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## GENERAL NOTICE

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### NOTICE 2048 OF 2001

#### MINISTRY FOR PROVINCIAL AND LOCAL GOVERNMENT

#### GUIDELINES ON REMUNERATION OF MANAGERS IN LOCAL GOVERNMENT

1. I, Fholisani Sydney Mufamadi, Minister for Provincial and Local Government, in terms of section 120, read with section 72, of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), hereby publish the Guidelines on Remuneration of Managers in Local Government, for public comment.
2. Comments must please be submitted in writing to –  
The Director-General  
Attention: Mr S L Louw  
Department of Provincial and Local Government  
Private Bag X 804  
PRETORIA  
0001
3. Comments may also be faxed to facsimile number (012) 334 0608 at the above address.
4. Comments must be received by no later than **15 October 2001**.

## GOVERNMENT NOTICE

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### DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT

No. 881

14 September 2001

### GUIDELINES ON REMUNERATION OF MANAGERS IN LOCAL GOVERNMENT

Under section 120, read with section 72, of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), I, Fholisani Sydney Mufamadi, after consultation with the bargaining council established for municipalities and organised local government representing local government nationally, hereby issue the guidelines in the Schedule.

**F. S. MUFAMADI**

**Minister for Provincial and Local Government**

## SCHEDULE

### Definitions

1. In these guidelines a word or phrase to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), has that meaning and, unless the context otherwise indicates-

**"benefits"** means non-cash benefits that a manager may receive as part of the manager's remuneration;

**"external equity"** means a comparison between a manager's total cost of employment and that of a person employed in a similar position and of a similar role size in the private and public sectors;

**"IDP"** means the integrated development plan of a municipality approved in terms of section 25 of the Act;

**"internal equity"** means a comparison between a manager's total cost of employment and that of another person employed in a similar role size in the municipality concerned;

**“manager”** means –

- (a) the municipal manager; and
- (b) any manager that is directly accountable to the municipal manager;

**“managerial position”** means the particular position or post in which a manager is appointed;

**“pay line”** means the pay progression in a managerial position, which is related to role size;

**“remuneration”** means the total cost of employment and any performance related pay;

**“the Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

**“total cost of employment”** means the fixed cost paid in respect of each manager.

### **Purpose of guidelines**

2. The purpose of these guidelines is to provide a national framework for the determination of remuneration for managers by-

- (a) outlining a process and the factors for determining the role profiles and role sizes of managerial positions;
- (b) providing a decision matrix for determining those role profiles and role sizes;
- (c) outlining the process and the factors for determining the salary range for managers;
- (d) outlining a flexible but consistent approach to take external equity and internal equity into account.

### **Remuneration policy**

3. (1)(a) A municipality should develop and adopt a remuneration policy for its managers.

(b) A remuneration policy adopted by a municipality for its managers must be consistently applied in the determination of remuneration of any new appointment or any adjustment to the remuneration of existing managers of the municipality.

(2) A remuneration policy for managers should be based on the following principles:

- (a) Remuneration must be based on the concept of total cost of employment rather than on a salary plus benefits approach, which concept means that –



- (i) a manager may draw the full amount of the total cost of employment or allocate some of it to fund any employee benefits; and
- (ii) the employer will not fund any current or future employee benefits;
- (b) there are a two tiered system of remuneration with –
  - (i) the first tier being the total cost of employment based on role size; and
  - (ii) the second tier being the reward for performance for meeting or exceeding agreed performance objectives and targets;
- (c) internal equity;
- (d) it must be developed as part of an integrated human resource strategy; and
- (e) it must support systems and procedures referred to in section 67 of the Act.

(3) A remuneration policy for managers should include the following components:

- (a) Requiring role profiling and role sizing as the basis for determining the total cost of employment for each managerial position;
- (b) stating the municipality's policy on internal equity and external equity;
- (c) stating the municipality's desired market position;
- (d) determining the desired pay line for each managerial position;
- (e) determining the salary ranges around each pay line according to role size;
- (f) determining the circumstances in which market premiums outside the determined salary ranges may be paid and the process for doing so;
- (g) indicating how remuneration is linked to performance;
- (h) determining the process for remuneration adjustments.

