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FROM : CHIEF EXECUTIVE OFFICER

TO : SALGA PROVINCIAL CHAIRPERSONS
EXECUTIVE MAYORS / MAYORS
SPEAKERS
CHIEF WHIPS
MUNICIPAL MANAGERS

CC : PROVINCIAL EXECUTIVE OFFICERS
EXECUTIVE DIRECTORS

DATE : 18 DECEMBER 2017

DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF COUNCILLORS

With reference to SALGA Circular 32 dated 4 December 2017, we confirm that following comments received from Municipalities on the draft Upper Limits Notice, SALGA submitted comprehensive comments to the Minister of Cooperative Governance and Traditional Affairs, Honourable Des Van Rooyen on 7 December 2017.

We are pleased to advise that the Minister has now promulgated the notice on 15 December 2017 in the Government Gazette No. 41335 (hereinafter referred to as the Upper Limits Notice). **The Upper Limits Notice is attached hereto for ease of reference.**

1. KEY FEATURES OF THE NOTICE

As lobbied for by SALGA, newly introduced features of the notice are the following:

1. Percentage increase as recommended by the Commission;
2. Increase of the sitting allowance from R962 per day to R1020 per day (6% increase);
3. Standardising cellphone allowances to R3400 for all Councillors;
4. Re-introduction of the **Mayoral residence** as a housing benefit for Executive Mayors/Mayors – where it already exists;

5. Re-introduction of the use of council owned vehicle and travel allowance;
6. Formalising the inclusion of laptops as tools of trade for part-time Councillors;
7. Providing for tablets as alternatives to laptops; and
8. Formalising personal security to Executive Mayors, Mayors and Speakers, without a threat analysis.

2. IMPLEMENTATION

2.1 Municipal Managers in particular should note that the Upper Limits Notice **MAY NOT BE IMPLEMENTED** before respective municipal councils have considered a report on the upper limits and have resolved on the levels of remuneration which will apply in that Municipality. This consideration must occur with regard to the financial year (in this instance 2016/17) within which the payments will have to be made, and the affordability thereof for Municipalities. This implies that the budget for the year in question **must reflect the liability to pay the level of remuneration** determined by the council and this must in turn be cash funded.

Further, **before implementation**, it is necessary for a council to consult with the MEC responsible for Local Government in the Province, motivating the affordability and demonstrating that the liability has been budgeted for. Failure to follow these steps will result in **AN ADVERSE AUDIT OPINION** being expressed by the Auditor General.

2.2 In instances where a council has not made the necessary budgetary provisions to support increased remuneration, it will nevertheless be necessary for it to consider the determination and resolve specifically **not to increase** the remuneration payable. This is necessary because the former Government Notice of 4 April 2017 was repealed with effect from 1 July 2017. Accordingly, payment of remuneration to Councillors after 1 July 2017 is now only lawful in terms of the determination published on 15 December 2017 and Councils must consider it accordingly. The Council is still left with the option to re-prioritise its budget to accommodate the salary increases within the prescripts of the Municipal Finance Management Act.

2.3 It will be necessary for councils to **apply the formula** contained in paragraphs 2, 3 and 4 of the gazette, **in order to determine which grade of Municipality** they are. It should be noted that this formula applies to Local, District and Metropolitan Municipalities.

2.4 The upper limits of the annual total remuneration package of various categories of full-time and part time Councillors are contained in paragraph 5 and 9 respectively of the gazette. It should be noted that the amount contained under “*total remuneration*” requires that **every Councillor who elects to include the motor vehicle allowance in his or her salary structure must specifically provide for it** having regard to the likely **kilometres to be travelled** for the tax year and the

type of vehicle to be used. In providing for the travelling allowance Councillors attention should be drawn to the reality that this allowance is granted to cover costs incurred on travelling for official business, which excludes travel between the place of residence and ordinary place of work. Although fully taxable on assessment, only 80% of the allowance is subject to the deduction of PAYE. Again, this does not mean that only 80% is taxable. The full allowance remains taxable and any unspent portion will be included in a Councillor's taxable income and a Councillor would be required to account to the South African Revenue Service (SARS) for the use of such an allowance. Councillors who **DO NOT HAVE MOTOR VEHICLES** and/or who are likely to have difficulties accounting to SARS for this allowance are advised **NOT TO INCLUDE THE TRAVEL ALLOWANCE IN THE SALARY STRUCTURE**.

- 2.5 It should be clarified that the total remuneration package **INCLUDES** the travel allowance, housing allowance, municipal contribution to pension fund and municipal contribution to the medical aid scheme.

Any questions regarding the implementation of the upper limits should be directed to Provincial Executive Officers of SALGA at provincial offices or to **Lance Joel** (ljoel@salga.org.za) at SALGA National [(012) 369- 8000 / 082 908 3335].

Yours faithfully,



XOLILE GEORGE
CHIEF EXECUTIVE OFFICER