

**METSIMAHOLO
LOCAL
MUNICIPALITY**

INDIGENT POLICY

May 2014

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. INTRODUCTION | 3 |
| 2. PURPOSE OF THE POLICY | 4 |
| 3. POLICY PRINCIPLES | 5 |
| 4. RESPONSIBILITY / ACCOUNTABILITY | 6 |
| 5. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT | 6 |
| 6. APPLICATION AND AUDIT FORM | 7 |
| 7. DRAFTING AND MAINTENANCE OF INDIGENT REGISTER | 8 |
| 8. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION | 8 |
| 9. SERVICES TO BE SUBSIDISED | 8 |
| 10. SOURCES OF FUNDING | 10 |
| 11. METHOD OF TRANSFER AND VALUE OF THE SUBSIDY | 10 |
| 12. ARREAR ACCOUNTS | 11 |
| 13. SERVICE RESTRICTIONS | 11 |
| 14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT CONSUMERS | 12 |
| 15. REVIEW OF THIS POLICY | 12 |

1. INTRODUCTION

- 1.1 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 municipal services in terms of Section 152 (1) (b) and 153 (b) of the Constitution.
- 1.2 The Council accepts that they are responsible for rendering of services in terms of schedules 4 and 5 of the Constitution as well as other services which may be delegated by National and Provincial Government.
- 1.3 The Council will endeavour to render a basic level of services necessary to ensure an acceptable and reasonable quality of life and which takes into account health and environmental considerations.
- 1.4 In terms of Section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, as amended, a Municipal Council must adopt and implement a Tariff Policy. In terms of section 74(i) of the Act, in adopting a Tariff Policy, the Council should at least take into consideration the extent of subsidisation of tariffs for poor household consumers.
- 1.5 Arising from the above, Council needs to approve an Indigent Policy. This must provide procedures and guidelines for the subsidisation of basic services and tariff charges to its indigent household consumers.
- 1.6 An indigent policy key purpose is to ensure that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services.
- 1.7 Provided that grants are received and funds are available, the indigent policy should remain intact.

1.8 The consumer, in order to qualify as an indigent, needs to complete the necessary application form as required and agree to regulations and restrictions stipulated by Metsimaholo Local Municipality.

1.9 A consumer qualifying for indigent support will receive the following subsidies as determined annually during the preparation of the municipality's budget:

| Services | Indigent subsidy |
|--|-------------------------|
| Water | Maximum of 10 kl |
| Electricity(conventional and pre-paid) | 50 kWh |
| Refuse removal | 100% subsidised |
| Sewerage | 100% subsidised |
| Assessment Rates rebate | Up to R 50.00 maximum. |

2. PURPOSE OF THE POLICY

The purpose of the policy is:-

- a. To ensure that the provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council;
- b. To provide procedures and guidelines for the subsidisation of basic service charges to its indigent household consumers, using the Council's budgetary provisions received from Central government, according to prescribed policy guidelines.
- c. The council also to recognise that many of our residents cannot simply afford the cost of full provision and for this reason the Council will endeavour to ensure affordability through:
 - Setting of tariffs in terms of the Council Tariff Policy, which will balance economic viability of continued service delivery.

3. POLICY PRINCIPLES

The following should be the guiding principles for the Indigent Policy:

- 3.1 The indigent policy is in accordance with the Local Government: Municipal Systems Act, No 32 of 2000, as amended and other related legislation.
- 3.2 Relief will be provided by the Council to registered residential consumers of services.
- 3.3 The Council must, wherever possible, ensure that any relief is constitutional, practical, fair, equitable and justifiable to avoid alienating any group of household consumers.
- 3.4 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for services.
- 3.5 It should be based on predetermined period or financial year.
- 3.6 The Indigent Policy will prevail as long as funds are available.
- 3.7 The Council may review and amend the qualification for Indigent support.
- 3.8 The collective or joint income of all occupants on a residential stand will be taken into account. The total household income must be correctly reflected on the application form requesting indigent assistance.
- 3.9 If a person is found to be indigent, it should be registered on a database linked to the debtors system to ensure cost effective and efficient management of it.
- 3.10 The residents must formally apply on the prescribed application form for the relief and will qualify for the indigent support according to the prescribed criteria / principles laid down by Council.
- 3.11 After the application form has been completed, an effective and efficient evaluation system should be used in order to obtain the outcome within a reasonable time determined by the Council.
- 3.12 The onus is on the recipient to immediately inform the Council of any change in his /her status or personal household circumstances.
- 3.13 Disciplinary measures decided by the Council, should be imposed on people who misuse the system and provide incorrect information.

