

**MAKHADO  
LOCAL MUNICIPALITY**

**POLICY ON SUBSIDY SCHEME FOR INDIGENT  
HOUSEHOLDS**

**APPROVED AS PER COUNCIL RESOLUTION:"A.30.30.05.06"  
(APPLICABLE FROM 1 JULY 2006)**

**MAKHADO LOCAL MUNICIPALITY**  
**POLICY ON SUBSIDY SCHEME FOR INDIGENT HOUSEHOLDS**

Annexure A: Application for Indigent Household Subsidy

**In terms of Government Notice no 1244 of 28 November 2000 Makhado Municipality was by virtue of the authorisation a water services authority and water services provider and as such was authorised to perform water services (water supply and sanitation services) until 30 June 2003. From 1 July 2003 Vhembe District Municipality became the water services authority for the municipal area of Makhado. In this regard, Makhado may not provide any water service other than in terms of any agreement between the parties.**

**The current Service–Level Agreement between Makhado Local Municipality and Vhembe District Municipality on water and sanitation, determines that the Makhado Local Municipality will act as agent for the Vhembe District Municipality to supply such services to all residents within the municipal boundaries of Makhado Municipality. In terms of paragraph 12.1(r) of the agreement Makhado Municipality make such allocations in respect of water services to the consumer accounts of persons enrolled in the indigent register as Vhembe may determine. In this regard, water services (water supply and sanitation services) will be excluded from any arrangements made in this policy.**

**1. INTRODUCTION**

- 1.1 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.
- 1.2 Basic 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.
- 1.3 The Constitution recognises Local Government as a distinct sphere of Government 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.

- 1.4 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 is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 1.5 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 1.6 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 Makhado Municipality.

## **2. PURPOSE OF THE POLICY**

- 2.1 The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Makhado Municipality and to ensure that the same procedure be followed for each individual case.

## **3. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT**

- 3.1 Grants-in-aid may, within the financial ability of the Municipality, be allocated to owners or tenants of premises who receive electricity, refuse removal or assessment rate services from the Municipality, in respect of charges payable to the Municipality for such services.
- 3.2 These grants may be allocated if such 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 of less than the amount indicated in terms of the definitions below for the preceding three consecutive months:-

Definition of Destitute Indigent. If the total income of all occupants is not more than an amount as determined by the Council from time to time. Currently, this amount is deemed to be equal than the amount received by one state pensioner.

Definition of an indigent. If the total income of all occupants is more than the amount determined for a destitute indigent and less than an amount as determined by the Council from time to time. Currently, this amount is deemed to be equal than the amount received by two state pensioners.

- 3.3 Only one application per person (household consumer) in respect of one property only shall qualify for consideration. A business, body association, club or governing body shall not qualify for consideration.
- 3.4 The subsidy will apply to the owner or tenant of the property concerned.
- 3.5 The subsidy will not apply in respect of households owning more than one property and who will therefore not be classified as indigent.

#### **4. APPLICATION AND AUDIT FORM**

- 4.1 Attached, as Annexure A is an Application for Indigent Household Subsidy, which must be completed by all consumers who qualify in terms of this policy.
- 4.2 The account holder must apply in person and must present the following documents upon application:
- (a) The latest Municipal account in his/her possession.
  - (b) The accountholder's identity document.
  - (c) An application form indicating the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property.
  - (d) Documentary proof of income where possible.
- 4.3 All applications must be verified by an official or municipal agent appointed by Council. The relevant Ward Councillor must be involved during the evaluation process and must verify the application together with the relevant officials.
- 4.4 Application forms must be read in conjunction with the policy proposed and form part of Council's indigent policy.
- 4.5 The list of indigent households may be made 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 indigents.
- 4.6 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.

#### **5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER**

- 5.1 The Director Finance will be responsible to compile and administer the database for households registered in terms of this policy.
- 5.2 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the details supplied.

## **6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION**

- 6.1 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.
- 6.2 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, and the institution of criminal proceedings, as Council may deem fit.
- 6.3 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.

## **7. SERVICES TO BE SUBSIDISED**

### **7.1 Electricity**

- 7.1.1 A subsidy of fifty (50) units of electricity per property per month to all individual households will apply. Where the consumption exceeds fifty (50) units per month the consumer will be charged for actual consumption exceeding fifty (50) units at the approved tariff.

### **7.2 Refuse Removal**

- 7.2.1 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. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

### **7.3 Assessment Rates**

- 7.3.1 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.

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

## **8. TARIFF POLICY**

8.1 The Local Government: Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003 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.

8.2 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 households 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 subsidisation of tariffs for poor households; and
- The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

## **9 SOURCES OF FUNDING**

9.1 The amount of subsidisation will be limited to the amount of the equitable share received on annual basis. This amount may be varied on a yearly basis according to the new allocation for a particular financial year.

9.2 If approved as part of the tariff policy the amount of subsidisation may be increased through cross subsidisation, i.e. step tariff system.

9.3 The maximum amount of subsidisation will be determined as set out below: -

<b>Household Income per Month</b>	<b>Subsidy Amount</b>
R0 to one state pensioner	100%
One state pensioner to R1 100	80%
R1 101 to two state pensioners	60%

## **10 METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY**

- 10.1 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.
- 10.2 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 ARREAR ACCOUNTS**

- 11.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.
- 11.2 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. No interest continues to accrue on arrear amounts from the date of suspension and account holders must sign an acknowledgement of debt in respect of arrears so suspended. Council may from time to time resolve to write off such arrears.

## **12 RESTORING SERVICES TO QUALIFIED HOUSEHOLDS**

- 12.1 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 tariff for reconnection will be payable.

## **13 SERVICES IN EXTENT TO AVAILABLE FUNDING**

- 13.1 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.

## **14 CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS**

### **14.1 Aims of the Policy**

14.1.1 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.

## **14.2 Obligation to Pay**

14.2.1 The policy on provision of services should endeavor 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 applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

## **15 IMPLEMENTATION AND REVIEW OF THIS POLICY**

15.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

15.1 In terms of section 17(1)(e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

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