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GENERAL NOTICES • ALGEMENE KENNISGEWINGS

**THE PRESIDENCY
NOTICE 711 OF 2018**

**INDEPENDENT COMMISSION FOR THE REMUNERATION OF PUBLIC OFFICE
BEARERS**

**EXPLANATORY MEMORANDUM FOR ANNUAL REMUNERATION RECOMMENDATIONS FOR
2018/2019****INTRODUCTION**

1. In terms of sections 8(4) and (5) of the Independent Commission for the Remuneration of Public Office-Bearers Act, 1997 (Commission Act), the Independent Commission for the Remuneration of Public Office-Bearers (Commission) is mandated to make annual recommendations relating to the salaries and/or the upper limits of the salaries, allowances, benefits of Public Office-Bearers (POBs) and the resources required by some to enable them to perform their respective duties effectively. The Commission does not have the mandate to consider the resources of the Judiciary.
2. This explanatory memorandum sets out the Commission recommendations to the President on the remuneration of POBs for the 2018/2019 financial year.

FACTORS CONSIDERED FOR THE RECOMMENDATIONS

3. In considering the annual remuneration recommendations for 2018/2019, the Commission considered the following:
 - Statutory consultations
 - Section 8(6) of the Commission Act;
 - The National Treasury's inflation forecast;
 - The Commission's previous recommendations; and
 - The President's previous determinations

COMMISSION'S STATUTORY CONSULTATIONS

4. In terms of the applicable legislation and the provisions of section 12 of the Magistrates Act, 1993, the Commission is required to consult with the Minister of Justice and Correctional Services, the Minister of Finance and the Chief Justice or a person designated by him, prior to the recommendations being submitted to the President, Parliament, and the publication thereof.

Commissioners: Judge CJ Musi (Chairperson); Ms MJ Ramagaga (Deputy Chairperson); Ms TN Mgoduso,
Dr R Nlenaber; Dr LM Mbabane; Mr AL Pheto; Mr G Barnard and Dr SM Sibandze

Head of Secretariat: PM Makapan

5. The Commission consulted the following stakeholders:

- The Minister of Finance: 16 April 2018
- Lower Courts Remuneration Committee: 17 May 2018
- The Minister of Cogta: 15 June 2018
- The Minister of Justice and Correctional Services: 02 August 2018

6. With regards to the consultation with the Chief Justice, the Commission received a written response from the Chief Justice on 08 June 2018.

SECTION 8(6) OF THE COMMISSION ACT

7. In deliberating the annual recommendations for 2018/2019, the Commission took into account the following factors:

The role, status, duties, functions and responsibilities of the POBs concerned

8. The Commission has resolved to implement the remuneration review of the positions of POBs through a staggered approach which will be phased-in over a few years in respect of the different categories of POBs. This process commenced in 2015.
9. The review on Local Government has been finalised and the report was accepted and awaits completion of other reviews for consolidation into one report. The service provider for the review of the Executive and Legislative Sector was appointed in January 2018 for a period of 12 months and it is anticipated that the final project report will be received by end November 2018. The Commission is similarly intending to commence with the review of the remuneration of the Judiciary during the year 2018.

Affordability

10. The Minister of Finance, in the Medium Term Budget Policy Statement of 22 October 2017, indicated that the Consumer Price Index (CPI) inflation moved back within the target band reflecting lower core inflation.
11. The inflation outlook has been revised down compared to the 2017 Budget, relieving pressure on inflation-linked expenditure such as the wage bill. However, public-sector remuneration budgets pose a large and imminent risk, with the possibility that some national and provincial departments will exceed compensation ceilings. The public finances face growing strains and risks.
12. Over the three-year spending period ahead, consolidated expenditure will grow by an annual estimated average of 7,3%, from R1,6 trillion in 2017/18 to R1,9 trillion in 2020/21. Further reductions in the expenditure ceiling may be required over the next three years to stabilise the public finances.