#### **Establishment of remuneration committee**

4. (1) A municipality should establish a remuneration committee to perform the following functions:

- (a) Developing a remuneration policy for managers in accordance with the process outlined in these guidelines;
- (b) monitoring the implementation of the remuneration policy for managers;
- (c) advising the council on the remuneration policy and remuneration structure of managers;
- (d) making recommendations to the council on specific packages for particular managers;

(e) reporting to the council on a regular basis.

(2) A report envisaged by sub-item (1)(e) should include-

- (a) the documented remuneration policy for managers or any adjustment of that policy;
- (b) a statement on the municipality's compliance with these guidelines;
- (c) details of the remuneration of each manager by name; and
- (d) details of the performance agreements and the rewards attached to performance.

(3) A committee referred to in subitem (1) should comprise –

- (a) such a number of councillors that would allow parties and interests reflected within the council to be fairly represented; and
- (b) an independent remuneration expert.

#### **Outline of process for determining remuneration policy for managers**

5. (1) The remuneration of managers should be determined in accordance with the following process:

- (a) Develop a role profile for each of the managerial positions;
- (b) determine the key performance indicators for each managerial position;
- (c) determine the role size of each of the managerial positions;
- (d) conduct a survey of remuneration paid to managers with similar role sizes in the private and public sectors;
- (e) develop a pay line for each managerial position;
- (f) determine the salary range around such a pay line;
- (g) identify the factors that may justify the employment of a manager above the proposed salary range; and
- (h) determine the formula for performance related pay.

#### **Developing a role profile for managerial positions**

6. (1) A municipality's IDP and its performance management system constitute the starting point for any process of determining the role profile, role size and remuneration to be paid in respect of each of the managerial positions.

(2) The components of the IDP contemplated in section 26 of the Act that impact on the management of the municipality should be identified and used to determine-

- (a) the organisational structure of the municipality's administration, in particular the managerial structure; and
- (b) the role profile for each managerial position in that structure.

(3) In order to determine the role profile for each manager –

- (a) the organisational context of the relevant managerial position must be identified, including information such as –
  - (i) the number of employees the manager is responsible for; and
  - (ii) the manager's operation budget;
- (b) the functional role of the relevant managerial position must be defined;
- (c) the functional role of each managerial position must be linked with the relevant component of the IDP;
- (d) the role that the manager will play in achieving the relevant objectives reflected in the IDP must be defined;
- (e) the following must be identified –
  - (i) the general challenges of the managerial position in question;
  - (ii) the transformation challenges related to that managerial position;
  - (iii) the key responsibilities of that managerial position.
- (f) the kind of experience required of a person appointed in the managerial position in question must be determined as a qualitative assessment based on the challenges of the position rather than a quantitative assessment.
- (g) the capabilities, skills, expertise and qualifications required of a person appointed in the managerial position in question must be determined.

(2) The role profile should be committed to writing and should form the basis of –

- (a) any advertisement for the managerial position in question, and
- (b) the selection criteria for appointing any person to that position.

### **Performance objectives and targets**

7. (1) Once a municipality has determined the role profiles for each of its managers, the performance objectives and targets for each managerial position must be



determined in respect of relevant key performance indicators set by the municipality in terms of section 41(1)(a) of the Act.

(2) The role profile and the performance objectives and targets envisaged in subitem (1) must form the basis of any contract of employment and any performance agreement required by section 57(1) of the Act.

### **Determining the role size of managerial position**

8. (1) The object of determining the role size of a managerial position is to –
- (a) understand the relative position of a manager within the managerial structure; and
  - (b) form the basis of comparison for the municipality, both externally and internally.

(2)(a) The role size of a managerial position may be determined by a number of job evaluation methods.

(b) Subject to any collective agreement on any particular method, a municipality should choose a job evaluation method for determining the role size of a managerial position that is–

- (i) participative and team based; and
- (ii) transparent.

### **Surveys**

9. (1) The role size of a managerial position allows a municipality to compare the remuneration paid to an incumbent of such a position with similar role sizes at other municipalities and in the private and public sectors generally.

(2) The data for the comparison may either be commissioned or drawn from published remuneration surveys.

(3) If a municipality utilises a published remuneration survey to compare role sizes, the municipality must –

- (a) identify the particular position to be used as benchmark, based on the role profile and role size of the managerial position to be evaluated; and
- (b) take into account the total cost of employment.

**Development of pay line**

**10.** (1) A municipality should develop a desired pay line for each managerial position based on the following factors:

- (a) Internal equity;
- (b) external equity;
- (c) affordability; and
- (d) the relative progression of pay based on role size.

