



EMFULENI
LOCAL MUNICIPALITY

Vaal River City, the Cradle of Human Rights

DRAFT POLICY AND PRINCIPLES ON INDIGENT HOUSEHOLD CONSUMER SUBSIDY

2016/2017 FINANCIAL YEAR

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PREAMBLE

WHEREAS section 96 of the Local Government:- Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended requires a municipality to adopt maintain and implement a credit control-, debt collection and customer care policy;

AND WHEREAS section 97 of the said Act prescribes what such policy must provide for,

And in terms of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003) sections 62 and 64 require the effective management of the municipality's revenue;

NOW THEREFORE the Municipal Council of the Municipality of Emfuleni adopts the policies as set out in this document.

Definitions:

“Indigent” means a poor or needy person/s, due to a number of factors, who are unable to make monetary contribution towards basic services.

“Total household income” deemed to be equal to the amount received by two state pensioners as annually approved by the South African Government as part of that year’s budget plus R2000 - for Indigent qualification

“Basic Services” means access to electricity, clean water, basic sanitation, waste removal

“Indigent household” means any household of which the members are South African citizens/ permanent residents, who due to a number of socio-economic factors are unable to make monetary contributions towards basic services

“Residential Property” for the purposes of this policy means a leased or privately owned property, containing either a single family or multifamily structure, that is available for occupation for non-business purposes.

“Subsidy” means a benefit given to indigents via grants or funds availed by the Government to households or individuals who qualifies as indigents.

“Tenant/ lodger” means registered occupant of a property owned by the Municipality or private owned property, or an individual/ family sharing the same property with the legal owner and who may or may not be related to the owner.

“Minor” means a person who has not attained the legal age of majority (18 years) and, thus, has restricted or no legal capacity to make a legal declaration or sign a contract

“Child-headed family or child-headed household” means a family in which a minor (child or adolescent) has become the head of the household

“Municipality” means Emfuleni Local Municipality

“Indigent data base” means a list and data about households that have applied and have been approved or rejected

A. INTRODUCTION

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.
2. The Council accepts that they are responsible for the 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. The Council will endeavor 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. No residents should receive any service below the minimum level of services.
3. In terms of section 74 of the Local Government Municipal Systems Act 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 subsidization of tariffs for poor household consumers. Arising from the above, Council needs to approve an indigent Support Policy. The policy must provide procedures and guidelines for the subsidization of basic services and tariff charges to its indigent household consumers.
4. Services are generally regarded as to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
5. The key purpose of an indigent subsidy policy 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.
6. Provide that grants are received and funds are available, the indigent subsidy policy should remain intact.

7. To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
8. The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Emfuleni Municipality.
9. A consumer qualifying for indigent support will receive the following subsidies as determined annually during the preparation of the municipality's budget:-

SERVICE	INDIGENT SUBSIDY
Water	Minimum of 6 Kiloliters. Additional 4 Kl is subject to affordability. Except for consumers highlighted under point I (2)
Electricity (pre-paid and conventional)	50 kWh with 20 amp connection
Sewer	100%
Refuse	100%
Assessment Rates	100%
Market related Rental – Council owned	60% of rental

B. PURPOSE OF THE POLICY

1. The purpose of the Indigent Support Policy is to ensure the following:-
 - o The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council; and
 - o To provide procedures and guidelines for the subsidization service charges to receive from Central Government, according to prescribed policy guidelines.
2. The Council also recognizes that many of the residents can simply not afford the cost of full provision and for this reason the Council will endeavor to ensure affordability through:-

- Setting tariffs in terms of the Council's Tariff Policy, which will balance the economic viability of continued service delivery; and
- Determining appropriate service levels.

