THULAMELA MUNICIPALITY

INDIGENT POLICY

2014/15
1. INTRODUCTION

The municipal Council must give priority to the basic needs of the community, promote the social and economical 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.

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

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

2. POLICY STATEMENT

The municipality recognizes its responsibility in terms of the municipal Systems Act, Act 32 of 2000, of ensuring that poor households have access to at least basic services through:

- Tariffs that cover only operation and maintenance costs; or
- Special tariffs or life line tariffs for basic levels of service; or
- Any other direct or indirect method of subsidisation of tariffs for poor households

3. PURPOSE

- To set guidelines for the identification of households that qualify as indigent;
- To set guidelines on the level of services that will be supplied to indigent households;
- To set fair threshold level and provide fair subsidy tariffs; and
- To set broad principles, resulting in the adoption of a By-Law for the implementation and enforcement of a Tariff Policy.
- To allow the municipality to plan the scale and scope or our FBS (Free Basic Services) delivery.
4. TERMS OF REFERENCE

Section 214 (1) of the Constitution of the Republic of South Africa Act 108 of 1996, stipulates inter alia the following:

*An act of parliament must provide for-*

**a) The equitable division of revenue raised nationally among the national, provincial and local spheres of government.**

Section 74 (2) (c) of the municipal System Act, Act 32 of 2000 stipulates inter alia the following:-

**b) Poor households must have access to at least basic services through-**

  i. Tariffs that cover only operation and maintenance costs,
  
  ii. Special tariffs or life line tariffs for law level of use or consumption of services; or
  
  iii. Any other direct or indirect method of subsidization of tariffs for poor households

5. DEFINITIONS

In this policy the following terms shall bear the following meanings:

- **Indigent households**-Households that are at or below the poverty thresholds level and where the household earnings are less than an amount decided by Council, and where the household receive the social grant.

- **Indigent tariff**-The tariff as determined by Council and applicable to indigent households

- **Indigent subsidy**-The allocation from the equitable share grant as determined by Council

6. DETERMINATION OF SUBSIDY

**a) An amount as determined by Council on Municipal tariffs on an annual basis will subsidize billed municipal services.**

7. RESPONSIBILITIES
7.1 The overseeing responsibility for implementation of this policy is delegated to the Municipal Manager in terms of section 59 of the Municipal System Act, Act 32 of 2000.

7.2 Council accepts that welfare is a Central government responsibility. However Local Government is willing to assist in this regard.

7.3 As the sphere of government closest to the people the role that the Thulamela Municipality can play in developing the community is acknowledged and supported.

7.4 Legislation determines that the Thulamela Municipality is responsible for the supply of services at affordable levels and tariffs to consumers and to effectively limit the accumulation of arrear debts.

7.5 The Thulamela Municipality accepts its responsibility to creatively develop ways and means to recover all arrear debts from consumers in a manner that is affordable to Council and that will ensure effective financial management.

7.6 All concessions that will be made to a portion / group of consumers will be carefully considered in order to minimize the impact of cross subsidization by other groups.

7.7 Cash flow limitations will determine the extent of concessions that will be made.

7.8 The onus to be registered as an Indigent Household lies with the individual consumer, and Council has the responsibility to communicate this policy to the consumers.

8. CRITERIA FOR IDENTIFICATION AS INDIGENT

Grants in aid may, within the financial ability of the Municipality, be allocated to owners or tenants of premises who receive electricity or refuse removal services from the Municipality, in respect of charges payable to the Municipality for such services.

The amount that is used as threshold for determining the indigent status for a household as per paragraph 5 above does not include the social grant or pension grant.

The following factors may be considered in determining whether a household qualifies as indigent:

a) The poverty threshold - For this purpose Council should, at the latest as part of the budgetary process, determine the poverty threshold that will be applicable for that particular financial year. The poverty threshold shall be based on the total income of the household applying for consideration as indigent excluding social grants.

b) A household that receive ONLY social grant as their income.

c) These grants may be allocated if a person or any other occupier of the property concerned can submit proof or declare under oath that all occupants over 18 years of age had no income or a verified total gross monthly income less than the amount decided by Council for the preceding three consecutive months.
d) Only one application per *household* in respect of one property shall qualify for consideration. The subsidy will apply to the owner or tenant of the property concerned.

9. **APPLICATION AND REGISTRATION AS INDIGENT**

a) Attached, as Annexure A, is an Application for Indigent Household subsidy, which should be completed by all consumers who qualify in terms of this policy.

b) Households that seek to be classified as indigent should complete an application form obtainable from *ward Councilors*. The form should be returned *between July and May of each municipal financial year*.

c) The relevant ward Councillor should be involved during the evaluation process and should verify the application together with the relevant officials.

d) The Revenue manager will be responsible to compile and administer the database for households registered in terms of this policy.

e) Only one application per *household* in respect of one property shall qualify for consideration.

f) Council reserves the right to send, from time to time, official or its agent to the premises/households registered as indigent for the purpose of conducting an on-site evaluation of the details supplied.

g) *The validity of indigent subsidy status is for a period of one (1) financial year.* All those indigent who do not apply for re-registration after expiry of the above period will be removed from the indigent register and will be considered as normal consumers from the month in which they were removed from the register.