(2) Once a desired pay line has been developed as envisaged by subitem (1), the municipality should then determine the acceptable range of the total cost of employment around the pay line in respect of each role size.

**Determination of manager's salary**

**11.** (1) Subject to item 12, a person appointed to a managerial position should be paid a salary that falls within the salary range determined in accordance with item 10.

(2)(a) A manager's position within the applicable salary range should be based on the following factors:

- (i) Previous experience;
- (ii) capabilities and skills;
- (iii) expertise; and
- (iv) affordability.

(b) The factors referred to in paragraph (a) must be applied objectively and consistently.

**Exceptions**

**12.** (1) A municipality may depart from the guidelines set out in item 11 in exceptional circumstances, which circumstances may include-

- (a) the need to attract key individuals; or
- (b) the need to retain key individuals.

- (2) Before appointing a manager on a salary outside the determined salary range, the person or committee responsible for appointments should-
- (a) report such exception to the Executive Mayor or the Executive Committee of that municipality, as the case may be;
  - (b) provide a justification for the departure from the determined salary ranges; and
  - (c) obtain the approval of the Executive Mayor or Executive Committee, as the case may be, for such an appointment.

### **Performance related pay**

13. (1) A municipality determines –
- (a) the percentage of remuneration that constitutes performance related pay; and
  - (b) the formula to determine the bonus allocation based on the meeting or exceeding of performance objectives and targets.

(2) Performance related pay should be in the form of bonuses and should not form part of the determination of total cost of employment. This means annual increases to the total cost of employment should not take performance into account but should be based on factors such as market movements and inflation.

### **Adjustments to remuneration**

14. (1) Any adjustment to the remuneration of a manager should be based on a municipality's remuneration policy for managers.

(2) A municipality's remuneration policy for managers should be periodically reviewed in terms of these guidelines, but the remuneration policy should at least be reviewed and amended before any annual increase is granted to a manager.

