



INDIGENT SUBSIDY POLICY

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TABLE OF CONTENTS

1. Definitions
2. Acronyms/Abbreviations
3. Introduction & Background
4. Purpose of the Policy
5. Policy Principles
6. Policy Objectives
7. Legislative Framework
8. Targeting of Indigent Households
9. Assistance Procedures
10. Drafting and Maintenance of an Indigents Register
11. Penalties and Disqualification for False Information
12. Services to be Subsidised
13. Tariff policy
14. Sources of Funding
15. Method of Transference and the Value of the Subsidy
16. Arrear Accounts
17. Reconnection or Unblocking of Services for Qualified Households
18. Services in Extent to Available Funding
19. Recommendation and Indigent Committee
20. Right to Appeal
21. Indigent Households in Body Corporate or Retirement Centres
22. Capacity building
23. Exit Mechanisms & Death of a Registered Applicant
24. Credit Control and Debt Collection Policy to be Applied for Indigent Households
25. Stakeholders to the Policy

- 26. Monitoring & Evaluation**
- 27. Implementation and Review of the policy**
- 28. Contact Persons for Clarity**

1. DEFINITIONS

In this Policy, unless the context indicates otherwise –

“**accounting officer**” – in relation to a Municipality, means the official referred to in section 60 of the Municipal Finance Management Act;

“**approved budget**” – means an annual budget approved by a municipal council, provincial or national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustment budget in terms of section 28 of Municipal Finance Management Act;

“**allocation**”, in relation to a Municipality, means –

- A Municipality’s share of the local government’s equitable share referred to in section 214 (1) (a) of the Constitution;
- An allocation of money to a Municipality in terms of section 214 (1) (c) of the Constitution;
- An allocation of money to a Municipality in terms of a provincial budget; or
- Any other allocation of money to a Municipality by an organ of state, including by another Municipality, otherwise than in compliance with a commercial or other business transaction;

“**annual Division of Revenue Act**” – means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;

“**basic municipal services**” – means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

“**budget related policy**” – means a policy of a Municipality affecting or affected by the annual budget of the Municipality, including:

- the tariffs policy which the Municipality must adopt in terms of section 74 of the Municipal Systems Act;
- the rates policy which the Municipality must adopt in terms of legislation regulating municipal property rates, or
- the credit control and debt collection policy which the Municipality must adopt in terms of section 96 (b) of the Municipal Systems Act;

“**budget year**” – means the financial year for which an annual budget is to be approved in terms of section 16 (1) of MFMA;

“**chief financial officer**” – means a person designated in terms of section 81 of MFMA;

“**councillor**” – means a member of a municipal council;

“**current year**” – means the financial year which has already commenced, but not yet ended;

“debt” – means:

- a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments, or
- a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

“delegation” – means in relation to a duty, includes an instruction or request to Perform or to assist in performing the duty;

“financial year” – means a year ending 30 June;

“local community”, in relation to a Municipality, means that body of persons comprising:

- the residents of the Municipality;
- the ratepayers of the Municipality;
- any civic organization and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the Municipality, and;
- visitors and other people residing outside the Municipality who, because of their presence in the Municipality, make use of services or facilities provided by the Municipality;

and includes, more specifically, the poor and other disadvantaged sections of such body of persons;

“local Municipality” – means a category B Municipality envisaged in section 155 (1) (b) of the Constitution (a Municipality that shares municipal executive and legislative authority in its area with a district Municipality within whose area it falls);

“municipal council” or **“council”** – means the council of a Municipality referred to in section 18 of the Municipal Structures Act;

“Municipal Finance Management Act” – means the Local Government: Municipal Finance Management Act No.56 of 2003, and any regulations made under that Act;

“Municipality”, when referred to as –

- a corporate body, means a Municipality as described in section 2 of the Municipal Systems Act; or
- a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act No.27 of 1998;

“municipal manager” – means a person appointed in terms of section 54 (a) of the Municipal Systems Act (is the head of administration and also the accounting officer of the Municipality);

“municipal service” – means a service that a Municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether:

- such a service is provided, or to be provided, by the Municipality through an internal mechanism contemplated in section 76 of Municipal Systems Act or by engaging an external mechanism contemplated in the same Act; and
- fees, charges or tariffs are levied in respect of such a service or not;

“Municipal Systems Act” – means the Local Government: Municipal Systems Act No.32 of 2000;

“municipal tariff” – means a tariff for services which a Municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“municipal tax” – means property rates or other taxes, levies or duties that a Municipality may impose;