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Current principles and levels of remuneration

Public Service and Administration

13. The salary adjustment for the period of 01 April 2018 to 31 March 2019 for employees on salary levels 1 – 12 were as follows:
- Level 1 to 7 : 7%
 - Level 8 to 10 : 6.5%; and
 - Level 11 to 12 : 6%

Inflation

14. Any consideration around the remuneration adjustments should take into account the effects of inflation to enable employees to maintain their lifestyle. There is a general expectation that higher inflation implies a higher remuneration adjustment. As a starting point, the basis for consideration of a salary increase and in particular a cost of living adjustment, it would be done relative to Headline inflation.
15. In order to determine an appropriate level of inflation to be used as a starting point on which to consider any cost of living adjustments; the Commission considered the following:

South African Reserve Bank (SARB)

16. The core inflation for 2017 was 4.7%. The Monetary Policy Committee (MPC) of 18 January 2018 indicated that the inflation forecast has been adjusted downwards to 4.6% for 2018. The projection of the first quarter of 2018 is 4.4%.
17. The improved forecast for core inflation is driven mainly by the stronger exchange rate, which is expected to impact favorably on core goods inflation. Higher wage pressures, by contrast, are expected to keep core services inflation more or less unchanged. The closing output gap also reduces the degree of downside pressure on inflation.
18. The MPC statement of 28 March 2018 indicated that the inflation forecast of the SARB has shown a moderate improvement despite the adverse impact of the VAT increase implemented in April 2018. This increase, combined with base effects and other indirect tax increases, implies that the low point of the inflation cycle was reached in the first quarter of 2018, at a forecast average of 4.1%. The forecast for core inflation remained unchanged at 4.6% for 2018 and is 0.2 percentage points lower, at 4.9%, for 2019. It is expected to remain unchanged at 4.9% in 2020.
19. The outcome of the ongoing public sector wage negotiations will be an important indicator of the sustainability of the fiscal projections and future wage trends. Nominal wage growth appears to be moderating slightly, but the upside pressure on inflation from this source is expected to persist. Average wage inflation is expected to decline moderately over the forecast period, from 7.6% in 2017 to 6.8% in 2020, still positive in real terms.

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National Treasury and South Africa's big banks

20. The average forecasts for South Africa's big banks indicate forecast inflation to average at 4.4% in 2018 while National Treasury had forecast inflation to average 5.3% for 2018.

Bureau for Economic Research (BER) – University of Stellenbosch

21. According to the BER Q4 report, the underlying price pressures, as measured by core CPI (i.e. CPI excluding food and non-alcoholic beverages, petrol and energy) have also moderated sharply, measuring just 4.6% y-o-y in September 2017. Persistent slack in the economy and moderated growth in compensation of employees have served to keep underlying price pressures contained. We expect core CPI inflation to remain subdued over the forecast horizon, only rising above the 5% level in 2019 as economic activity improves marginally and the output gap narrows. In all, headline CPI is expected to average at 5.3% in 2017 before easing further to 5.1% in 2018.
22. Increasing economic activity, slightly higher oil prices and normalizing food price inflation should see CPI inflation average around 5.5% in 2019. However, risks to this outlook are judged to be marginally on the upside. Any negative surprises on the currency, electricity and / or oil price front could push headline CPI back above target, potentially for an extended period.
23. The executive summary of the BER Q1 2018 Economic Prospects indicates that the consumer inflation forecast have been revised down. According to the report, the headline CPI is expected to average 4.8% and 5.1% in 2018 and 2019 respectively.

Andrew Levy Wage Settlement Survey

24. The Andrew Levy wage settlement survey report of March 2018 indicates that the average level of settlement was 7.4% compared with 7.6% in the first quarter of 2017 and the overall average of 7.6% in 2017.

Headline Inflation and Secretariat's base cost of living adjustment

25. While there may be a motivation for the fact that inflation affects individuals in different ways, it is a sensible measure to use as a base case scenario. Year-on-year CPI for the month January to March 2018 has averaged at 4.1%.
26. Based on the above inflation data, the Commission is of the view that the realistic base range for inflation should be between 4% to 5%.

Available resources

27. Since 2011, government has been forced to restrict employee headcount growth to accommodate rising salaries.

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NATIONAL TREASURY INFLATION FORECASTS, THE COMMISSION'S RECOMMENDATIONS AND THE PRESIDENT'S DETERMINATIONS: FOR THE PERIOD 2015 - 2018

28. The following table sets out previous National Treasury's CPI forecasts relative to the Commission's recommendations and the President's determinations:

