



MOQHAKA LOCAL MUNICIPALITY
POLICY ON SUBSIDY SCHEME
FOR INDIGENT HOUSEHOLDS
2014/15 FINANCIAL YEAR

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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. 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.

3. 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.

4. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

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 all occupants over 18 years of age have no income or a verified total gross monthly income equals to or is less than the sum of 2 (two) times the amount of state funded social pension.

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 and who will therefore not be classified as indigent. Tenants will also be subsidized on one property rented.

APPLICATION AND AUDIT FORM

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

The account holders must apply in person (In cases where account holders are unable to personally present themselves due to unavoidable circumstances, evidence of the circumstances should be presented) and a municipal official will verify the presented circumstances before subsidy is allocated into the account. The applicant must present the following documents upon application:

- (a) The latest municipal account;
- (b) The account holder's and representative's identity document;
- (c) Names and identity numbers of all occupants/residents over the age of 18 years, who reside at the same property as the applicant;
- (d) Proof of income or pension card/slip;
- (e) A sworn affidavit must accompany every application;
- (f) Proof of any other income received by the occupants living with the applicant (e.g.) child support grant, disability grant, alimony, maintenance and more;
- (g) Medical certificate or evidence of circumstances preventing the account holder from making an application;
- (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. Households qualifying for consumer credit elsewhere will not be regarded as indigent.

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.

5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

The Manager Finance or his delegated official 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).

6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

Applicants will be required to sign and submit a sworn affidavit 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.

7. SERVICES TO BE SUBSIDISED

7.1. WATER

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

7.2. 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.

7.3. 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.

7.4. 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.

7.5. 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.

8. 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.

9. 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.

10. 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.

11. 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. Arrears may be considered for write-off in terms of the policy.

Merit cases where special circumstances prevail must be treated individually and could amongst others include the following categories according to Section 98 (2) of The Municipal Systems Act No.32 of 2000:

- Deceased estates;
- Certain categories of pensioners;
- Indigent households;
- Child headed families

12. RESTORING SERVICES TO 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. All measures should be taken to assist indigent households when their services have been restricted.

13. 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.

Arrears accumulated by indigent households may be written off by council resolution as and when the municipal council deems it fit to do so. All necessary records should be maintained for audit purposes.

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

14.1. 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.

14.2. 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 the majority of cases, does not cover the full account. In such event, the account holder is still responsible for the balance between the full 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.

IMPLEMENTATION AND REVIEW OF THIS POLICY

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