C. RESPONSIBILITY/ACCOUNTABILITY

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

D. INDIGENT SUPPORT POLICY PRINCIPLES

The following should be the guiding principles in implementing the Indigent Support Policy:-

1. The Indigent Support Policy is in accordance with the Local Government Municipal System Act 2000, as amended and other related legislation.
2. Relief will be provided by the Council to registered and approved residential owners, and or tenants of which the Market Value does not exceed R150000.00 or as from time to time determine by the council in terms of section 10.2 (a) of the Municipality Property Rates Policy.
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. There should be no differentiation whatsoever of any residential consumers, except in the level of service rendered.
4. The subsidy for minimum service levels should not result in the creation of a massive bureaucratic administration that would not be cost effective to implement.
5. 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 these services.
6. It should be based on a predetermined period or financial year,

7. The Indigent Support Policy will prevail as long as funds are available.
8. The Council may review and amend the qualification criteria for indigent support
9. The collective or joint gross Income of all the occupants on a residential stand will be taken into account. The total gross household income must be correctly reflected on the application form requesting indigent support.
10. 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 indigents.
11. The residents may also 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 the Council. 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.
12. The onus is on the recipient to immediately inform the Council of any change in his/her status or personal household circumstances.
13. Disciplinary measures decided by the Council, should be imposed on people who misuse the system and provide incorrect information.

E. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

- 1 Grants-in-aid may, within the financial ability of the municipality, be allocated to owners or tenants of residential property and not exceeding the Market Value of R150,000.00 or market value as from time to time determine by the council in terms of section 10.2 (a) of the Municipality Property Rates Policy, if the applicant qualify in terms of the criteria as Indigent as stated in Section E 1 – 9.

- 1.1 Property owners or tenants who stay in a residential property whose market value is R150 000 and below, but their total household income is above the Indigent policy threshold will not qualify for Indigent subsidy

- 1.2 If a residential property value is R150 000 and below, and the household meet all other requirements in Section E, the household will automatically qualify for indigent subsidy
- 2 These grants may also be allocated to any other such a person who does not qualifying as an indigent in terms of section E (1) of this policy and who is the owner or account holder or any other occupier who is the tenant and or account holder of the property concerned that can submit proof or declare under oath that all occupants over 18 years of age or in the case of child headed household consumers had no income or a verified total gross monthly income of less than the amount indicated in terms of the definitions below.
- 2.1 The total gross income of all occupants been determined by the council from time to time. [Currently, this amount is deemed to be equal to the amount received by two state pensioners as annually approved by the South African Government as part of that year budget plus R2000.
- 2.2 Applicants who have deposits, funds or investments where the possible monthly income out of such deposits, funds or investments exceed the amount that is equal to the indigent threshold will not be considered for Indigent subsidy.
- 2.3 Any person employed by the State, Municipality or any other State Entities do not qualify for such grant if their household income is above the Household threshold limit determined by this policy.
3. Only one application per person (household consumer) in respect of one property only shall qualify for Indigent grant as set out in this policy.
4. The subsidy will apply to the owner or consumer who must be permanently occupy the property concerned. I.e. it must be his/her primary residence.
5. The subsidy will not apply in respect of household consumers owning

more than one property and who will therefore not be classified as indigent.

6. Where water consumption of an indigent consumer exceeds the limit as reflected in item A.9 the Council must install a flow control washer pre-paid water meter after the council has notified the consumer of the council intention. The consumer must within 30 days acknowledge in writing that the supply of water to the premises will be restricted by a flow control washer or that a pre-paid water meter will be installed. Failing, the council will resume with the installation of a flow control washer or that pre-paid water meter.
7. A property which is registered under a financial institution – banks, companies, government departments , N.G.Os and N.P.Os , F.B.Os ,schools, churches, Trusts will not be considered for indigent subsidy.
8. A tenant who is paying rent to the land lord/ owner of the property for financial gain, property which does not belong to Municipality will not qualify for Indigent subsidy.
9. A property which is still under bond payment to a bank or a financial institution will not be considered as the property is legally owned by the institution and can be repossessed.

F. APPLICATION AND AUDIT FORM

1. An Application form for Indigent Household Subsidy as determine in section E(2) of this policy must be completed by all consumers who may qualify in terms section E (2) of this policy.
2. The owner/account holder or any other occupier who is the tenant/account holder must apply in person and must present the following documents with the application:
 - (a) The latest Municipal account in his/her possession.
 - (b) The account holder's and spouses identity documents.
 - (c) Provision for child headed household consumers and properties inherited must be specified.

