



**PRESENTATION ON THE DRAFT NOTICE:  
LOCAL GOVERNMENT REMUNERATION FRAMEWORK-  
PACKAGES PAYABLE TO MUNICIPAL MANAGERS AND  
MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL  
MANAGERS**

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**19<sup>th</sup> May 2015**

*For an Equitable Sharing of National Revenue*

# STRUCTURE OF PRESENTATION

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- Background
- Comments by the FFC
- Conclusion

# BACKGROUND

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- Determination attempts to establish comparative salary scales for Municipal Managers (MMs) and Senior Managers (SMs) reporting to Municipal Managers) in municipalities based on a number of key criteria (size of municipality in terms of income generated and so forth)
- This means MMs and SMs in larger municipalities will receive higher salaries than MMs and SMs in smaller municipalities. Responsibilities, functions and range of skills needed differ in accordance with the municipal size.
- FFC welcomes the move
  - towards regulating salaries of MMs and SMs in municipalities and making them comparative across different sized municipalities.
  - Will enhance performance of Local Government by staffing it with “suitably qualified, competent and appropriately remunerated senior managers” and attracting and retaining the right staff

# COMMENTS BY THE FFC

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- **Concepts:** Definitions should be enhanced and clear to avoid anomalous interpretations, namely “competence” and “market premium allowance”
- **Broader Reforms:** FFC would want to know if the Notice is part of the broader reform agenda of rationalisation of public service which has been on hold for a while. If so, a plan should be provided on how the salary scales across the entire municipal organisational structure would be addressed. For FFC implementing the public service reform project especially in the context of managing the wage bill is urgent
- Has a study been carried out to estimate the full cost of the determination on the total municipal wage Bill and will it lead to the moderation of the municipal wage bill over time?

# COMMENTS BY THE FFC

- **Inconsistencies:** Notice should include the salary scales across the municipal organisational structure in line with the implementation of the public service reform project especially in the context of managing the wage bill
- Allocation of the scores is not consistent and lacks scientific rigour
  - Scores on total income range from 1 to 60, on total wage bill from 1 to 25 and on equitable share from 1 to 15. The spread within and between is not the same. This number should be statistically determined in order that the dispersion between them is consistent
  - Categorisation of municipality into ten bands. Only 1 point differentiates between score of 9 and 10 but 20 points separate scores 1 and 2. The categorisation is essentially making it harder for officials in low income municipalities to move from salary scale 1 to 2 but easier for highly paid metro type managers to transition into higher salary band. Considering the over concentration of economic activity in the bigger municipalities, many managers will find themselves in higher salary bands as the total incomes and equitable share of their municipalities rises.
  - Notice should align the salary scales to income growth

# COMMENTS BY THE FFC

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- **Buy-in:** Is there a buy-in from all stakeholders of the categorisation of municipalities (1-10)?
- **Income size yardstick:** If salaries are going to be set on the basis of income sizes, care should be taken in drawing parallels with other spheres of government where the size of the budget is larger in determining the salary packages.
- **Quintiles:** Use of quintiles as a basis of determining the scores and the categories would be useful
- **Benchmarking:** Has a benchmark study been carried out to compare salary scales with provincial and national spheres? Including private sector?

# COMMENTS BY THE FFC

- Determination introduces a premium allowance that can't exceed 20% of the salary scale. While there is a rationale for a premium allowance in smaller municipalities unable to attract skills (e.g. due to rural location), we are not sure its applicability for higher level municipalities, especially if a “benchmark” study would show salaries are already highly competitive.
- **Self interest:** Section 12(1) only require the MM to sign-off on remuneration information of the municipality. Will it not be better for the Mayor to co-sign on behalf of Municipal Council?
- The Notice is silent on the matter of officials currently earning **above the prescribed salary scales**. Should these officials continue at the inflated levels, should there be moderation over time, or downward adjustment?

# CONCLUSION

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- FFC-Committed in ensuring that Local Government is staffed with “suitably qualified, competent and appropriately remunerated senior managers”
- FFC suggests
  - use quintiles as a basis of determining the scores and the categories
  - standard salaries with notches as it is done in the upper spheres, if possible by category of municipality be set and set the limit beyond which council must seek approval should they wish to offer a higher salary
- The Notice should include penalties for municipalities deliberately submit incorrect information





FINANCIAL  
AND FISCAL  
COMMISSION

THANK YOU

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