“property” – means

- immovable property registered in the name of a person, and includes a unit as defined in section 1 of the Sectional Title Act No.95 of 1986;
- a right registered against immovable property in the name of a person;

“ratepayer”, in relation to a Municipality, means a person who is liable to the Municipality for the payment of –

- rates on property in the Municipality;
- any other tax, duty or levy imposed by the Municipality, or fees for services provided either by the Municipality or in terms of a service delivery agreement;

“resident”, in relation to a Municipality, means a person who is ordinarily resident in the Municipality;

“service delivery agreement” – means an agreement between a Municipality and an institution or a person mentioned in section 76 (b) of Municipal Systems Act in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the Municipality;

“service delivery and budget implementation plan” – means a detailed plan approved by the mayor of a Municipality in terms of section 53 (1) (c) (ii) of MFMA for implementing the Municipality’s delivery of municipal services and its annual budget, and which must indicate:

- projections for each month of revenue to be collected, by source, as well as operational and capital expenditure by vote;
- service delivery targets and performance indicators for each quarter, and any other matters that may be prescribed; and includes any revisions of such plan by the mayor in terms of section 54)1) (c) of MFMA;

2. ACRONYMS/ABBREVIATIONS

“AO” – Accounting Officer in terms of Section 60 of MFMA

“AG” – Auditor General in terms of Section 193 of the Constitution

“AFS” – Annual Financial Statements as prescribed

“CFO”- Chief Financial Officer in terms of Section 80 (2) (a) & 81 of MFMA

“CoGTA” – Co-operative Governance & Traditional Affairs

“DoE”- Department of Energy

“DWA” – Department of Water Affairs & Sanitation of South Africa

“ESKOM or ESCOM” – Electricity Supply Commission by Government of South Africa

“FBS” – Free Basic Services

“IDP” – Integrated Development Plan

“ITC” – Information Trust Corporation

“LED” – Local Economic Development

“MLM” – Moqhaka Local Municipality

“MM” – Municipal Manager in terms of Section 82 of MFMA

“MFMA” – Municipal Finance Management Act.56 of 2003

“MSA” – Municipal Systems Act 32 of 2000 (Not Municipal Structures Act 117 of 1998)

“MPRA” – Municipal Property Rates Act 6 of 2004

“NERSA”- National Electricity Regulator of South Africa

“NT” – National Treasury

“PT” – Provincial Treasury

“SALGA” – South African Local Government Association

“SAPS” – South African Police Services

“SASSA” – South African Social Services Agency

“SDA” – Service Delivery Agreement

“SDBIP” – Service Delivery & Budget Implementation Plan

3. INTRODUCTION & BACKGROUND

The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic services in terms of Section 152 (b) and 153 (b) of the Constitution of the Republic of South Africa.

The constitution recognizes Local Government as a distinct sphere of Government and as such also entitles it to a share of nationally raised revenue, which will enable it to perform its basic function of providing essential services to the community within its respective boundaries.

Basic services are generally regarded as to be access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.

The key purpose of an indigent subsidy policy is to ensure that households with lower income are not denied a reasonable service, and on the contrary the Local Authority will not be financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.

To achieve the purpose, it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. A household, in order to qualify for indigents subsidy, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by the Municipality.

4. PURPOSE OF THE POLICY

The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial system of the Municipality and to ensure that the same procedure be followed for each individual case.

5. POLICY PRINCIPLES

- To ensure that Equitable Share received annually will be used for the benefit of the poor only not to subsidise rates and service charges of those who can afford to pay.
- To link this policy with the Municipality's IDP, LED initiatives and poverty alleviation programmes.
- To promote an integrated approach to free basic service delivery; and
- To engage the community in the development and implementation of this policy.

6. POLICY OBJECTIVES

- To provide basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
- The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation.
- Establish of a framework for the identification and management of indigent households including a socio-economic analysis where necessary and an exit strategy.
- The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households; and
- Co-operative government with other spheres of government.

7. LEGISLATIVE FRAMEWORK

The Municipal indigent policy should be designed and implemented within the framework of the following legislations:

- The Constitution of the Republic of South Africa, Act No.108 of 1996;
- The Municipal Systems Act No.32 of 2000;
- The Promotion of Access to Information Act No.2 of 2000;
- Property Rates Act No.6 of 2004;
- Municipal Finance Management Act No.53 of 2003

8. TARGETING OF INDIGENT HOUSEHOLDS

The effective targeting of indigent households will depend on the social analysis included in the IDP, LED initiatives and other poverty relief programmes of the Municipality.

