

PROVINCE OF KWAZULU-NATAL
PROVINCIAL TREASURY



OFFICE OF THE HEAD OF DEPARTMENT

145 Chief Albert Luthuli Street (Commercial Road)
Pietermaritzburg
3200

PO Box 3613
Pietermaritzburg
3200
Tel: 033 8974556
Fax: 033 3422486
Email: simiso.magagula@kzntreasury.gov.za
Email: ntokozi.mazeka@kzntreasury.gov.za

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Enquiries: Mr F. Cassimjee

**TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES**

PROVINCIAL TREASURY CIRCULAR TC/RM 3 OF 2010/11

STUDY LOANS / BURSARY SCHEMES FOR MUNICIPAL COUNCILLORS

There appears to be some confusion around the issue of study loans or bursaries schemes for municipal councillors. In order to provide clear guidelines, Provincial Treasury has consulted with National Treasury in this regard.

The upper limits of salaries, allowances and benefits of councillors of a municipal council are governed and guided by the framework as set out in the Public Office Bearers Act, 1998 (Act 20 of 1998) and the Notice issued in terms of the Act. This Act as well as the Notices is administered by the Department of Co-operative Governance and Traditional Affairs.

The Notice that was issued in terms of the Public Office Bearers Act is silent on the provision of study loans or bursaries to councillors. Section 167 of the MFMA however provides that any remuneration paid or given in cash or in kind to a person as a political office bearer or a member of a political structure of a municipality otherwise than in accordance with the Public Office Bearers Act, including any bonus, bursary, loan, advance or other benefit is an irregular expenditure. The municipality has a right to and must recover that remuneration from the political office bearer or member concerned. The Act also provides that a municipality may not write off any expenditure incurred by the municipality in paying or giving that remuneration.

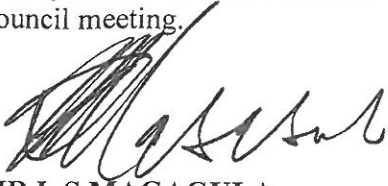
Municipalities are not allowed to provide benefits or allowances to political office bearers or councillors that fall outside the framework covered in the Public Office Bearers Act.

In the event that a municipality provides bursaries or study loans to its councillors, such expenditure would be regarded as irregular expenditure in terms of section 167 of the MFMA.

In this regard attention is also drawn to section 164(1)(c)(i) of the MFMA which prohibits a municipality or a municipal entity from making loans to councilors and officials of the municipality or municipal entity.

Also, Section 5.2 of the National Treasury MFMA Circular No. 8 further elaborates on study schemes and distinguishes between a loan and a bursary.

Kindly ensure that this circular is brought to the attention of your Mayor and tabled at your next council meeting.



MR L.S MAGAGULA
HEAD: PROVINCIAL TREASURY

cc Auditor General (Mr H van Zyl)

cc National Treasury MFMA Implementation (Mr T V Pillay)