4. RESPONSIBILITY / ACCOUNTABILITY

The Council has the overall responsibility for laying down the Indigent Policy.

5. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

- 5.1 Grant-in-aid may, within the financial ability of the Municipality, be allocated to owners of premises who receive electricity (either from Council or directly from Eskom), water, sanitation, refuse removal or assessment rates services from the Municipality, in respect of charges payable to the Municipality for such services.
- 5.2 These grants may be allocated if such a person of the property concerned can submit proof or declare under oath that all occupants over 18 years of age or in a case of child headed household consumers had no income or a verified total gross income as indicated in terms of the definition below.
 - 5.2.1 **Definition of an Indigent**

If the total income of all occupants is not more than the amount determined for a indigent and less than an amount as determined by the Council from time to time. The amount is deemed to be equal to the amount received by two state old age pensioners plus R 1000.
- 5.3 Only one application per household in respect of one property only shall qualify for consideration.
- 5.4 The subsidy will apply to the owner of the property concerned.
- 5.5 The subsidy will not apply in respect of household consumers owing more than one property and who will therefore not be classified as indigent.
- 5.6 A business, school, body corporate, club or governing body shall not qualify for consideration
- 5.7 Where water consumption of an indigent consumer exceeds the limited subsidised Council may install a flow control washer.

6. APPLICANT AND AUDIT FORM

- 6.1 An application for Indigent support must be completed by all consumers who qualify in terms of this policy.
- 6.2 The account holder must apply in person and must present the following:
 - 6.2.1 The latest Municipal account in his/her possession.
 - 6.2.2 The account holders and spouses identity documents.
 - 6.2.3 Provision for child headed household consumers and property inherited must be specified.
 - 6.2.4 An application form indicating the names and identity numbers of all occupants over the age of 18 years, who reside at the property.
 - 6.2.5 Documentary proof of income or an affidavit of financial status.
 - 6.2.6 Statement of monthly income and expenditure.
 - 6.2.7 Bank statement for the past three months of applicant and spouse where applicable.
- 6.3 Application forms must be read in conjunction with the policy proposed and forms part of Council's indigent policy. All applications must be verified by an official or municipal agent appointed by Council.
- 6.4 The relevant Ward Councillor should assist during the evaluation and verification process of the application together with the relevant officials and the ward committee members appointed by Council in this regard.
- 6.5 If an application is favourably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle. The onus will rest on the approved account holders to apply for relief on an annual basis.
- 6.6 Any resident may query the qualification of a recipient in writing, within 30 days from date of publication, to the Council.

7. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 7.1 The Chief Financial Officer or his /her delegate will be responsible to compile and administer the database for household consumers registered in terms of this policy.
- 7.2 Council reserves the right to send officials or its agents to premises/ household consumers receiving a relief from time to time for the purpose of conducting an on- site audit of the details supplied.

8. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 8.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/ or informal sources, is declared.
- 8.2 Any person who supplies false information will be disqualified from further participation in the subsidy scheme. He /she will also be liable for the immediate repayment of all subsidies received, reversal of any debt written off and the institution of criminal proceedings, as Council may deem fit.
- 8.3 When an indigent consumer fails to comply with the conditions stipulated to receive the subsidy, will be dealt with in terms of the Council's uniform credit control procedures.
- 8.4 The onus also rests on the indigent support recipients to immediately notify Council of any changes in their indigence status.