The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households.

Against the background of such socio-economic analysis Municipality must within its financial and institutional capacity decide which targeting approach or option should be applied.

Depending on the capacity the Municipality may apply any or a combination of the following methods:

- Service Levels – lowest service levels normally in informal settlements and rural areas;
- Property Value – Applicable only to registered indigents in respect of subsidised or RDP housing to a value determined in addition to the R15 000 in terms of the Property rates Act;
- Household Income – Threshold shall be determined in terms of socio-economic analysis equalling not more than an annual amount determined by Council or in the case of pensioners equalling two state pension grants per indigent household;
- Geographical (Zonal) Targeting – Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

Moqhaka Local Municipality uses the household income as the approach for the registration of indigent households.

9. ASSISTANCE PROCEDURES

9.1 COMMUNICATION STRATEGY

The Municipality will develop a communication strategy in terms of which communities will be informed and educated in order to have a clear understanding of this policy; and its implementation.

Regular information dissemination through ward committees, community based organizations and face-to-face contact by means of imbizo's will undertake to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general.

9.2 CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

SCOPE OF APPLICATION & ECONOMIC PROFILE

Grants-in-aid may within the financial ability of the Municipality be allocated to account holders who receive electricity, water, sewerage or refuse removal services from the Municipality, in respect of charges payable to the Municipality for such services. Tenants should have their own municipal accounts for the services mentioned to qualify for the subsidy.

These grants for households may be allocated if an account holder can submit proof that the household has no income or a verified total gross monthly income equals to or less than the sum of 2 (two) state funded social pension grants.

Only 1 (one) application per account holder in respect of one property shall qualify for consideration. A business, body association, club or governing body shall not qualify for consideration. The subsidy will apply to the account holders only. The subsidy will not apply in respect of account holders owning more than 1 (one) property. Tenants will also be subsidized on one property rented.

9.3 APPLICATION AND AUDIT FORM

An application form for indigent household subsidy must be completed by all account holders or representatives of account holders who qualify in terms of this policy.

The account holders must apply in person except in Special Merit Cases or circumstances beyond their control. In cases where account holders are unable to apply in person due to unavoidable circumstances, an affidavit detailing the whereabouts or circumstances preventing the account holder to apply in person should be presented. A municipal official will verify the presented circumstances before the application is considered. The applicant must present the following documents upon application:

- (a) The latest municipal account;
- (b) The account holder's or representative's identity document;
- (c) Proof of income (If any) or pension card/slip (A letter from SASSA);
- (d) A sworn affidavit from the SAPS or Commissioner of Oath, if unemployed & not a pensioner;
- (e) Medical certificate or an affidavit stating circumstances preventing the account holder from making an application;
- (f) A death certificate if the account holder is deceased;
- (g) A prepaid electricity slip not older than three (3) months, if any;
- (h) And any other document that the Municipality may need to verify the status of the applicant (like Income & expenditure).

A verification form of information supplied must be completed by an official or municipal agent appointed by the Council, which is to be used to audit (verify) the information submitted by applicants. The list of indigent households shall be available at any time to the Information Trust Corporation (ITC) for the purpose of exchanging credit information.

If an application is favourably considered in the current financial year, a subsidy will be granted with no restriction to duration, except where the beneficiary's circumstances have changed to the extent that he/she no longer qualifies for the subsidy. No additional deposit will be applicable for indigent account holders.

Once the consumers have been registered as indigents, their status may be verified annually to confirm if they still qualify for the subsidy. Subsidy will be allocated within same financial year as soon as administratively possible.

Special Merit cases where special circumstances prevail must be treated individually and could amongst others include the following categories of service users:

- Deceased estates;
- Certain categories of pensioners;
- Households with funerals;
- Child headed families
- Any other case as may be deemed fit by the Revenue Manager or the Chief Financial Officer

Where more than one household share a supply of water or electricity, households may be subsidised individually, using the function on the system.

10. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

The Chief Financial Officer or Revenue Manager will be responsible to compile and administer a database for households registered in terms of this policy.

Council reserves the right to send officials or its agents to premises/households receiving relief for the purpose of conducting an on-site audit of the details supplied.

Registration for new applications will be performed throughout the financial year (July to June).

11. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

Applicants are required to sign a sworn statement to the effect that all information supplied is true and that all income from formal or informal sources is declared.

