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**TO ALL HEADS OF NATIONAL AND PROVINCIAL DEPARTMENTS AND
PROVINCIAL ADMINISTRATIONS**

**IMPLEMENTATION OF HOUSING ALLOWANCE ADJUSTMENT FOR EMPLOYEES
IN THE PUBLIC SERVICE WHO RENT HOMES (i.e. ARE TENANTS)**

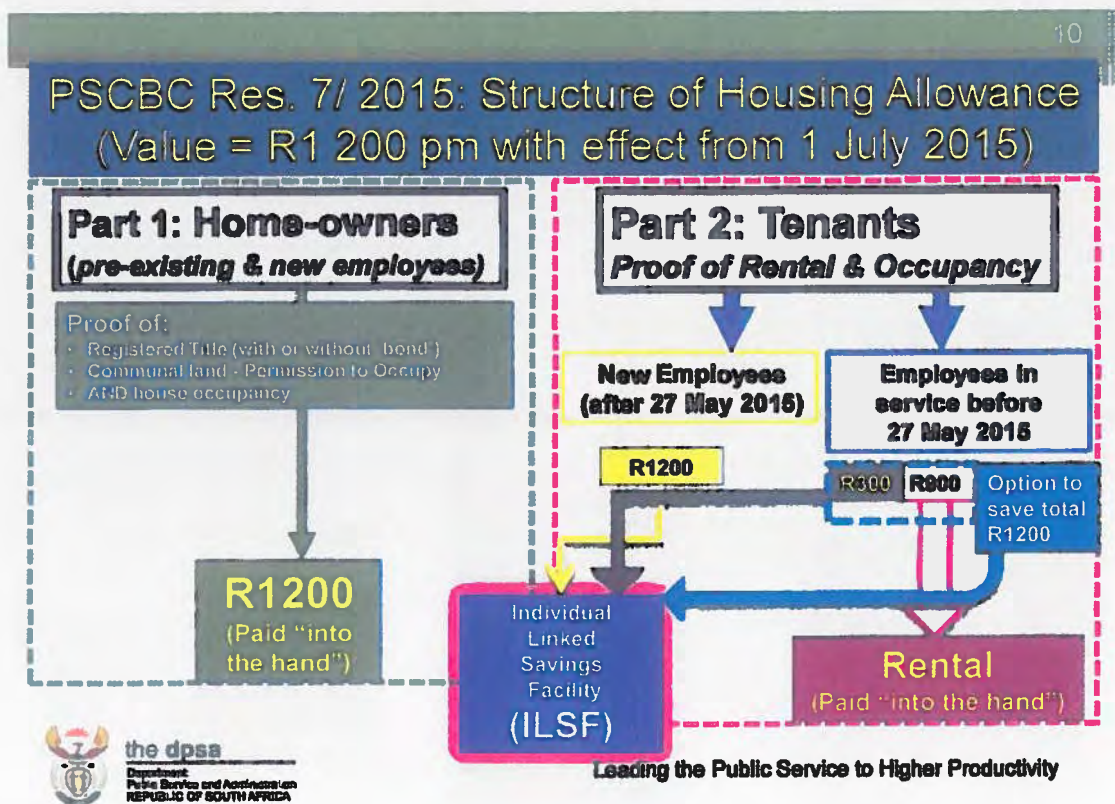
1. As per the circular dated 01 December 2015, the Minister for the Public Service and Administration will in terms of sections 3(5)(a) and 5(6)(b) respectively of the Public Service Act, 1994, as amended, issue an Amended Determination on Housing inclusive of the adjustment of the housing allowance, the establishment of the Government Employees Housing Scheme (GEHS) and other related matters. A copy of the Amended Determination will be furnished once approved.
2. In terms of Clause 4.5.2 of the Public Service Coordinating Bargaining Council (PSCBC) Resolution 7 of 2015 the housing allowance is adjusted to R1 200 per month with effect from 01 July 2015 for employees who rent homes, subject to provisions of the Individual-Linked Savings Facility (ILSF) contained in clause 4.5.6 of the resolution.
3. The necessary instruction has been communicated to PERSAL to adjust the housing allowance for employees who rent homes as well as to implement the diversion of either portion or the whole of the housing allowance to the GEHS: ILSF. New PERSAL codes are being created for this purpose. Henceforth, the Human Resources (HR) section of each Department will be able to capture the amended housing allowance for each category of employees on the PERSAL system in terms of:
 - 3.1. **Employees who are currently receiving a housing allowance for renting. This code has a value of R900 per month. The employee will be paid the R900 per month and the difference from the total housing allowance will be diverted to the GEHS: ILSF code.**

Staatsdiens en Administrasie . Ditirelo tsa Puso le Tsamaiso . Ditshebeliso tsa Mmuso le Tsamaiso . uMnyango wemiSebenzi kaHulumeni nokuPhata

