

Revised Rent Relief Policy with respect to Council owned housing stock

1. Background

On October 2003, Council approved a report for a city - wide rent relief policy for rental housing stock. In accordance with this report approval was given for indigent legally registered tenants, including pensioners, the unemployed, indigent families, with an income of less than R 1100 per month as well as households with HIV/Aids affected and infected breadwinners.

The housing stock that was considered for rent relief was in the former "own affairs" areas and excluded housing stock in terms of the former Black local Authorities areas. Rent relief was also provided to indigent cases in the public hostels.

Subsequent to the approval of the report for the rent relief policy in 2003, there have been a number of other relevant policies that have been approved by Council, including:

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- the Indigent persons policy in 2005,
 - the Revised Methodology for approval of indigency applications, writing off of arrears on such accounts and additional benefits be made available by amendments to the current policy and revised administrative process, 2004, as well as;
 - the Amendments and additions to the revised methodology for approval of indigency applications, writing off of arrears on such accounts and additional benefits be made available by amendments to the current policy and revised administrative process, 2005.

Given the impact of the aforementioned policies as well as the limited scope of the rent relief policy approved in 2003, a new rent relief policy has been developed.

1.1 Mandate:

The Human Development Strategy (HDS) of the City of Johannesburg recognises the need for fighting poverty and promoting human development, and in so doing promotes that the City must be a City for all urban residents, the poorest included.

The HDS also articulates the Joburg Triangle, Johannesburg's commitment to the poor. The objectives and potential impact of the Rent Relief policy thus contributes to the City's commitment which are:

- safeguarding and supporting poor and vulnerable households
- championing rights and opportunities for poor residents
- building prospects for social inclusion in the city

The legal environment within which the City of Johannesburg operates also makes provision for the poor in our communities to have access to basic services.

This is addressed firstly by the Constitution of the Republic of South Africa, Act 108 of 1996 in terms of sections 26 27 (1) and (2) as well as Section 152 that prescribes the object of local government.

In addition the Municipal Systems Act 32 of 2000, which provides for the determining of tariffs also provides mechanisms for assisting indigent households, with target relief.

2. Objectives of the policy

Currently indigent and targeted households that own property or have a municipal account in their name are entitled to a number of safety net measures provided by the City. These measures include the subsidisation of water and 25% on the net assessment of rates, a service subsidy to cover the monthly service charges related to sewage and refuse, and the writing off of arrears.

The objective of this policy is to offer the same benefits to indigent and targeted households that are currently renting in Council owned housing accommodation. The indigent persons or special cases policy does not cover these households as they do not receive accounts regarding rates and water directly from the City's Revenue Department. The Revenue Department currently bills the Housing Department and these charges are passed on to the households living in the Council rental accommodation. In some instances these charges are not recoverable from the households given their levels of affordability and circumstances and this impacts on the housing debtors book, and collection rates in housing.

The objective of this policy is therefore in line with the special cases and indigent policy of the City:

- To extend the applicable benefit to provide households with the first Kilo litres of free water and Kilowatts of free electricity as determined by the tariff policies of both Johannesburg Water and City Power;
- To provide a rebate on assessment rates charged to households where such households do not have the financial means to pay for such charges;
- To provide a subsidy on refuse and sanitation for households living in Council rental accommodation that do not have the financial means to pay for such services;

- To provide for the writing off of arrears once the application has been approved;
- To enhance credit control measures and systems by providing a safety net for the poor.

3. Scope of the policy

3.1 This policy targets households living in Council owned accommodation including, flats, houses, duplexes, public hostels and old age homes that are considered indigent or part of the target households identified by Council.

3.2. In calculating the rent relief that is applicable the policy considers all aspects of the rental charged:

- Interest and capital redemption costs on loan
- Service charges and rates
- Administration costs

3.3 In determining the income threshold of households to which the rent relief policy will apply, the following is applicable:

- The income threshold, which identifies potential applicants, will be determined as per the prevailing National Government social grant
- The maximum income threshold will therefore be equivalent to twice the value of the prevailing National Government social grant plus R1 per household.

4. Policy proposals

4.1 Tariffs for water and electricity

Currently households are entitled to receive free kilolitres of water and free kilowatts of electricity per month, in line with the prevailing tariffs approved by Council. Currently households in Council rental accommodation do not benefit from this tariff policy, as the Housing Department is charged directly for the consumption and because there is no individual metering in a number of the rental units.

