



SOUTH AFRICAN LOCAL GOVERNMENT BARGAINING COUNCIL

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To: All Municipal Managers

The Parties:

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	Adv. M. Yawa	(012) 369-8001
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The Regional Secretaries:

Gauteng Division	Mrs C Manda	011 – 333 8091
Eastern Cape Division	Mr. M. Bodlani	041 – 585 0646
KwaZulu-Natal Division		031 – 201 9752
Western Cape/Cape Metro Division	Mrs W Brink	021 – 930 9244
Northern Cape/Free State Division	Mr T. Mqobongo	053 – 831 3608
North West/Mpumalanga/Limpopo Division	Mr E Shelembe	012 – 320 4136

Dear Sir / Madam,

CIRCULAR NO.: 09/2011

HOME OWNER ALLOWANCE SCHEME: ADJUSTMENT OF HOME OWNER ALLOWANCE WITH EFFECT FROM 01 OCTOBER 2011

The monthly home owner allowance is revised on the first day of each quarter based on the weighted average interest rate levied by the five biggest financial institutions as on 1 January, 1 April, 1 July and 1 October.

The weighted average interest levied by the five biggest financial institutions on 01 July 2011 was **9%**.

See attached the calculation of the monthly allowance: Home Owners Allowance Scheme (**R135, 000-00 Scheme as per the Salary and Wage Collective agreement for the 2011/2012 financial year effective 01 July 2011**). An electronic copy of this document is downloadable from the SALGBC website.

Yours faithfully,


S.S. GOVENDER
GENERAL SECRETARY

Encl.

HOME OWNER ALLOWANCE

CALCULATION OF MONTHLY ALLOWANCE: HOME OWNERS ALLOWANCE SCHEME (R135 000 SCHEME)

1. The monthly allowance which can be paid to a person represents the smallest of the following three amounts:

- 1.1 R522 (or R426 in the case of a person who is in possession of another dwelling which is either paid off or not paid off as yet)

OR

- 1.2 An amount calculated according to the following formula:

$A \times B / 100$ (Rounded to the nearest higher rand) where:

A – represents the person’s acknowledged loan amount or the total of the acknowledged loan amounts.

B – represent the factor 0,3862 or (0.3155) in the case of a person who owns another dwelling which is either paid off or not paid off as yet.

OR

- 1.3 An amount (rounded to the nearest higher rand) calculated at the rate of 48% (or 43% in the case of a person to who owns another dwelling which is either paid off or not paid off as yet) of the person’s COMPULSORY monthly capital and interest redemption which is paid by stop order to the mortgagee

2. The allowance that may be paid in respect of interest on the first/main mortgage before the first instalment is calculated is as follows:

$A \times B / 30 =$ allowance on interest where:

A – represents the monthly allowance that is payable in respect of the person’s recognised loan amount; and

B – represents the actual number of days (maximum 30) in respect of which interest was imposed.