- (d) An application form indicating the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property.
 - (e) Documentary proof of Income and an affidavit by the applicant offinancial status of the applicant and all occupants residing at the property
 - (f) Statement of monthly income and expenditure.
 - (g) Bank statements of all bank accounts registered in the name of the applicant for the past three months and spouse or breadwinner where applicable or an affidavit declaration if the applicant does not have a bank
3. Application forms must be read in conjunction with the policy proposed and form part of Council's indigent policy. All applications must be verified by aduly athorized official or municipal agent appointed by Council.
 4. The relevant Ward Councillor must assist during the evaluation and verification process together with the relevant officials and local community leaders or ward committee members appointed by Council.
 5. The list of indigent household consumers can be made available at any time to the information Trust Corporation (ITC) for the purpose of exchanging credit information.
 - 5.1 The Municipality reserves the right to check the Credit Record (ITC) of applicant/s as part of indigent verification process
 6. if an application is favorably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle or any other period as approved by Council. The onus will rest on the approved account holders to apply for relief on an annual basis or any other period as approved by Council.
 7. For the purposes of transparency, on an annual basis, the following key information of the recipient's support will be made available to the public for scrutiny:-
 - * Names of household consumers receiving relief for the prescribed period:
 - * Stand number where services are rendered to the recipients; and
 - * Number of dependants residing on the property.

8. Any resident may query the qualification of a recipient in writing, within 30 days from the date of publication, to the Council.

G. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

1. The Chief Financial Officer or any other person duly delegated will be responsible to compile and administer the database for household consumers registered in terms of this policy.
2. Council reserves the right to send officials or its agents to premises/household consumers receiving relief from time to time for the purpose of conducting an onsite audit of the details supplied.
3. Officials or agents reserves the right to interview any person or individual in order to determine the indigent status of the applicant.

H. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

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.
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 subsidies received, reversal of any debt written off and the institution of criminal proceedings, as Council may deem fit.
3. When an indigent consumer fails to comply with the conditions stipulated to receive the subsidy, they will be dealt with in terms of the Council's uniform credit control procedures.
4. The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.
5. Applicants who fail to respond to request to submit any necessary supporting document/s within one (1) month after request from Municipal Officials/ Agents will be automatically rejected (30 Calendar days from date of

application).

6. Any Indigent applicant who submit an incomplete application form or FAIL TO submit required documents, his/ her application in time will not be processed and cannot lodge any complaint or charges against the Municipality.

I. SERVICES TO BE SUBSIDISED

1. Electricity

- All indigents which market value does not exceed R150,000.00 and grants approved in terms of section E (2) of this policy will receive 50 Kwh units of electricity per month free of charge. Unused free electricity units will not be carried over to the next month.
- Any meter tampering will result in the subsidization to be withdrawn.
- 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.

2. Water

- Indigents which market value does not exceed R150,000.00 market value and grants approved in terms of section E (2) of this policy will receive a minimum of 10 kiloliters (subject to affordability of water per month fully subsidized.
- In the case of un-metered services the subsidy will be equal to the flat rate tariff approved by the Council for that financial year.
- 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.

3. Refuse Removal

- All indigents which market value does not exceed R150,000.00 and grants approved in terms of section E (2) of this policy shall be

subsidized for refuse removal as determined and provided for by the Council in the annual budget from time to time.

- ⊖ 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.

4. Sewerage

- All indigents which market value does not exceed R150,000.00 and grants approved in terms of section E (2) of this policy shall be subsidized for sewerage services as determined and provided for by the Council in the annual budget from time to time.
- ⊖ 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.

5. Property Rates

- In terms of Section 10 (2)(a) of the Municipal Property Rates policy read together with Section 17 (h) of the Municipal Property Rates Act indigents shall be subsidized for property rates as determined and provided for by the Council in the annual budget from time to time.
- ⊖ 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.

6. Market Related Rental

- All registered indigents shall be subsidized to a maximum of sixty percent (60%) of the payment of site rental.
- All registered indigents shall be subsidized for the payment of site rental as determined and provided for by the council in the annual budget from time to time.

