

# **INDIGENT POLICY**

**FOR**



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## **DRAKENSTEIN MUNICIPALITY**

### 1. Introduction

- 1.1 This policy aims to address the key issues and challenges of indigents. The strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized, given that many of the residents can simply not afford the cost of full provision of services.

### 2. Background and concept

- 2.1 Local government in South Africa has undergone an unprecedented change. This includes socio-economic issues in the wake of socio-political reform. The Municipal Systems Act, the Municipal Structures Act, the Municipal Finance Management Act (MFMA), and other legislation created a new dispensation for local government in South Africa.
- 2.2 Increased revenue forms the base for effective service delivery, infrastructure development, and economic growth. It also contributes to poverty alleviation, the eradication of unemployment, and the redistribution of resources including economic empowerment.
- 2.3 In line with the objective of creating a vibrant and growing Municipality, the indigent policy is also aligned to the principles of Batho-Pele.

*Service delivery is one of Government's eight priorities as set out in the White Paper on the Transformation of the Public Service. To this effect, government has launched an initiative in South Africa under the banner of Batho-Pele – meaning 'People First' in Sesotho – aimed at improving the delivery of public services. Batho-Pele further aims to ensure that attitudes, systems and procedures are capable of delivering enhanced public services. Batho-Pele is also about ensuring that the resources available are used to the best possible extent, eliminating wasteful and expensive procedures and reducing unnecessary expenditure on inefficient processes and systems.*

### 3. Structure of the policy document

This policy is divided into (2) chapters, excluding the aim, background and the structure of the document. The first chapter provides an overview of the indigent policy principles. The second chapter outlines the indigent policy.

## **Chapter 1: Indigent policy principles**

### Introduction

In terms of section 74 of the Local Government Municipal Systems Act 2000, a municipal council (hereinafter referred to as the council) must adopt and implement a tariff policy. In terms of section 74(i) of the Act in adopting a tariff policy, the council should at least take into consideration the extent of subsidization of tariffs for poor households. Arising from the above, the council needs to approve an indigent support policy to provide procedures and guidelines for the subsidization of basic services and tariffs charged to its indigent households.

### Objective

The objective of the indigent support policy is to ensure the following

- the provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the council; and
- to provide procedures and guidelines for the subsidization of basic service(s) charges to its indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.

The council also recognizes that many of the residents can simply not afford the cost of full provision and for this reason the council will endeavour to ensure affordability though

- setting tariffs in terms of the councils tariff policy, which will balance the economic viability of continued service delivery; and
- determining appropriate service levels.

### Purpose of the indigent policy

The purpose of the policy is to consider the socio-economic and other conditions presently prevalent in South Africa, such as the level of unemployment and poverty. The policy aims to address this through the application of principles for services rendered to members of society who cannot afford to pay.

The council accepts that it is responsible for the rendering to services in terms of schedules 4 and 5 of the constitution as well as other services which may be delegated by national and provincial government. The council endeavours to render a basic level of service necessary to ensure an acceptable and reasonable quality of life and which takes into consideration health and environmental concerns. None of the residents should fall below the minimum level of services.

### Responsibility/accountability

- 1 Section 62 of the Municipal Finance Management Act, 2003 states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality. This officer must, for this purpose, take all reasonable steps to ensure that the municipality has and implements an indigent policy.
- 2 Should an accounting officer and his/her designate experience undue interference or influence by a municipality or councilor that prohibits the execution of his/her responsibilities with regard to this policy, he/she should report this to the relevant MEC.
- 3 In terms of section 173 of the MFMA, the accounting officer is guilty of an offence if that accounting officer contravenes or fails to comply with credit control and debt collection provisions in terms of the MFMA.
- 4 A person is liable on conviction of an offence in terms of section 173 to imprisonment for a period not exceeding five years, or to an appropriate fine determined in terms of applicable legislation.
- 5 The council has the overall responsibility for laying down the indigent support policy.

### Policy principles

The following should be the guiding principles in implementing the indigent support policy

- 1 The indigent support policy is in accordance with the Local Government Municipal System Act, 2000, and other amending or related legislation.
- 2 Relief will be provided by the council to registered residential consumers of services.
- 3 The council must, wherever possible, ensure that any relief is constitutional, practical, fair, equitable and justifiable to avoid alienating any group of households. There should be no differentiation whatsoever of any residential consumers. It should only differentiate in the level of service rendered.
- 4 The subsidy for the minimum service level should not result in a massive bureaucratic administration that would not be cost effective to implement.
- 5 Differentiation must be made between those households who cannot afford to pay for basic services and those who simply do not want to pay for these services.
- 6 The payment of services should be affordable to the indigent.
- 7 It should be based on a predetermined period or financial year.
- 8 The indigent support policy will prevail as long as funds are available.
- 9 The council may review and amend the qualification for indigent support annually and, therefore the provision of continued basic services.
- 10 The collective or joint gross income of all the households will be taken into account.
- 11 The household income must be correctly reflected on the application form requesting indigent support.
- 12 The residents must formally apply on the prescribed application forms for the relief. The application forms will be evaluated and, if successful, the resident(s) will qualify

for the indigent support according to the prescribed criteria/principles laid down by the council. An effective and efficient evaluation system is imperative to obtain the outcome within a reasonable time determined by the council.