Any Person who supplies false information will be disqualified from further participation in the scheme. He/she will also be liable for the immediate repayment of all subsidies received, and subject to the institution of criminal proceedings as Council may deem fit.

The onus rests on indigent support recipients to immediately notify Council of any changes in their status.

12. SERVICES TO BE SUBSIDISED

12.1. WATER

Where the supply is metered, a subsidy of 6 (six) kilo litres of water per month will be given. Where the supply is not metered, the subsidy will be based on 6 (six) kilo litres of water per month. Where the account holder exceeds 6 (six) kilo litres of water per month, he/she will be charged for the actual consumption exceeding 6 (six) kilo litres per month at an approved tariff.

The municipal manager may approve payments to a service provider towards repairs of leakages within the property of an indigent household, when these leakages is the main cause for excessive water consumption.

12.2. ELECTRICITY

The general subsidy of 50 (fifty) units of electricity per property per month to all individual households will apply. Where the consumption exceeds 50 (fifty) units per month, the account holder will be charged for actual consumption exceeding 50 (fifty) units per month at the approved tariff. An amount as determined by the Council of the Municipality will be paid for first time electricity connection on a stand.

Account holders staying at the flats without municipal services accounts will receive free 50 units of electricity per month for their prepaid meters, if they qualify for the subsidy.

Indigent households with conventional electricity meters will have these conventional electricity meters replaced with prepaid electricity meters at Council's cost. This will ensure that the indigent households only consume the subsidy allocated.

12.3. REFUSE REMOVAL

A subsidy determined at the beginning of every financial year will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

12.4. SEWERAGE

A subsidy determined at the beginning of every financial year will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

12.5. ASSESSMENT RATES

Indigent subsidy on property rates will be given to households with property value of up to the amount determined by Council in its tariff schedule.

13. TARIFF POLICY

Section 74 (1) of The Municipal Systems Act No.32 of 2000 stipulates that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreement and which complies with the provision of the Municipal Finance Management Act No.56 of 2003 and with any other applicable legislation.

A tariff policy must reflect amongst other things the amount individual users should pay for their services in proportion to their use of that service

Poor households must have access to at least basic services through:

- Tariffs that cover only operating and maintenance costs;
- Special tariff or life line tariff for low levels of use or consumption of services or for basic levels of service;
- Any other direct or indirect method of subsidization of tariffs for poor households;

The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

14. SOURCES OF FUNDING

The amount of subsidization will be limited to the amount of the equitable share received on annual basis. This amount may vary yearly according to the new allocation for a particular financial year.

If approved as part of the tariff policy, the amount of subsidization may be increased through cross subsidization.

15. METHOD OF TRANSFERENCE AND THE VALUE OF THE SUBSIDY

No amount shall be paid to any person or body, but shall be transferred as a credit towards the approved account holder's municipal services account in respect of the property concerned.

Arrear amounts shall not qualify for any assistance on monthly basis and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

If there's a credit balance on an account of an indigent account holder after subsidy has been allocated, the credit amount will remain on the account if it was not a mistake, and no refunds will be made to indigent account holders. This credit may be used to clear a sundry account that the indigent customer may have or it will eventually be written off.

16. ARREAR ACCOUNTS

The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for further charges thereon.

The arrears on the accounts of households approved as indigent will be suspended until such time as the status of the approved account holder has changed. Interest shall not accrue on arrear amounts from the date of suspension. Total or partial arrears may be considered for write-off by Municipal Council in terms of the policy.

Special Merit cases where special circumstances prevail in terms of unblocking of electricity meters and tampering must be treated individually and could amongst others include the following categories of service users:

- Deceased estates;
- Certain categories of pensioners;
- Households having funerals;
- Child headed families
- Any other case as may be deemed fit by the Revenue Manager or the Chief Financial Officer

17. RECONNECTIONS OR UNBLOCKING OF SERVICES FOR QUALIFIED HOUSEHOLDS

If an application is approved, services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control and debt collection policy, the approved tariff may be applicable on the account including arrears, depending on the circumstances. All measures should be taken to assist indigent households when their services have been restricted. Revenue Manager and the Chief Financial Officer will monitor the water and electricity consumption of the indigent households to keep it within the subsidy allocation.

18. SERVICES IN EXTENT TO AVAILABLE FUNDING

Where restriction of consumption applies to a particular service, applicants may not refuse to be restricted in terms of Council policy. Where restrictions are not possible, the account holder will be responsible for the consumption in excess of the approved subsidy.