Year	National Treasury CPI	Commission's Recommendations	President's Determinations		
2015/16	4.6%	The President, Deputy President, Speaker of National Parliament, Chairperson of NCOP & the Chief Justice	5%	4.4%	
		Members of National and Provincial Executive, Deputy Ministers, Members of Parliament and Provincial legislatures			
		Deputy Chief Justice to Judge of Supreme Court of Appeal			
		Deputy Judge President of High/Labour Court to Chief Magistrate	5.5%		5.5%
		Executive Mayor to Whip King / Queen	5.5%		4.4%
		Senior Magistrate to Magistrate	6%		6%
		Municipal Councillor			
		Chairperson of National House of Traditional Leaders to a Full-time member of Provincial House of Traditional Leaders			
		Senior Traditional Leaders	8%		8%
		Headmen / Headwomen	R 91 000		R 91 000
2016/2017	6.4%	Executive and Deputy Ministers	0%	0%	
		National Parliament			
		Provincial Executive and Legislature			
		Judges			
		Executive Mayor to Whip			
		King/Queen to Full-time Deputy Chairperson of PHTL			
		Municipal Councillor	4%		4%
		Magistrates	6%		6%
		Full-time Member of NHTL to Headmen / Headwomen, and sitting allowances of all members of NHTL and PHTL			

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2017/2018	5.3%	National Executive and Deputy Ministers	4%	4%
		Speaker / the Chairperson of NCOP to House Chairperson		
		Provincial Executive and the Speaker of the Provincial Legislature		
		All Judges		
		Chief Whip: Majority Party to Member: National Assembly / Permanent Delegate: NCOP	4.5%	4.5%
		Deputy Speaker to Member of Provincial Legislature		
		Executive Mayor to Deputy Mayor		
		King/Queen		
		LG: Member of Executive Council to Whip	5%	5%
		Chairperson: NHTL to Full Time Deputy Chairperson: PHTL		
		Magistrates	6%	5.5%
		Local Government Municipal Councillor		6%
		Full time member of NHTL and full time member of PHTL and sitting allowances of all members of the NHTL and PHTL		
Senior Traditional Leaders	8%	8%		
Headmen and Headwomen	R106 106	R106 106		

ANNUAL REMUNERATION RECOMMENDATIONS FOR 2018/2019

29. After considering the relevant legislation and factors mentioned above, including inputs from all stakeholders, the Commission is recommending 4% annual adjustment to the remuneration of all categories of POBs.

30. The remuneration scales are attached as schedule 1 to 7.

Signed at CAPE TOWN on 13/11 2018


JUDGE CJ MUSI
CHAIRPERSON

Commissioners: Judge CJ Musi (Chairperson); Ms MJ Ramagaga (Deputy Chairperson); Ms TN Mgoduso, Dr R Nienaber; Dr LM Mbabane; Mr AL Pheto; Mr G Barnard and Dr SM Sibandze

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SCHEDULE 1					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018					
NATIONAL EXECUTIVE AND DEPUTY MINISTERS					
GRADE	PAY LEVEL	POSITION	01-Apr-17	%	01-Apr-18
EA	1	President	2 989 845	4	3 109 439
EB	1	Deputy President	2 825 470		2 938 488
EC	1	Minister	2 401 633		2 497 698
ED	1	Deputy Minister	1 977 795		2 056 907

SCHEDULE 2						
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018						
MEMBERS OF PARLIAMENT						
GRADE	PAY LEVEL	POSITION	01-Apr-17	%	01-Apr-18	
PA	1	Speaker: National Assembly	2 825 470	4	2 938 488	
		Chairperson: NCOP	2 825 470		2 938 488	
PB	1	Deputy Speaker: National Assembly	1 977 795		2 056 907	
		Deputy Chairperson: NCOP	1 977 795		2 056 907	
PC	2	House Chairperson	1 836 572		1 910 035	
		1	Chief Whip: Majority Party		1 561 431	1 623 888
			Chief Whip: NCOP		1 561 431	1 623 888
		1	Parliamentary Counsellor: President		1 561 431	1 623 888
			Parliamentary Counsellor: Deputy President		1 561 431	1 623 888
PD	1	Leader of Opposition	1 561 431		1 623 888	
		2	Chairperson of a Committee		1 419 527	1 476 308
		1	Deputy Chief Whip: Majority Party		1 277 623	1 328 728
			Chief Whip: Largest Minority Party		1 277 623	1 328 728
PE	1	Leader of a Minority Party	1 277 623		1 328 728	
		2	Whip		1 185 570	1 232 993
		1	Member: National Assembly		1 079 943	1 123 140
Permanent Delegate: NCOP	1 079 943		1 123 140			

