



# **INDIGENT MANAGEMENT POLICY**

1 JULY 2015 – 30 JUNE 2016

**MSUKALIGWA LOCAL MUNICIPALITY  
(MP 302)**

## **1. POLICY VISION AND STATEMENT**

### **1.1 VISION**

- 1.1.1. Access to basic services must be provided to all, including the Indigent, in terms of the South African Constitution, and
- 1.1.2. To determine the total value for free basic services in a way that it can be recovered from the available portion of the equitable share.
- 1.1.3. A true reflection of the Indigent is vitally important, and
- 1.1.4. restrict the level of utilisation of consumer services for the people who cannot afford to pay
- 1.1.5. The consumption of metered services by indigent households must be lowered to increase affordability of service charges, and
- 1.1.6. To regulate the access of consumers to free basic services and to maintain a ledger of such indigents.
- 1.1.7. Tariffs for rates and services must be made more affordable for the Indigent and
- 1.1.8. Criteria and processes for the evaluation and registration of the Indigent must be clear and transparent, therefore it is imperative that the policy be made applicable:

### **1.2. OBJECTIVE/ STATEMENT**

Because of the level of unemployment and subsequent poverty in the municipal area, there are households which are unable to pay for normal municipal services. The municipality therefore adopts this indigent management policy to ensure that these households have access to at least basic municipal services, and is guided in the formulation of this policy by national government's policy in this regard.

ii. The policy is developed within the framework of the following legislation;

The Constitution of the Republic of South Africa, Act 108 of 1996, section 152, 153 and 195

Municipal Systems Act no 32 of 2000, section 4, 5 and 6

Municipal Finance Management Act no 56 of 2003

Promotion of Administrative Justice Act no 3 of 2000

Promotion of Access to Information Act 2 of 2000

Property Rates Act no 6 of 2004

Conditions of National Equitable Share ("S" grant) earmarked for service delivery to the poor

## **2. Monitoring**

Whereas the Budget and Treasury department will keep and monitor a complete register and to evaluate all applications for indigent support, a control system linked with the demand for electricity current (circuit breaker size) must be operated and maintained, meaning that all residential consumers for whom it is possible to receive electricity current limited to and controlled by a 20 ampere circuit breaker, qualify for the free services as mentioned in this policy.

## **3. REGISTER OF INDIGENT HOUSEHOLDS**

### **3.1. Applications**

- 3.1.1. The member of a private household who is responsible for the payment of the services and/or rates account can apply for that household to be registered as indigent.
- 3.1.2. Support is also given to child-headed households for as long as the unfortunate situation exists.
- 3.1.3. Should an applicant in his/her application present any fraudulent statement he will be denied enlistment or, if he/she had already been enlisted, that person immediately be

de-registered. A consumer will also be held responsible for the refund of the benefits received at the ordinary rates for the period between when the fraudulent presentation is detected and when it arose.

**3.1.4.** Applications for indigent relief must be made on a prescribed application form.

### **3.2. Registering /Re - evaluation**

**3.2.1.** Applicants, who agree to the limited electricity supply of 20 ampere pre-paid installation, will be registered as indigents, but their average electricity consumption levels must be monitored.

**3.2.2.** If average consumption levels exceed **300** units per month, taken over a period of three months, the Department of Finance will receive such information on which the relevant officials must physically investigate and evaluate the household for qualification in accordance with the other criteria of the policy.

### **3.3. Communication**

**3.3.1.** New registrations and de-registration on the register must be communicated by Department of Finance, Engineering and Corporate Services and councillors so that

**3.3.1.1.** The concessions regarding tariffs and arrears can be initiated or cancelled on the relevant accounts.

**3.3.1.2.** The concession regarding electricity supply can be initiated or cancelled.

**3.3.1.3.** That the technical assistance can be rendered to make more affordable water consumption possible.

**3.3.1.4.** Department of Finance will registered indigents or de-registered indigents, and communicate to the consumer and ward councillor accordingly.