9. SERVICES TO BE SUBSIDISED

9.1 Water

- 9.1.1 All registered indigents will receive a maximum of 10 kilolitres of water per month fully subsidised. A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year.
- 9.1.2 The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

9.2 **Electricity**

- 9.2.1 All registered indigents will receive 50 units of electricity per month free of charge. Un-used free electricity units will not be carried over to the next month.
- 9.2.2 Any tampering will result in the subsidisation to be withdrawn.
- 9.2.3 Where electricity is supplied by Eskom, the Council will enter into a service level agreement with Eskom to pay over the subsidy for indigents qualifying in terms of this policy.

9.3 **Refuse removal**

- 9.3.1 All registered indigents shall be fully subsidised for refuse removal as determined and provided by the Council in the annual budget from time to time.
- 9.3.2 A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year.
- 9.3.3 The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

9.4 **Sewerage**

- 9.4.1 All registered indigents shall be fully subsidised for sewerage as determined and provided by the Council in the annual budget from time to time.
- 9.4.2 A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year.
- 9.4.3 The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

9.5 Assessment Rates

- 9.5.1 All registered indigents shall be fully subsidised for the payment of property rates as determined and provided by the Council in the annual budget from time to time.
- 9.5.2 A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year.
- 9.5.3 The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

10. SOURCE OF FUNDING

- 10.1 The amount of subsidisation will be limited to the amount of the equitable share received on annual basis. The amount may be varied on a yearly basis according to the new allocation for a particular financial year.
- 10.2 If approved as part of the tariff policy the amount of subsidisation may be increased through cross subsidisation, i.e. step tariff system.

11. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

- 11.1 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.
- 11.2 Arrear amounts shall not qualify for any assistance 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.
- 11.3 Where the supply is metered, a 100% subsidy of water with a concession up to 10 kl, however if consumption exceeds per metering period (month) the consumer will be charged for actual consumption exceeding the 10 kl at normal tariffs.
- 11.4 If a customer's consumption or uses of municipal services are less than the subsidised service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.

- 11.5 The municipality may install a prepaid electricity meter where a consumer is provided with free basic electricity by the Municipality. Such a consumer must agree to the installation of a prepaid meter where one has not already been installed.

12. ARREAR ACCOUNTS

- 12.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.
- 12.2 The arrears on the accounts of household consumers, approved as indigent, will be submitted Council to be written off in full (including any interest charges). Arrear accounts will be subjected to evaluation by the Revenue Manager or the Assistant Manager before write off can be effected. The write off will be only valid as a once off exercise after the approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.
- 12.3 Exceptional cases will be referred to the Chief Financial Officer or the Municipal Manager for approval for write off.

13. RESTRICTION OF SERVICES

- 13.1 Where restriction of consumption applies to a particular service, applicants may not refuse to be restricted in terms of the Council policy.
- 13.2 Where restrictions are not possible the account holder will be responsible for the consumption in excess of the approved subsidy.
- 13.3 If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.
- 13.4 Where the electricity services have been tampered with, the meter will be removed and penalties will be payable as per the approved tariff charges.

14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT CONSUMERS

14.1 Aims of the Policy

- 14.1.1 To distinguish between those who can and cannot genuinely pay for services;
- 14.1.2 To get those who cannot pay to register with the municipality so that they could be given subsidies;
- 14.1.3 To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures; and
- 14.1.4 To establish an indigent directory of all persons who complies with the policy.

14.2 Obligation to Pay

- 14.2.1 The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidisation.
- 14.2.2 It is however important to note that the subsidy received, in the majority of cases, does not cover the full account. In such event the consumer is still responsible for the balance between the full account and the subsidy received.
- 14.2.3 Where a consumer does not qualify as an indigent debtor in terms of additional consumption, credit control procedures must be applied, in accordance with the approved credit control policy, for these outstanding amounts.

15. REVIEW OF THIS POLICY

- 15.1 In terms of section 17(3)(e) of the MFMA this must be reviewed on an annual basis and any proposed amendments tabled to Council for approval as part of the budget process.
- 15.2 The policy is valid from 1st July 2014 to 30th June 2015.