19. RECOMMENDATIONS AND INDIGENT COMMITTEE

Moqhaka Local Municipality resolves not to have Indigents Committee in order to speed up processing of applications. All applications that are deemed to have met all the requirements as per qualification criteria will be considered as successful and will receive the subsidy.

20. RIGHT TO APPEAL

An applicant who feels aggrieved by a decision taken in respect of his/her application may lodge an appeal with the Chief Financial Officer or the Revenue Manager of the Municipality within 30 (thirty) days from the date on which the decision was communicated to the applicant.

21. INDIGENT HOUSEHOLDS IN BODY CORPORATE AND RETIREMENT CENTERS

Indigent households living in the body corporate or Retirement Centres shall be eligible to qualify for assistance and support in terms of this policy, subject to the following rules and procedures:

21.1 The onus will be on the account holders or Trustees/Managing Agents/Chairperson of a Body Corporate (hereinafter referred to as the representative of the Body Corporate or

Retirement Centres) to apply to the Municipality, for indigent status to be granted in respect of water consumption on behalf of the owners of those units, who meet the criteria and conditions for qualification;

21.2 The onus will be on the unit owners or account holders to apply to the Municipality for indigent status to be granted in respect of Rates and related charges;

21.3 If requested, the representative of the Body Corporate or Retirement Centre will submit application to the Municipality which must be accompanied by a certified copy of the Sectional Title Plan of the Body Corporate or Retirement Centre, which indicates the participating quota for each unit, as registered in the Deeds Office;

21.4 Whether an application is considered to be successful or not, the Municipality will notify:

21.4.1 The representative or the Body Corporate or Retirement Centre of the decision regarding water consumption; and

21.4.2 The account holder or unit owner about the decision with regard to the Property Rates and other related charges;

22 CAPACITY BUILDING

The Municipality must ensure that all officials and Councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:

- Database Management;
- Demand and by-law implementation; and
- Policy and by-law implementation.

23 EXIT MECHANISMS & DEATH OF REGISTERED APPLICANT

In the event that the approved applicant passes away, the subsidy shall be stopped and the heir/s of the property should re-apply for the indigent support, provided that the stipulated criteria are met.

Should the process of verification indicate that the status of the applicant receiving the subsidy has improved or false information was provided, the subsidy shall be stopped with immediate effect. Reversal of the subsidy shall be made from the start of the financial year to the last subsidy allocation made.

24. CREDIT CONTROL AND DEBT COLLECTION POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

24.1 AIM OF THE POLICY

The Credit Control and Debt Collection Policy aims to achieve the following:

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the Municipality so that they could be given subsidies;
- To enable the Municipality to determine and identify defaulters to ensure appropriate Credit Control and Debt Collection procedures;

- To establish an indigency directory of all persons who comply with the policy.

24.2 OBLIGATION TO PAY

The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidization.

It is however important to note that the subsidy received in some of the cases, does not cover the full monthly account. In such event, the account holder is still responsible for the balance between the monthly account and the subsidy received.

Where applicable, Credit Control and Debt Collection processes must still be applied in accordance with the approved Credit Control and Debt Collection Policy.

25. STAKEHOLDERS TO THE POLICY

- (a) Councillors
- (b) Directorates
- (c) Community Members
- (d) Business Community
- (e) Provincial Treasury
- (f) National Treasury
- (g) CoGTA
- (h) SALGA
- (i) ESKOM
- (j) NERSA
- (k) DWS
- (l) DoE

26. MONITORING & EVALUATION

Chief Financial Officer as delegated by the Accounting Officer, with the assistance of the Revenue Manager shall be responsible for monitoring & evaluating the implementation of this policy. The CFO will and his delegated official shall ensure that poor and qualifying households are registered for this scheme and those households, individuals, Officials, Councillors,

Government employees, Body Corporates, Trusts, Businesses, etc that do not qualify are excluded for the register.

27. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented once approved by Council and may be reviewed annually for amendments if any.

28. For more information, please contact:

Mr Thuso Marumo : Chief Financial Officer
Tel Work : 056 216 9140/1
Email Address : cfo@moqhaka.gov.za

Mr Sammy Theletsane : Revenue Manager
Tel Work : 056 216 9158
Email Address : sammy@moqhaka.gov.za

Mr Sello Mahlatsi : Sub-Accountant Indigency
Tel Work : 056 216 9182
Email Address : sello@moqhaka.gov.za