- ◊ 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 year.

J. TARIFF POLICY

1. The Local Government Municipal Systems Act 2000, as amended, 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 agreements and which complies with the provisions of the Act and with any other applicable legislation.

2. A tariff policy must reflect, amongst others, at least the following principles, namely that:-

- * The amount individual users pay for their services should generally be in proportion to their use of that service:

- * Poor household consumers must have access to at least basic services

through-

- Tariffs that cover only operating and maintenance costs;

- Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or

- Any other direct or indirect method of subsidization of tariffs for poor household consumers.

- * The extent of subsidisation of tariffs for poor household consumers and

Other categories of users should be fully disclosed.

K SOURCES OF FUNDING

1. The amount of subsidization will be limited to the amount of the equitable share received on annual basis. This amount may be varied on a annual basis according to the new allocation for a particular financial year,
2. If approved as part of the budget and tariff policy the amount of subsidization may be increased through cross subsidization, i.e. step tariff system.

L METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

1. No amount shall be paid to any person or body, but shall be transferred as a credit towards the approved indigent account holder's municipal services account in respect of the property concerned.
2. Households with 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 budget and tariff policy.
3. Where the supply is metered, a 100% subsidy of water with a concession of up to 10kl will apply (Based on affordability). If the consumption exceeds 10kl the consumer will be charged for actual consumption exceeding the 10Klcalculated at the normal approved tariffs.

Where the supply is not metered 100% subsidy on the flat rate charged.

4. The provisions of point 3 above are subject to the proviso that the consumer agrees in writing that the supply of the applicable premises may be restricted by a flow control washer.
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 electricity meter where one has not already been installed.

M. Arrear Accounts

1. The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges above the threshold.
2. Any debt must:-
 - Only be written off after all reasonable steps have been taken to recover the debt. This should be done in accordance with the municipality's credit control and debt collection policy as well as principles and policy on recoverable debt and writing off of irrecoverable debt and after the municipality has taken all steps to ensure that:-
 - Recovery of the debt would be uneconomical;
 - Recovery would cause undue hardship to the debtor or his/her dependents; and
 - It would be an advantage to the Municipality to effect a settlement of its claim or to waive the claim.
 - Be disclosed in the annual financial statements, indicating the relevant policy in terms of which the debt was written off.

3. The arrears on the accounts of household consumers, approved as indigent, will be submitted to Council to be written off in full (including any interest charged). Arrear accounts will be subjected for evaluation by a committee appointed by the accounting officer before submission to council for write off. This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.
4. In the case of arrears that accumulate after registration date and write off of outstanding balance, a report must be submitted to council on a quarterly basis for consideration to write off such arrears.

N. RESTORING SERVICES TO QUALIFIED HOUSEHOLD CONSUMERS

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 policy the approved charge or reconnection will be payable.

O. SERVICES IN EXTENT TO AVAILABLE SUBSIDY

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.

P. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLD CONSUMERS

1. The credit control 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 procedures; and
- * To establish an indigent directory of all persons who complies with the policy.

2. Obligation to Pay

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

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.

2.3 Where a consumer does not qualify as an indigent debtor in terms of additional consumption, credit procedures must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

Q. IMPLEMENTATION AND REVIEW OF THIS POLICY

1. This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.
2. In terms of section 17(3) (e) of the MFMA this policy must be reviewed on annual basis and any proposed amendments tabled to Council for approval as part of the budget process.
3. In order to ensure the effective implementation of the policy, the following should form part of the roll out of the programme:-
 - 3.1 Publishing of the registration process, in local newspapers, municipal account, flyers and posters.
 - 3.2 Communication through local and regional radio stations.
 - 3.3 Informing non-governmental organisations, community based organisations, religious organisations about criteria and programme.
 - 3.4 Role of ward councillors and committees in the registration and verification process.

3.5 Chief Financial Officer to appoint a project manager and team to drive the programme.

DISCLAIMER: The Municipality will not be held liable for any expenses arising out of the consumption of basic services by the consumer, and the Indigent subsidy will only be applicable as and when the funds are available!