

Enquiries: L Tredoux
Tel: 012 3698000
Fax: 012 3698001
E-mail: LTredoux@salga.org.za

CIRCULAR 30 / 2016

FROM : CHIEF EXECUTIVE OFFICER

**TO : EXECUTIVE MAYORS
MAYORS
SPEAKERS
MUNICIPAL MANAGERS**

DATE : 21 DECEMBER 2016

DETERMINATION OF THE UPPER LIMITS FOR THE SALARIES, ALLOWANCES AND BENEFITS OF MUNICIPAL COUNCILLORS FOR THE 2016/17 FINANCIAL YEAR

The Minister of Cooperative Governance and Traditional Affairs on 21 December 2016 published the upper limits notice for the salaries, allowances and benefits for the 2016/17 financial year.

A copy of the notice is attached as Annexure "A" to this circular.

A. KEY FEATURES OF THE NOTICE

The most pertinent points to note in terms of the notice are set out below:

1. ANNUAL INCREASE

In accordance with the recommendation of the Independent Commission for the Remuneration of Public Office Bearers, **ONLY** Chairpersons of Section 79 Committees and "ordinary part time" councillors received an increase of **4%**, with all other councillors **NOT** receiving any increase.

2. DEFINITIONS

The definition clause now provides for existing and new municipalities, as well as superseding municipalities in order to address the payment of councillors in municipalities that were restructured due to the municipal boundary redetermination process of the Municipal Demarcation Board. Municipalities that were the subject of restructuring must ensure that they apply the correct definition in order to determine their grading.

The definition of **total population** has been amended to provide for the use of the the official statistics as determined in accordance with the Statistics SA Community Survey 2016. This will result in more recent statistical information being used for the determination of population as a consequence the grading of the municipality.

3. UPPER LIMITS OF ALLOWANCES OF COUNCILLORS

A councillor still has the discretion to structure his/her allowance to provide for a motor vehicle allowance. The 25% limitation that previously existed **NO LONGER APPLIES** in this regard. However, should a councillor elect to include a motor vehicle allowance in the salary structure, he/she may only use a council vehicle in line with an approved council policy.

It should, however, be noted that the provision contained in the previous notice that allowed for the municipality to provide for an official vehicle for the Executive Mayor / Mayor, the Deputy Executive Mayor / Deputy Mayor and Speaker has been omitted from the current notice which means that such vehicles may only be provided in terms of an approved municipal policy.

4. CELL PHONE ALLOWANCES

The cell phone allowances have been amended, to allow for a new category of beneficiaries for Grade 4 and 5 municipalities. The new allowances are as follows:

- Grade 6 Executive Mayors / Mayors, their deputies and Speakers are entitled to be re-imbursed for expenses relating the use of cell phones, not exceeding the amount of **R3400 per month**
- Grade 4 and 5 Executive Mayors / Mayors, their deputies and Speakers are entitled to be re-imbursed for expenses relating the use of cell phones, not exceeding the amount of **R2400 per month**
- All other councillors are entitled to be re-imbursed for expenses relating the use of cell phones, not exceeding the amount of **R1900 per month.**

5. PENSION FUND CONTRIBUTIONS

All councillors are now obliged to belong to a pension fund registered in terms of the Pension Fund Act, however no such fund is prescribed.

6. CAPACITY BUILDING

A municipality is now obliged to make provision in its budget for the development and implementation of capacity building programmes for councillors.

7. OVERPAYMENT

Where any councillor has been overpaid with effect from 1 July 2016 to date, such overpayment needs to be recovered from such councillor. As the implementation date of the notice is 1 July 2016 the notice applies to the outgoing as well as the current serving councillors.

8. INFORMATION TO BE SUBMITTED TO THE MINISTER

The notice now also provides that the Municipal Manager must by no later than 28 February 2017 provide the information specified in the notice, to the MEC for responsible for local government for submission of a consolidated report by the MEC to Minister of COGTA. Failure to submit the information will be deemed to be a contravention of the Code of Conduct for Municipal Staff as per the Systems Act.

9. TRANSITIONAL MATTERS

Kindly note that the transitional matters in the current notice only deal with the restructuring of municipalities as alluded to earlier and the failure of municipalities to submit financial statements.

Where municipalities have thus been downgraded in terms of the notice issued, councillors will be required to refund the municipality for any overpayments made.

B. IMPLEMENTATION

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. 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 21 December 2015 was repealed with effect from 1 July 2016. Accordingly, payment of remuneration to Councillors after 1 July 2016 is now only lawful in terms of the new determination 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.

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. It should further be noted that the definition of **“total population”** is now defined to be as determined by the Statistician General for the **Community Survey 2016**.

A further circular will be issued early in 2017 to clarify the areas that may result in implementation challenges.

Yours faithfully,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal stroke and a final flourish.

XOLILE GEORGE
CHIEF EXECUTIVE OFFICER