Muhasho wa Tabumelo ya Muvuso na Vhulanguli . Kgoro ya Ditirelo tsa Mmušo . Ndzawulo ya Vutirela-Mfumo na Valawuri

LiTiko le Tebasehenti baHulumende nekuPhata . ISebe leNkonzo kaRhulumente noLawulo . UmNyango wemiSebenzi kaRhumele nokuPhata

- 3.2. Employees who are currently receiving a housing allowance for renting. This code will have a value of R1200 per month for those employees who want to divert the entire housing allowance amount of R1200 per month into the GEHS: ILSF.
- 3.3. New employees appointed after 27 May 2015 approved to access the housing allowance for rental purposes. This code has a value of R1200 to be diverted in total to the GEHS: ILSF. Accordingly, the employee shall not receive any housing allowance paid directly into his/her salary.
- 3.4. The GEHS ILSF. This is the code to which either the portion or the whole of the housing allowance will be diverted. This money will be paid over into the account of the GEHS: ILSF.
- 3.5. The diagram below is a summary of paragraphs 3.1 – 3.4 above:-



4. **HOUSING ALLOWANCE SAVINGS DEPOSITS INTO THE ILSF:** Arrangements are in place with National Treasury for the transfer of relevant housing allowance savings into the GEHS: ILSF to be implemented programmatically through the PERSAL system during March 2016. Salary advice (pay slips) will be issued to affected employees to confirm the amounts transferred to the GEHS: ILSF
5. **WITHDRAWAL OF SAVINGS FROM THE ILSF:** The GEHS: ILSF will commence with processing employees' applications to withdraw accumulated savings with effect from 1 October 2016. Procedures for departments to administer such applications will be communicated in due course.
6. **ERRONEOUS AND UNLAWFUL PAYMENTS OF HOUSING ALLOWANCE FOR RENTING TO NEW EMPLOYEES**
 - 6.1. In terms of clause 4.5.5.2 of the PSCBC resolution 7 of 2015, *"New employees entering the public service after date of signature of this agreement and who become eligible to receive the housing allowance – shall have the full housing allowance diverted and accumulated into the individual-linked savings facility if they do not own a home"*.
 - 6.2. Accordingly, employees who assumed duty after 27 May 2015 and are approved to access the housing allowance for rental purposes must have the full value of R1200 diverted and paid into the Government Employees Housing Scheme (GEHS): Individually Linked Savings Facility (ILSF). Such employees shall not receive any housing allowance paid directly into their salary.
 - 6.3. The Department of Public Service and Administration (DPSA) does, however, note with concern that in some instances, departments are erroneously paying housing allowances of R900 per month to employees who were appointed after 27 May 2015 and who do not own homes. This contravenes provisions of clause 4.5.5.2 of the PSCBC Resolution 7 of 2015 as well as section 5(6)(a) of the Public Service Act, 1994, as amended.
 - 6.4. The erroneous payment of housing allowances referred to in paragraph 1.3 above constitutes wrongly granted remuneration, as referred to in section 38(2) of the Public Service Act, 1994 and such overpaid housing allowances must be recovered by Departments from the respective employees in accordance with the Public Finance Management Act, 1999, as amended.

6.5. In order to rectify the error committed by departments as well as to avoid undue inconvenience to affected employees, the PERSAL office has been directed to immediately implement the following measures:

(a) Deduct from Departments all monies paid as *Housing Allowances for rental* to all employees that entered public service after 27 May 2015 and pay such monies into the GEHS: ILSF.

(b) Departments shall in turn recover the monies from employees so indebted by deducting such "staff debt" from salaries in equal portions over a period not exceeding twenty-four (24) calendar months.

(c) Departments are obliged to inform affected employees of these measures.

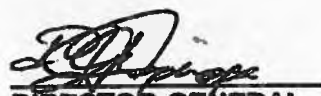
7. **ENROLMENT OF EMPLOYEES TO THE GEHS:** In terms of Clause 4.1.4 of PSCBC Resolution 7 of 2015 it is mandatory for all employees who wish to use the services offered through the GEHS to enroll with the Scheme. The GEHS enrollment will commence from 01 May 2016. Details of the relevant website and call center will be communicated closer to the date.

8. **NEW APPLICATIONS FOR HOUSING ALLOWANCE:** The HR section of each Department must file the completed new application forms, together with all the required supporting documents and safeguard them on the employee's personal file.

9. **POLICY IMPLEMENTATION:** To minimize interpretation and application disputes, all National and Provincial Departments and Provincial Administrations are urged to exercise great care and precision in the implementation of the Government Employees Housing Scheme

10. **COST IMPLICATIONS:** Please note that additional expenditure incurred as a result of implementing the adjustment to the housing allowance, must be defrayed from the existing departmental budget allocations.

Kind regards,



DIRECTOR-GENERAL
Date: 09/02/2016