

# VHEMBE DISTRICT MUNICIPALITY



## INDIGENT POLICY

# **VHEMBE DISTRICT MUNICIPALITY**

## **PRINCIPLES AND POLICY ON SUBSIDY SCHEME FOR INDIGENT HOUSEHOLDS.**

### **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 be access to clean water within a reasonable distance of one's dwelling, basic sanitation.

### **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 **subsidization** 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.

#### 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 low 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.
- **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
- **Indigent rebate**-The amount that is refundable to the indigent households

#### 6. DETERMINATION OF SUBSIDY

***a) 6 kilolitres of water per month will be free.***

***b) An amount as determined by Council on Municipal tariffs on an annual basis will subsidize other 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 Vhembe District Municipality can play in developing the community is acknowledged and supported.

7.4 Legislation determines that the Vhembe District 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 Vhembe District 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 extend 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 water, sewerage 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 i.e pension grant, disability grant etc.

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.
- b) **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
- c) 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.

- d) **Social worker's report** – This report should clearly state that the household qualifies as an indigent household and should accompany the application for consideration as indigent.
- e) **Unemployment** – The Council shall consider whether the applicants are of a working age or not .Should they be of working age the reasons for being unemployed and any other steps taken to find employment will be considered
- f) **Disqualification** – The following consumers are disqualified from being indigent:
  - Businesses, clubs and body associations;
  - Individuals owning more than one property.

## 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) Council shall nominate a person who will be responsible for assessing all applications for classification as indigent
- c) 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. **The following documents should accompany the application form:**
- d) The relevant ward Councillor should be involved during the evaluation process and should verify the application together with the relevant officials. The above forms should be read together with the policy proposed and form part of Council's indigent policy.
- e) The financial manager will be responsible to compile and administer the database for households registered in terms of this policy.
- f) The municipal manager or a delegated official shall sign the application forms as proof that all the requirement have been complied with.
- g) **Only one application per *household* in respect of one property shall qualify for consideration.**
- h) 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 conduction an on-site evaluation of the details supplied.
- i) **All indigents will have to reapply for registration by the end of last quarter of the financial year . All those indigent who do not apply for re-registration**

as indigent 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.

- j) The list of indigent households could be made available at any time to the Information trust Corporation (ITC) for the purpose of exchanging credit information.

## 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 or institution. 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:\

Amount Billed	XXXX
Less: Indigent subsidy	XXX
<b>Amount payable</b>	<b>XXX</b>

- d) Should the calculation of the amount payable as per the above formula results in a negative figure, 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 subsidization may be increased through cross subsidization.**
- 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 Water

Indigent household will be charged only for the operational and maintenance costs.

A water flow valve will be installed at each indigent household. The subsidy will be based on six (6) kilolitres of water, subject to the provision that the subsidy will only apply where the consumer agrees in writing that the supply of water to the premises concerned may be restricted by a flow control device that will be inserted in the water meter.

### 11.2 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.

### **11.3 Sewerage**

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.

### **11.4 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.

## **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 **low** levels of services;
  - Any other direct or indirect method of subsidisation of tariffs for poor households.
- The extend of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

## **13. HANDLING OF ACCOUNTS AND RESTORING SERVICES TO QUALIFIED HOUSEHOLDS**

***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 Indigent Household Policy.*

#### **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 month 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 be 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**

##### **16.1 FINANCIAL DEPARTMENT**

The Finance Department will have the following responsibilities:

- To register every applicant in temporary register.
- To assist consumers in completing the application forms.
- Verify all financial related answers that were given by the applicant on the application form;
- Ensure that the applicant has a service rendering agreement with Council.



- Ensure that the income for the household does not exceed the amount paragraph 4 or any amendment thereof.
- Ensure that the applicant's name does not appear on the credit bureau and that no false information is provided.

## **17. FUNDING OF INDIGENT HOUSEHOLDS**

All indications are that the equitable share will be used to subsidise the Indigent. The indigent is the category of people the 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. REFERENCE TO OTHER MUNICIPAL POLICIES**

- a) Credit control policy
- b) Tariff policy