

ITEM:

REPORT OF THE CHIEF FINANCIAL OFFICER

2017/18 ANNUAL SALARY INCREASE FOR S57 MANAGERS

PURPOSE OF THE REPORT

The purpose of the report is to request an approval / directive from Council regarding the 17/18 salary increase of the Municipal Manager and managers directly accountable to the Municipal Manager (S57 employees).

STATUTORY/LEGAL REQUIREMENT

Section 7(4) of the Municipal Performance Regulations for Municipal Managers and Managers reporting to the Municipal Manager of 2006 states that those employees who receives all inclusive annual remuneration packages shall be adjusted annually linked to the cost of living adjustment based on market indicators, which is not performance based.

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

Due to the increase of cost of living, employees in different sectors receive a certain percentage increase on their salaries or total remuneration packages on an annual basis.

The Employment Contract of the Municipal Manager and Managers directly reporting to the Municipal Manager (S57 employees) states that the employees' all inclusive remuneration package shall be adjusted annually linked to a cost of living adjustments based on market indicators, which is not performance based. The cost of living adjustments are linked to the prevailing CPIX as published by STATS SA.

Reference is made to SALGA Circular 20/2017, wherein the conclusion of Performance Agreements with Section 57 managers is emphasized. The said memo states further that as a measure to ensure compliance, it recommends that the cost of living increases be linked directly with the timeous signing of Performance Agreements. A manager, who fails to sign his / her Performance Agreement by 31 July, should not receive his / her cost of living adjustments until he / she has complied. The memo further suggests that the cost of living increases for Section 57 managers be adjusted on 1 July of each year.

The circular states that "municipalities consideration of salary increases for Section 57 managers should, similarly with employees covered by collective agreements, be informed by the following factors:

- ❖ Affordability
- ❖ Macro-Economic Policy
- ❖ Inflation

- ❖ Productivity
- ❖ Comparability

In compliance with SALGA Circular 10/2008, Waterberg District Municipality Council took a resolution in August 2008 to implement annual salary increases for the Municipal Manager and s57 Managers reporting directly to the Municipal Manager on an annual basis with effect from 1 July every year.

Newly employed s57 managers can only expect consideration of a cost of living adjustment after concluding a year in service and not any time before that period has been reached. This means that the salary increase may not be applied pro-rata before a year in service has been concluded. Regardless of the date when the s57 manager finishes a year in service, the percentage increase to be applied is the one applicable at 1 July of that year. Thus s57 managers appointed 1 July 2016 is only eligible for an increase 1 Jul 2017.

The employees' annual salary increase is calculated on the average CPIX from February to January every year. As per the new Collective Agreement, effective from 1 July 2017 employees received an annual salary increase of **7.36%** for 2017/18 financial year.

For section 57 managers, the year on year CPI (average annual inflation increase) as at July 2017 per SALGA Circular 20/2017 is **5%**, confirmed by Statistics SA. A salary increase of **7.4%** was budgeted in the 17/18 budget year for Section 57 managers.

All performance contracts for S57 managers have been finalized.

The range to be considered is **7%** to **7.36%**

Waterberg District Municipality approved the following salary increases over the past 5 years:

	CPIX	Section 57 Managers	Officials
2012/2013	5.85 %	6.80 %	6.80 + 0.5 %
2013/2014	5.54%	6.84%	6.84%
2014/2015	6.30%	6.79%	6.79%
2015/2016	5%	6.85%	7%
2016/2017	6%	6%	6%
2017/2018	5%	7.36% (proposed)	7.36%

If approved, s57 managers' salary increase will be implemented backdated from 1 July 2017.

STAFF IMPLICATIONS

Increase as indicated above

FINANCIAL IMPLICATIONS

A **7.4%** increase for S57 managers was budgeted in 17/18.

OTHER PARTIES CONSULTED

Section 57 Managers
Executive Mayor

ANNEXURES

A – Memo to Executive Mayor
B – SALGA Circular 20/2017

AUTHORITY

Municipal Finance Management Act No 56 of 2003
Municipal Systems Act
Municipal Performance Regulations for Municipal Managers and Managers reporting to the
Municipal Manager of 2006
Government Gazette No. 37245

RECOMMENDATIONS

1. That the Municipal Manager and Managers directly reporting to the Municipal Manager receive a 7.36% annual increase on their total remuneration package for the 17/18 financial year.
2. That the above increase be effective and backdated from 1 July 2017.