It is proposed that when the Housing Department is charged for water and electricity consumption the City's tariff policy will apply. The Housing Department will pass on this saving to the affected households in terms of a possible reduction in rental.

Indigent households will thus inevitably also benefit from this practice.

The installation of prepaid water and electricity meters in all the rental units will be dependent on the roll-out plans of Johannesburg Waters G'cin Amanzi Project and the roll out plans of City Power.

4.2 Services subsidy – refuse and sanitation

In line with the services subsidy included in the indigent persons policy, 2005 all indigent households in Council rental housing accommodation will receive a services subsidy which will cover monthly service charges related to sewer and refuse. The amount applicable will be determined year by year and would change according to the general increase in July as approved by Council.

4.3 Rates

In Council rental units the rentals charged include an amount for rates, which is used to offset the rates that are raised on the units.

It is proposed that indigent households as per this policy living in Council rental units will be exempt from contributing to the rates account and that the rates amount charged to the Housing Department will be also be adjusted in accordance with the number of indigent households accommodated in the rental units.

4.4 Administration costs

For indigent households in Council rental accommodation it is proposed that the administrative costs will not be charged in order to make the monthly payments less burdensome.

4.5 Treatment of Arrears

In line with the approved report on 'Revised Methodology for approval of indigency applications, writing off of arrears on such accounts and additional benefits be available by amendment to the current policy and revised administrative process' it is proposed that the accrued arrears of successful applicants of this policy be written off upon approval of the applications.

4.6 Period of relief

In terms of this policy an applicant will be provided with rent relief for a period of 12 months. On the 10th month the affected household will be notified of the termination of the rent relief and will need to reapply for further rent relief.

4.7 Qualification Criteria

Households living in Council owned rental accommodation that have a maximum income threshold equivalent to twice the value of the prevailing National Government social grant plus R1 per household would qualify for rent relief in terms of this policy.

Target groups seeking assistance from Council could include:

- Pensioners
- Disabled persons
- Unemployed persons
- Persons with full time, temporary, casual or seasonal employment whose household income is below the maximum household income threshold
- Terminally ill patients
- Child headed households

In the case of the latter two target groups such applicants will be referred to the Community Development Department for further interventions.

5. Guidelines for implementation

5.1 Communication

Information on the policy will be communicated to the households living in Council owned rental unit via mail and public meetings. In addition workshops will be held with all relevant ward councillors informing them of the policy and application process.

Engagement will also be held with the relevant Council departments and Municipal Owned Entities (MOE's) to streamline the implementation process.

5.2 Institutional arrangements

A committee chaired by the Director: Housing Finance will be constituted to consider and approve applicants for rent relief.

The Regions in charge of the respective housing units will provide the supporting documentation and present and motivate the applications for rent relief.

The Regions will also be responsible to convey the decisions of the Committee to tenants and advise the Housing Debtors section accordingly on any adjustment to be made on the rental account.

5.3 Application process and forms

The income threshold used to identify potential applicants will be determined as per the prevailing National Government social grant.

All applications should include the following:

- Copy of the applicant and spouse's (where applicable) South African Identity document
- Previous account from Council
- Proof of income, or
- Sworn affidavit attesting to inability to earn an income
- Confirmation of tax status

Regions will have internal validity checks to ensure the correctness of the information being received.

In instances of terminally ill applicants and child headed households, an evaluation or assessment by Community Development will be part of the application documents.

5.4 Verification Assessment

In line with the Indigent Persons Policy, 2005, five percent of successful applicants will be subjected to a home assessment to verify information provided. As these applicants will be randomly selected, potentially all applicants will be eligible for selection.

If an applicant is found to have furnished false or materially incorrect information, Council reserves the right to:

- Immediately implement stringent credit control measures and demand the immediate payment of all arrears;
- Disqualify the applicant from applying for any benefit under this policy for a period of not less than 5 years, and
- Take any action it deems fit under the circumstances.

5.5 Exit process

The register of rent relief applicants will be made available to Non governmental organisations, community based organisations and government departments to facilitate linkages with target social development initiatives.

6. Monitoring and evaluation

The effectiveness and efficiency of the Rent Relief policy and its implementation systems will be monitored on an annual basis, and any necessary amendments must be identified and implemented to ensure that the objectives of the policy are met.