10. **INDIGENT TARIFF AND SUBSIDY**

a) Council will, as part of the budgetary process, determine an indigent tariff that will be charged to indigent households to recover only bulk operational costs.

b) No amount shall be paid directly to any individual. The indigent subsidy shall be transferred as accredit against the approved indigent consumer’s municipal account.

c) The amount payable by the indigent household will be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Billed</td>
<td>XXXX</td>
</tr>
<tr>
<td>Less: Indigent subsidy</td>
<td>XXX</td>
</tr>
<tr>
<td>Amount payable</td>
<td>XXX</td>
</tr>
</tbody>
</table>
d) Should the calculation of the amount payable as per the above formula results in a negative figures, the amount of the indigent subsidy will be limited to the amount of the indigent tariff.

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

f) Council will determine the indigent subsidy from time to time based on the equitable share received from the government and the poverty threshold.

11. LEVELS OF SERVICES TO BE SUBSIDISED

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

11.1 Refuse

The same service will be rendered as to other households

The amount of the subsidy (if any) will be determined and approved as part of the tariff policy applicable for the financial year.

11.2 Electricity

- Household who qualify in terms of this policy will be provide with 5 Amp circuit breaker.
- Only the operational and maintenance cost will be recovered from consumers.

11.3 Assessment Rates and other billed services.

- Will be subsidized ass levied on the service account of the qualifying consumer limited to the annual approved subsidy amount..

12. TARIFF FOR INDIGENT

The municipal Systems Act stipulates that 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 that complies with the provisions of the Act and other applicable legislation.

A tariff policy must at least reflect the following principles:

- The amount individual consumers pay for their services should generally be in proportion to the use of that services;
Poor households must have access to at least basic services through:

- Tariffs that cover only operation and maintenance costs;
- Special tariffs or life line tariffs for basic levels of services;
- 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.

13. HANDLING OF QUALIFIED HOUSEHOLDS ACCOUNTS

13.1 Upon approval for registration as an indigent household consumer, the debtor’s outstanding balance to date of approval must be written off, and write-off will be limited to the amount owed and the excess will not be carried over.

13.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written off and must be dealt with strictly in accordance with the Municipality’s Credit Control Policy and Debt collection Policy.

13.3 The outstanding debt for the deceased whose family is indigent should be written off, after confirmation from the municipal legal service section of their status based on the value of their estate.

14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

The credit control policy aims to achieve the following:

- To distinguish between those who can and cannot pay for services;
- To get those that 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;
- To establish an indigent directory of all persons who complies with the policy.

15. CHANGE IN STATUS AND DISQUALIFICATION FOR FALSE INFORMATION

Where a consumer no longer qualifies as indigent normal tariffs will apply to him from the year in which his name was removed from the indigent register.
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 and informal sources, is declared.

Where any consumer supplied false information he/she will be disqualified from further participation in the subsidy scheme. He/she will also be liable for the immediate repayment of all subsidies received.

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

16. ROLES OF DEPARTMENTS AND COUNCILLORS

16.1 FINANCIAL DEPARTMENT

The Finance Department will have the following responsibilities:

- To register every applicant in temporary register.
- Ensure that the applicant has a service account with Council.
- Ensure that the income for the household does not exceed the amount per paragraph 5 or any amendment thereof.
- To check the completeness of the form before capturing into the system.

16.2 MUNICIPAL COUNCILLORS

- To assist consumers in completing the application forms.
- Verify indigent status and financial related answers that were given by the applicant on the application form.
- The approval of indigent subsidy will be done by the Ward Councillor.

17. FUNDING OF INDIGENT HOUSEHOLDS

All indications are that the equitable share will be used to subsidize the Indigent. The indigent is the category of people, those earning less than the set threshold, unemployed, disabled and pensioners who are unable to make any monetary contribution towards their monthly account. The Constitution of the Republic of South Africa, Act 108 of 1996 requires from Council to ensure that all residents have access to basic services. Certain basic services are being identified as a necessity. Examples are as follows:

- Access to clean water within a reasonable distance
- Basic sanitation (VIP)
• In some case limited access to electricity
• Roads with storm water drainage
• Public amenities (Including Fire Brigade Services)

18. OBLIGATION TO PAY

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.

Where applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

19. MISCONDUCT BY COUNCILLORS AND MUNICIPAL OFFICIALS

• The misconduct by the Councillors and Municipal Officials in implementing this policy will be dealt with in accordance with Municipality’s Code of Conduct and applicable laws.

20. REFERENCE TO OTHER MUNICIPAL POLICIES

a) Credit control and Debt collection policy
b) Annual Tariffs
c) Tariff Policy