**3.3.1.5.** The list of approved or de-registered indigents must be submitted to Council on monthly basis.

**3.3.1.6.** Service annual budget community participation process.

**3.3.1.7** On a monthly basis, we need to involve the ward Councillors to interact with households that are defaulting.

### **3.4. Registration criteria (Financial)**

A private residential household will be registered as indigent on the following conditions:

**3.4.1** The applicant agrees to the limited supply of electricity to a 20 Ampere prepaid installation. The first application to change ampere to the lower level will be free of charge.

**3.4.2** The applicant may not own other fixed property than the one on which he/she reside as full-time occupant.

**3.4.3** Further investigation and evaluation shall follow afterwards to determine if the consumer also qualifies according the following condition, if the average electricity consumption over a period of three months exceeds 300 units per month, starting with those with higher average consumption levels.

**3.4.4** The total gross monthly income of all members of the household must not exceed the amount of R2 670 per month.

### **3.5 De-registration/ De-listment**

**3.5.1** De-registration shall follow after evaluation reveals that the consumer falls outside the above mentioned criteria. Such cases must be reported on monthly basis to Finance to change indigent status on the system.

- 3.5.2 Once a registered indigent consumer has been de-registered after evaluation, he/she will not again be considered as indigent for a period of 12 months from date of de-registration.
- 3.6 **Review of indigent status.**
  - 3.6.1 All registered indigents must be reviewed for qualification in terms of the criteria of the policy once every 12 months, which will be continuous process by the indigent section of the Department of Finance.
  - 3.6.2 Approved Indigent debtors who qualify and remain with indigent status for more than two years, balances transferred to abeyance account shall be written off after obtaining a council resolution.
- 3.7 **Capacity building**
  - 3.7.1 The municipality must ensure that all officials and councillors are appropriately capacitated to understand and implement Free Basic Services in terms of the following key areas:
    - 3.7.1.1 Database management
    - 3.7.1.2 Demand and revenue management
    - 3.7.1.3 Policy and by-laws implementation

#### 4. **TARIFFS AND SUBSIDIES AFTER REGISTRATION**

The consumption of services and service delivery are charged and subsidized at the applicable tariffs as approved by Council from time to time, limited to the amount provided in the budget for indigent subsidies.

- 4.1 **Electricity (*Basic charge*)**
  - 4.1.1 Free Basic Electricity to the maximum of 50 kWh per month, per household. The tariff to low consumption private household consumers will be applicable.
  - 4.1.2 Free basic electricity will not be carried over to a next month. (Basic charge = zero)
  - 4.1.3 Any free basic electricity for indigent consumers outside the supply area of the municipality and supplied by a different service provider at its price for 50kWh per household per month actually consumed.
  - 4.1.4 Upon the discovery and confirmation of any tampering to electricity supply equipment or electricity theft, the registration as indigent will be cancelled.
- 4.2 **Water**
  - 4.2.1 Usage is charged at the normal applicable household tariff, which already includes 6kl free water per month (for all households).
  - 4.2.2 A restriction of 15 kilolitres per month shall be applicable to registered indigents, where the restriction is exceeded for a period exceeding three consecutive months in a calendar year, a restriction metered service will be installed to limit water consumption to required levels
  - 4.2.3 Consumers will be informed of the adopted service levels and how to use a limitation system when installed.
  - 4.2.4 The supply of water by means of a tanker service communal stand pipes, or any other service where there is no reticulated distribution area, will be at no cost to the consumer and recoverable from the equitable share provision as free basic service to indigent consumers.

#### **4.3 Refuse**

- 4.3.1 Applicable tariff to normal private household consumers would apply which would include amount which comes as the indigent funding as determined by council.
- 4.3.2 The discounted rate for indigents is subjected to the indigent's electricity current limited supply to be restricted to 20 ampere.
- 4.3.3 The refuse removal rate in respect of indigents will be fully discounted.

