

**MSUKALIGWA LOCAL MUNICIPALITY
(MP 302)**



INDIGENT MANAGEMENT POLICY

1 JULY 2022 – 30 JUNE 2023

1. DEFINITIONS OF TERMS

For the purpose of this policy, any word or expression to which a meaning has been assigned in the Act, shall bear the same meaning in this policy, and unless the context indicates otherwise:-

- **Act:** means the Local Government: Municipal System Act, 2000 (Act No. 32 of 2000), as amended from time to time,
- **apparatus:** includes a building, structure, pipe, pump, wire, cable, meter, machine or any fitting,
- **billing:** means proper formal notification on an account to persons liable for payment of amounts levied for assessment rates and other taxes by the municipality and the charges of the fees for municipal services and indicating the net accumulated balances of the account,
- **council:** the municipal council of the municipality of Msukaligwa Local Municipality,
- **credit control and debt collection:** means the functions relating to the collection of all money that is due and payable to the municipality,
- **customer:** means any occupier of any premises to which the municipality has agreed to supply or is actually serviced, or if there is no occupier, then the owner of the premises,
- **customer management:** means focusing on the client's needs in a respective and reciprocal relationship between persons liable for these payments and the municipality, and when applicable, a service provider, thereby limiting the need for enforcement,
- **defaulter:** means a person owing the municipality money in respect of taxes and/or municipal service charges not paid on the due date for payment,
- **engineer:** means a person in charge of the civil or electrical departments of the municipality,
- **interest:** constitutes a levy equal in legal priority to service levies and is equivalent to the prime banking rate applicable from time to time plus 5 %,
- **municipal account:** shall include levies or charges in respect of the following:
- **service and taxes:** water and electricity availability charges (on developed and vacant stands), electricity and water consumption, refuse removal, sewerage services, rates and taxes, interest, miscellaneous and sundry charges.
- **municipal manager:** means the person appointed by the Municipal Council as the Municipal Manager of the municipality in terms of section 82 of the Local Government Structures Act, 1998 (Act 117 of 1998) and includes any person acting in such position, and to whom the municipal manager has delegated a power, function or duty in respect of such delegated power, function or duty,
- rates and taxes reflected on the municipal account for which payment is required by the municipality,
- **Chief Financial Officer (CFO):** means a person appointed by the Council to manage the Council's financial,
- **occupier:** means any person who occupies any premises or part thereof, without regard to the title under which he or she occupies,
- **owner:** means
 - The person in whom the legal title to the premises is vested,
 - in case where the person in whom the legal title is vested is insolvent or dead, or is under any form or of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative,
 - in relation to a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property, or a section

- as defined in such Act, the person in whose name such section is registered under sectional title deed and includes the lawfully appointed agent of such a person,
- any legal person including but not limited to a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), Trust *inter vivos*, Trust *mortis causa*, a Closed Corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984), a Voluntary Association.
 - Any Department of State.
 - Any Council or Board established in terms of any legislation applicable to the Republic of South Africa
- **Policy document:** means the approved indigent policy of this Municipal Council, as will be amended from time to time.
 - **premises:** includes any piece of land, the external surface boundaries of which are delineated on:
 - a generally plan or diagram registered in terms of the Land Survey Act, 9 of 1927) or in terms of the Deeds Registry Act, 47 of 1937, or
 - a sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.
 - **Indigent:** includes an owner or occupier of a property who qualifies according to the conditions outlined within the Indigent policy.

1. INTRODUCTION

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 and/or funds received from central government in accordance with prescribed policy guidelines. The Indigent Support Policy is a legal imperative, a tool designed to ensure that persons and households classified as indigent have access to basic services as defined in the Constitution of the Republic of South Africa, Act No108 of 1996.

2. LEGAL FRAMEWORK

- Constitution of the Republic of South Africa ,Act No 108 of 1996
- Local Government Municipal Systems Act, Act No 32 of 2000.
- Local Government Municipal Systems Amendment Act ,2003,Act No 44 of 2003
- The Local Government Municipal Property Rates Act,2004,Act no 6 of 2004
- Framework for Municipal Indigent Policies: Towards a basket of services for the poor dated May 2007.
- Free Basic Strategy and guidelines prepared by the Department of Water Affairs and Forestry.
- Electricity Basic Support Tariff (free basic electricity) Policy prepared by the Department of Minerals and Energy.

3. POLICY BACKGROUND

3.1 The council also recognizes that many of the residents can simply not afford the cost of full provision of basic services and for this reason the council will endeavour to ensure affordability through setting tariffs in terms of the council's tariff policy, which will balance the economic viability of continued service delivery and determined appropriate service levels.

3.2 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 basic services although it will be limited to the basic needs as identified by the relevant departments.

4. POLICY PRINCIPLES

4.1 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 tariff's for poor households.

Arising from the above, the municipality needs an indigent support policy. The indigent support policy must provide procedures and guidelines for the subsidization of basic services and tariff charges to its indigent households

4.2 Provide procedures and guidelines for the subsidization of basic service(s) charges to indigent households, using the council's budgetary provisions and/or funds received from central government in accordance with prescribed policy guidelines.

4.3 Facilitate implementation of an effective program to assure free or lower cost services to those that cannot afford it, while eliminating the booking of these services as outstanding debtors.

4.4 Provide a framework to assist the Municipality in identifying those who qualify for the limited basic services and assuring that the limits are placed as needed.