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SCHEDULE 3					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018					
PROVINCIAL EXECUTIVES AND LEGISLATURES					
GRADE	PAY LEVEL	POSITION	01-Apr-17	%	01-Apr-18
LA	1	Premier	2 260 409	4	2 350 825
LB	1	Member of Executive Council	1 977 795		2 056 907
		Speaker	1 977 795		2 056 907
LC	1	Deputy Speaker	1 561 431		1 623 888
		Chief Whip: Majority Party	1 419 527		1 476 308
	2	Chairperson of Committees	1 277 625		1 328 730
		Leader of Opposition	1 277 625		1 328 730
		Chairperson of a Committee	1 277 625		1 328 730
	3	Deputy Chairperson of Committees	1 202 020		1 250 101
		Deputy Chief Whip: Majority Party	1 202 020		1 250 101
		Chief Whip: Largest Minority Party	1 202 020		1 250 101
Leader of a Minority Party		1 202 020	1 250 101		
LD	1	Parliamentary Counsellor to a King	1 079 943		1 123 140
		Whip	1 079 943		1 123 140
	2	Member of Provincial Legislature	1 045 220		1 087 028

SCHEDULE 4					
REMUNERATION LEVELS WITH EFFECT 01 JULY 2018					
LOCAL GOVERNMENT					
GRADE	PAY LEVEL	POSITION	01-Jul-17	%	01-Jul-18
MA	1	Executive Mayor	1 298 317	4	1 350 250
		Mayor	1 298 317		1 350 250
MB	1	Deputy Executive Mayor	1 048 546		1 090 488
		Speaker/Chairperson	1 048 546		1 090 488
		Deputy Mayor	1 048 546		1 090 488
MC	2	Member of Executive Council	987 714		1 027 223
		Member of Mayoral Committee	987 714		1 027 223
		Chairperson of a Sub-council	987 714		1 027 223
		Whip	987 714		1 027 223
MD	1	Municipal Councillor	572 433		595 330

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SCHEDULE 5					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018					
JUDGES					
GRADE	PAY LEVEL	POSITION	01-Apr-17	%	01-Apr-18
JA	1	Chief Justice	2 825 470	4	2 938 488
JB	1	Deputy Chief Justice	2 542 857		2 644 571
		President: Supreme Court of Appeal	2 542 857		2 644 571
JC	1	Deputy President: Supreme Court of Appeal	2 401 633		2 497 698
	2	Judge: Constitutional Court	2 260 409		2 350 825
		Judge: Supreme Court of Appeal	2 260 409		2 350 825
	3	Judge President: High/Labour Court	2 119 185		2 203 952
	4	Deputy Judge President: High/Labour Court	1 977 796		2 056 908
	5	Judge: High/Labour Court	1 836 572		1 910 035

SCHEDULE 6					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018					
MAGISTRATES					
GRADE	PAY LEVEL	POSITION	01-Apr-17	%	01-Apr-18
JD	1	Special Grade Chief Magistrate	1 381 647	4	1 436 913
		Regional Court President	1 381 647		1 436 913
JE	1	Regional Magistrate	1 239 706		1 289 294
		Chief Magistrate	1 239 706		1 289 294
JF	1	Senior Magistrate	1 027 596		1 068 699
JG	1	Magistrate	934 277		971 648

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SCHEDULE 7					
REMUNERATION LEVELS WITH EFFECT 01 APRIL 2018					
INSTITUTION OF TRADITIONAL LEADERSHIP					
GRADE	PAY LEVEL	TRADITIONAL LEADERSHIP POSITIONS	01-Apr-17	%	01-Apr-18
TA	1	King/Queen	1 176 730	4	1 223 799
TB	1	PTL	1 082 592		1 125 896
TC	1	Senior Traditional Leader	246 942		256 820
TD	1	Headmen / Headwomen	106 106		110 350
HOUSES OF TRADITIONAL LEADERS					
GRADE	PAY LEVEL	FULL TIME POSITIONS	01-Apr-17	%	01-Apr-18
THA	1	Chairperson: NHTL	858 734	4	893 084
	2	Full time Chairperson: PHTL	707 284		735 575
	3	Full time Deputy Chairperson: NHTL	656 800		683 072
	4	Full time Deputy Chairperson: PHTL	606 145		630 391
THB	1	Full time Member: NHTL	378 339	4	393 472
	2	Full time Member: PHTL	324 317		337 289
SITTING ALLOWANCE FOR PART TIME POSITIONS *			01-Apr-17	%	01-Apr-18
Part time Member: NHTL			1 388	4	1 444
Part time Chairperson: PHTL			1 651		1 717
Part time Deputy Chairperson: PHTL			1 485		1 545
Part time Member: PHTL			1 151		1 197
<p>* In addition to sitting allowances, part time members are entitled to their salaries as Traditional Leaders, as well as subsistence costs (reasonable and actual expenses) and transport costs (Department of Transport tariffs for the use of privately owned vehicles), for their attendance of official meetings, seminars, workshops and conferences of the respective Houses)</p>					

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