#### **4.4 Sewerage (Basic charge)**

- 4.4.1 Applicable tariff to normal private household's consumers would apply which would include amount which comes as the indigent funding as determined by council

#### **4.4.2 Additional charge (Sewerage)**

- 4.4.2.1 Applicable tariff to normal household's consumers would apply and it is included in the total maximum subsidy

#### **4.5 Assessment Rates**

- 4.5.1 Assessment rates will be charged according to the Council-determined tariffs and subsidized to the maximum of the calculated amount applicable to the value of R30 000 of the property from valuations determined in terms of the MPRA.
- 4.5.2 The first R15 000.00 of the property value of residential households is exempted from tax.
- 4.5.3 All pensioned aged or disabled owners of residential households are entitled to apply for a further rebate in excess of the first R15 000.00 of the property value not subject to tax.

#### **4.6 Conventional Meters**

- 4.6.1 Registered indigents will get 100% rebate on assessment rates. Indigents, who qualify to receive subsidies and using conventional meters, be assisted by Council to install Pre-paid meters and be funded through the Equitable Share. 6

#### **4.7 Miscellaneous**

- 4.7.1 The level of indigent support granted shall not exceed the actual monthly billing to the account in respect of the services referred to in the preceding paragraphs.
- 4.7.2 The indigent monthly account must be credited with the amount of indigent relief.
- 4.7.3 The amount granted will be budgeted as an expenditure item under grants and subsidies paid and be recovered from the equitable share.

### **5 ARREARS DEBT AND CREDIT CONTROL**

- 5.1 A blocking of vending of pre-paid electricity is done to encourage payment of monthly current accounts. This will result in the indigent not falling into arrears even further by first paying their discounted levies every month before they can buy electricity.
- 5.2 No interest is calculated on arrear debt in respect of consumers who qualify as indigent in terms of this Policy.
- 5.3 No credit control measures will be taken against the registered indigent for as long as the discounted monthly levies are paid in full every month.
- 5.4 Restricted metered water services are installed for those indigent households who default on the payment of their current Municipal accounts.
- 5.5 Subject to the conditions specified in this policy, the normal Credit Control Policy is also applicable to the Indigent.
- 5.6 The balances on the Municipal accounts upon registration of the registered indigent be kept in abeyance so as his/her financial status betters, his accounts be re-instated.

## **6. CHILD HEADED HOUSEHOLDS**

- 6.1** Support is also given to child headed households for as long as the unfortunate situation exists. Child headed households will be treated as special cases subject to the following conditions:
  - 6.1.1** The indigent application form is completed with assistance by the appointed legal guardian.
  - 6.1.2** Must submit proof of the death of either or both parents if parents were married.
  - 6.1.3** Must be 18 years or younger
  - 6.1.4** Produce a valid document, certified copy or birth certificate.

## **7. LIMITATIONS**

- 7.1** The above free issues or discounts are based on the expected equitable share to be paid to the Council by National Treasury annually. The annual adjustment to these benefits is subjected to the increase in the equitable share.
- 7.2** The benefits are reserved for consumers who are prepared to limit their electricity current demand to 20 ampere.
- 7.3** Consumers partaking in this indigent scheme are restricted to total water consumption of 6 kilolitres and the supply to regular or constant transgressors will then be restricted by the installation of a device to limit the water flow.
- 7.4** No official or councillors may apply for indigent support.

## **8. TAMPER WITH ELECTRICITY METER**

- 8.1** When an Indigent is found tampering with electricity:
  - 8.1.1** The Indigent status will be taken away
  - 8.1.2** The Indigent's account will be debited with the amount and units owed, in order to decrease the municipality's distribution loss.

## **9. EXIT STRATEGY**

- 9.1** It is imperative to provide subsidised services to Indigent households, it is also important for the Municipality and other sphere of Government to create economic opportunities to Indigent households.
- 9.2** The Indigent household may exit from the subsidy:
  - 9.2.1** If the household income exceed the threshold (R2670.00).
  - 9.2.2** If the household employment status change.
  - 9.2.3** If the 300 units is exceeded.
  - 9.2.4** If the Indigent passes away.