- 13 If a person is found to be indigent, he/she should be registered on a database linked to the debtors system.
- 14 The onus is on the recipient to inform the council of any change in his/her status or personal household circumstances.
- 15 Disciplinary measures decided by the council, should be imposed on people who misuse the system and provide incorrect information.
- 16 An approved community communications programme, embodying the principles of transparency and fairness, is to be implemented in respect of the indigent support programme.
- 17 Facilitation of skills training and other education related programmes' are to be introduced to develop the indigent to become self-sufficient and thereby reduce the rate of indigence.
- 18 Work-in lieu of account payment should be considered for indigent households.
- 19 Any other principle decided by the council.

## **Chapter 2: Indigent policy**

### Definition

An indigent grant is given to owners or tenants of Municipal property (those paying rentals) who are not in a position to pay for basic services. Basic Services will include sewerage, refuse, water, electricity, rent and rates. Water and electricity are excluded for the provision of the indigent grant.

### 1 Criteria for Indigent Grant

- 1.1 Households with an income based on combined government pension grant as annually approved by council + 30%.
- 1.2 Application should be made on a prescribed form. A payment arrangement in addition to the grant should be made if account is in arrears. Application shall be made every 12 months.
- 1.3 The grant will take effect from the date of approval of the application.
- 1.4 Owners with more than one property does not qualify.
- 1.5 Proof of unemployment, All Pay pension card or salary advices must be submitted with the application.
- 1.6 The grant period is dependent on the funds available from Government.
- 1.7 The grant is given only if the tenant of municipal property or owner is staying on the premises.
- 1.8 The Equitable Share is only payable i.r.o. a current account.
- 1.9 The subsidy grant is as annually determined by Council which will be credited towards the current account during the monthly billing run.
- 1.10 Farmer's account will be credited with the amount i.r.o. free units of these farm workers houses in the cases where farm workers houses do not have electrical connection. (Application form per dwelling/unit to be completed)
- 1.11 Pensioners in old age home where the home's sewerage and refuse account will be credited with the prescribed amount as determined by Council , per pensioner (room), who qualifies, residing in the old age home after an application form and affidavit is

completed stating the number etc.

- 1.12 Individuals who make themselves guilty of any malpractices will forfeit the payment of the grant.

2. Free Electricity and Water

Each household qualifies on a monthly basis for free water up to a certain amount as determined by Council from time to time. Households also qualify for free electricity with a connection of a 20 amps, up to a certain amount as determined by Council from time to time. . That the issue of free electricity (To a maximum limit as prescribed by Council) being extended to indigent debtors, owners with property improvements less than threshold as determined by Council and qualifying pensioners irrespect of their electricity connection (amp). The unemployed indigent households qualify for and additional amount of free electricity, as determined by Council. The farm worker also qualifies for free electricity (To a maximum limit as determined by Council) on application by the farm owner. The allocation of free services may vary on an annual basis depending on tariff structures and availability of equitable share funds.

3. Rates

Property with valuation less than the threshold amount as determined by Council are exempted from payment of rates. This may also vary depending on annual tariff structure and availability of equitable share.

4. Action against malpractices

4.1 The council may refer queries to the Municipal Manager, who may take the following action

- 4.1.1 request the resident to provide full proof of his/her banking account and income details as well as proof of pension registration
- 4.1.2 direct inquiry at the recipient's residence
- 4.1.3 request a social welfare worker's report on the household; and
- 4.1.4 any other action decided by the council

4.2 If it is established that incorrect information was furnished in obtaining relief the following action(s) are to be taken

- 4.2.1 suspend or stop the relief immediately
- 4.2.2 recover the amount of relief furnished from the recipient by debiting his/her account
- 4.2.3 apply normal credit control in accordance with the council's credit control policy; and
- 4.2.4 institute a criminal charge of fraud against the recipient

5. Discretionary powers

The council has the discretionary powers to amend any clause, stipulation or tariff embodied in the indigent support policy in the interest of the parties concerned

## 6. Reporting Requirements

6.1 The Municipal Manager shall report on a monthly basis to the Executive Mayor or Executive Committee about:

- the number of household registered as indigent,
- the monetary value of the actual subsidies and rebates granted and
- the budgeted value of the subsidies and rebates concerned.

6.2 The Executive Mayor or Executive Committee must submit a quarterly report to Council

### 6.3 Assistance to Child Headed Household

The **DEFINITION** of child – headed households be included, and mentioned in the customer and credit control policy, as follow –

- “Child-headed household” means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in section 28(3) of the Constitution, i.e. a household in which:

(1) the parents of the household has died,

(2) a minor has assumed the role of care giver in respect of another minor in the household,

(3) such minors reside permanently on the property, and

(4) the situation pertaining to the household has been verified by a social worker.

Child headed households will only be approved on the following **CONDITIONS**:

- occupy the property as his/her normal residence;
- not be older than 18 years of age;
- still be a scholar or jobless
- be in receipt of a total monthly household income from all sources not exceeding an amount equal to twice the amount of two state pensions;
- The situation pertaining to the household must be verified in writing by a Registered Social Worker and Ward Councilor.
- In the case where an executor of the estate is appointed and has jurisdiction over the minor children, the executor would be required to make provision for payment of the consolidated account.
- The consolidated account may continue in the name of the deceased parent/s until the estate is transferred to the heir or heirs of the estate.

