earning at least R1.9m, effective from July 2021 to June 2022.

Based on the 2020/2021 figures set out on the translation key tables, the figures offered in this regard ranges from 0.84% - 2.04% for MMs and 0.69%-2.49% for managers directly accountable to MMs.

- Municipal Managers:**

Earning above R1.9m

MUNICIPAL CATEGORIZATION	MIN	MID	MAX
10	R2 568 755 – 0.84%	R3 251 589 – 0.67%	R3 934 423 – 0.55%
9	R2 204 466 – 0.98%	R2 755 584 – 0.79%	R 3 306 702 – 0.65%
8	R1 90 222 - 1.14%	R2 335 240 – 0.93%	R2 767 260 – 0.78%
7	R1 646 643 – 1.2%	R1 995 931 – 1.09%	R2 345 220 – 0.93%
6	R1 464 332 – 1.38%	R1 705 924 – 1.19%	R1 987 402 – 1.09%
5	R1 277 236 – 1.59%	R1 511 803 – 1.34%	R1 698 573 – 1.19%
4	R1 160 847 – 1.75%	R1 349 824 -1.50%	R1 538 780 – 1.32%
3	R1 067 587 -1.90%	R1 227 113 – 1.65%	R1 386 637 – 1.46%
2	R1 030 759 – 1.97%	R1 141 500 – 1.78%	R1 267 066 – 1.60%
1	R992 705 – 2.04%	R1 087 143 – 1.87%	R1 195 857 – 1.70%

- Managers directly accountable to municipal managers:**

MUNICIPAL CATEGORIZATION	MIN	MID	MAX
10	R2 055 005 – 1.06%	R2 601 272 – 0.8%	R3 147 538 – 0.69%
9	R1 763 574 -1.15%	R 204 466 -0.98%	R2 645 361 – 0.82%
8	R1 522 577 -1.33%	R1 868 192 -1.08%	R2 213 808 – 0.9%
7	R1 354 200 – 1.5%	R1 596 747 – 1.27%	R1 876 176 – 1.08%
6	R1 188 638 -1.71%	R1 415 047 -1.43%	R1 596 747 -1.27%
5	R1 055 080 -1.92%	R1 241 269 – 1.63%	R1 427 459 – 1.42%
4	R972 648 – 2.09%	R1 108 275 – 1.83%	R1 257 894 – 1.61%
3	R894 447 – 2.27%	R1 022 226 – 1.98%	R1 133 463 – 1.79%
2	R846 307 – 2.40%	R950 907 – 2.13%	R1 040 327 – 1.95%
1	R815 063 – 2.49%	R905 626 – 2.24%	R996 188 – 2.04%





Only Senior Managers as defined in Local Government Regulations on the Appointment and Conditions of Employment for Senior Managers (2014), namely, the MM and Managers Directly Accountable to the MM are permitted to participate on the envisaged meeting.

## 6. MOBILISATION OF SENIOR MANAGERS PARTICIPATION TO THE MEETING

Lastly, Executive Mayors/Mayors and City/Municipal Managers as primary recipients of this circular, are kindly requested to distribute it widely within the political and administrative echelons of the designated or target beneficiary audience within the municipality for constituency reach and adequate uptake of registration for participation in the meeting

Ms. Fikile Tshabangu – Senior Manager: Municipal Human Resource Support & OD, is the designated official to handle this matter. Ms. Tshabangu can be contacted per email on: [ftshabangu@salga.org.za](mailto:ftshabangu@salga.org.za) or on 0828022098.

Yours sincerely



LANCE JOEL  
CHIEF EXECUTIVE OFFICER (ACTING)