### **Short title**

15. These guidelines are called the Guidelines on Remuneration of Managers in Local Government, 2001.

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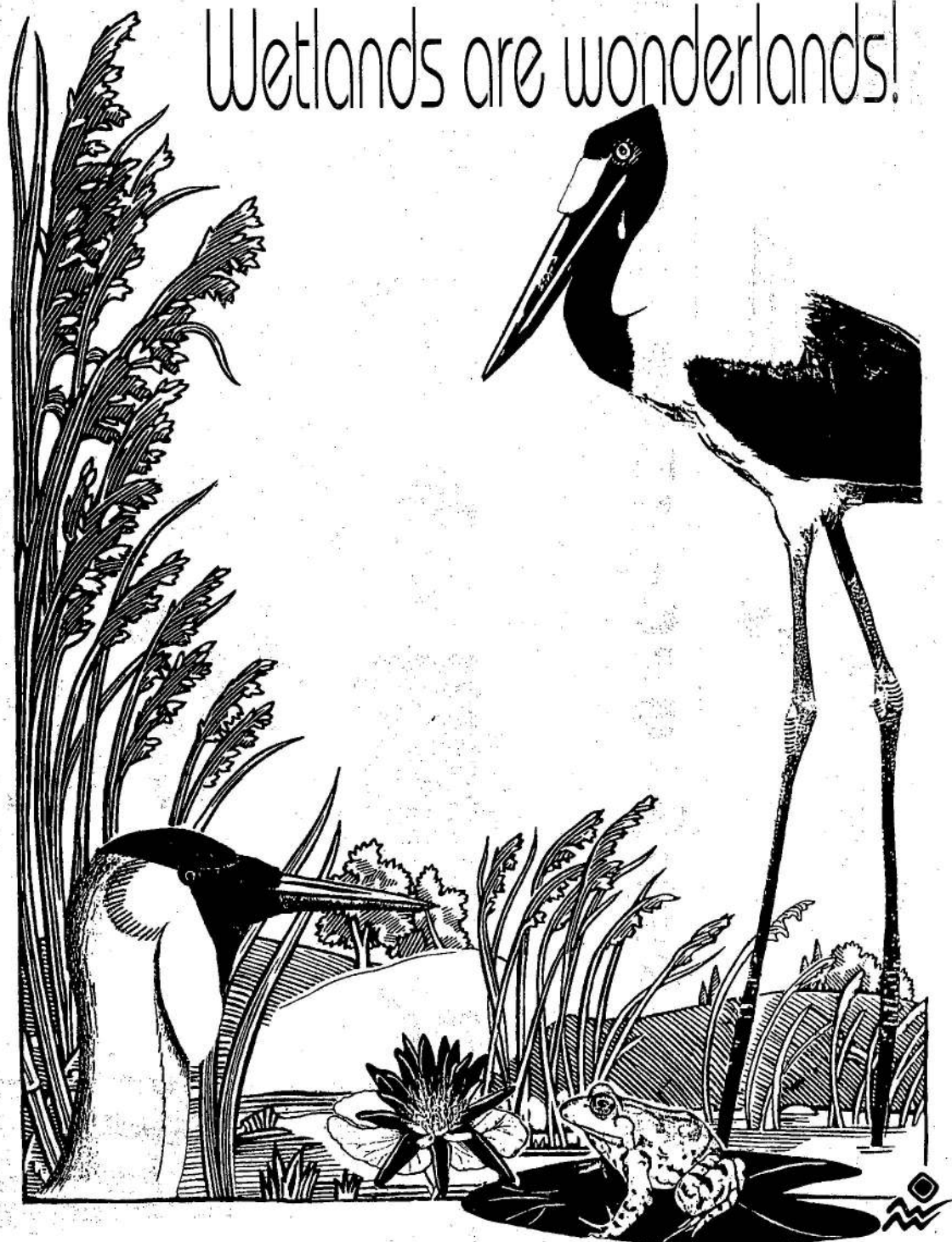
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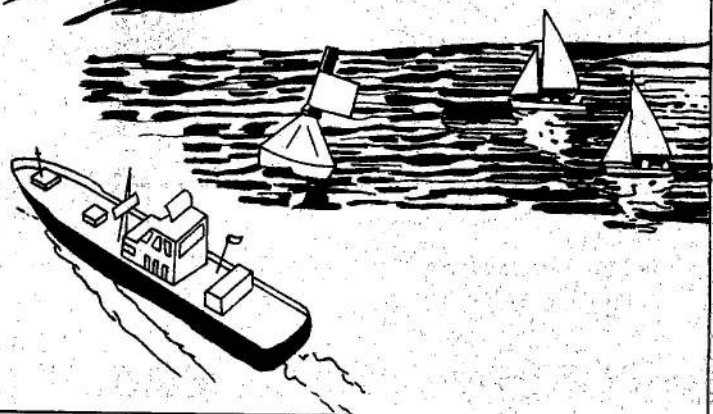
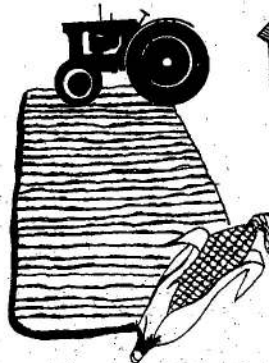
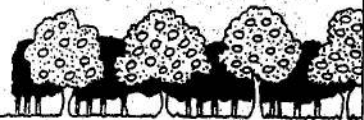
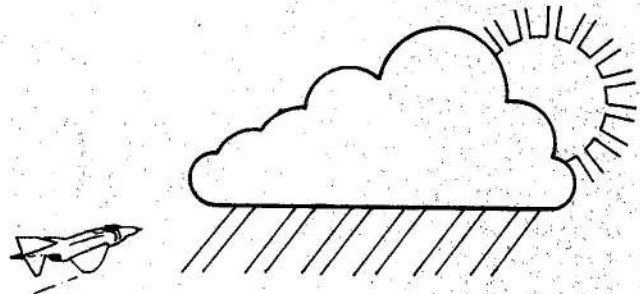
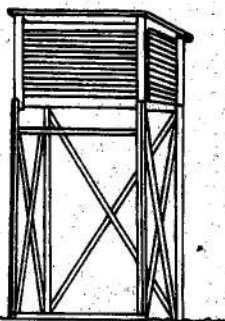
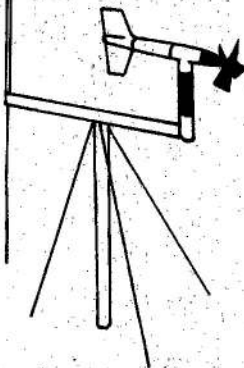
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