5. POLICY OBJECTIVES

5.1 Provide procedures and guidelines for the subsidization of basic service(s) charges to indigent households, using the council's budgetary provisions and/or funds received from central government in accordance with prescribed policy guidelines.

5.2 Facilitate implementation of an effective program to assure free or lower cost services to those that cannot afford it, while eliminating the booking of these services as outstanding debtors.

5.3 Provide a framework to assist the Municipality in identifying those who qualify for the limited basic services and assuring that the limits are placed as needed.

6. SCOPE OF APPLICATION

This policy document shall apply to the administration of all indigent determinations and offerings as determined by the Msukaligwa Local Municipality and is directly linked to the Credit Control and Debt Collection policy, Tariff List, Tariff Policy, Budget, etc.

7. TARGETING APPROACH

7.1 The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiative and other poverty relief programs of the Msukaligwa Local Municipality. The socio-economic information and performance indicators contained in these documents will assist in guiding the basis for the targeting of indigent household.

7.2 Household income- The threshold shall be determined in terms of socio-economic analysis equaling two state pension grants per indigent household.

8. QUALIFYING CRITERIA

- 8.1 A private residential household will be registered as indigent on the following conditions:
- 8.2 **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.**
- 8.3 Applicants who own more than one fixed property are not eligible for the indigent subsidy.
- 8.4 The total gross monthly income of all members of the household must not exceed the **amount of R3 900 per month.**
- 8.5 Indigent applicants who own companies with an annual turnover exceeding R46, 800.00 will not qualify for the indigent subsidy.

9. 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.

10. REGISTER OF INDIGENT HOUSEHOLDS

10.1 Applications

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.
2. Support is also given to youth-headed households for as long as the unfortunate situation exists as per the Department of Social Services might indicate.
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.
4. Applications for indigent relief must be made on a prescribed application form.
5. No deposit should

10.2 Registering /Re - evaluation

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

10.3 Communication

1. New registrations and de-registration on the register must be communicated by Department of Finance, Engineering and Corporate Services and councillors so that
2. The concessions regarding tariffs and arrears can be initiated or cancelled on the relevant accounts.
3. The concession regarding electricity supply can be initiated or cancelled.
4. That the technical assistance can be rendered to make more affordable water consumption possible.
5. Department of Finance will register indigents or de-registered indigents, and communicate to the consumer and ward councillor accordingly.
6. The list of approved or de-registered indigents must be submitted to Council on monthly basis.
7. Service annual budget community participation process.

10.4 Registration criteria (Financial)

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

- a. 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.
- b. Applicants who own more than one fixed property are not eligible for the indigent subsidy.
- c. The total gross monthly income of all members of the household must not exceed the amount of R3 900 per month.
- d. Indigent applicants who own companies with an annual turnover exceeding R46, 800.00 will not qualify for the indigent subsidy.

10.5 Deregistration

1. Deregistration 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.
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.

a) Review of indigent status.

1. All registered indigents must be reviewed for qualification in terms of the criteria of the policy every financial year.
2. Registration shall take place in the last quarter of the financial year to be effective the following financial year.
3. Indigent debtors who qualify and remain with indigent status at the date of approval, balances transferred to abeyance account including the debt that would have accumulated until 30 June each year, shall be written off after obtaining a council approval.

10.7 Capacity building

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:

2. Database management
3. Demand and revenue management
4. Policy and by-laws implementation

11. 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.

11.1 Electricity (*Basic charge*)

- a. Free Basic Electricity to the maximum of 50 kWh per month, per household. The tariff to low consumption private household consumers will be applicable.
- b. Free basic electricity will not be carried over to a next month. (Basic charge = zero)
- c. 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.
- d. Upon the discovery and confirmation of any tampering to electricity supply equipment or electricity theft, the registration as indigent will be cancelled.
- e. Consumers are responsible for consumption exceeding the 50kwh of electricity per month.

11.2 Water

- a) Usage is charged at the normal applicable household tariff, which already includes 6kl free water per month (for all households).
- b) A restriction of **6 kilolitres** per month shall be applicable to registered indigents, where the restriction is exceeded ten (6) kilolitre of free water per month. the consumer account is in arrears the Council's credit control and debt collection policy will apply or rather after the free 6kl, consumers will be liable to pay the extra kilolitres consumed.
- c) Consumers will be informed of the adopted service levels and how to use a limitation system when installed.
- d) 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.
- e) Free basic water will not be carried over to a next month. (Basic charge = zero)
- f) Consumers are responsible for consumption exceeding the 6kls of water per month

11.3 Refuse

- a) Applicable tariff to normal private household consumers would apply which would include amount which comes as the indigent funding as determined by council.
- b) The refuse removal rate in respect of indigents will be fully discounted.

11.4 Sewer Charges

11.4.1 Sewerage (*Basic charge*)

- a) Applicable tariff to normal private household's consumers would apply which would include amount which comes as the indigent funding as determined by council
- b) Sewer basic charge in respect of indigents will be fully discounted.

11.4.2 Additional charge (Sewerage)

- a) Applicable tariff to normal household's consumers would apply and it is included in the total maximum subsidy
- b) Sewer additional charge in respect of indigents will be fully discounted.

11.5 Assessment Rates

- a) 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 **R55 000** of the property from valuations determined in terms of the MPRA.
- b) The first R15 000.00 of the property value of residential households is exempted from tax.

11.6 Conventional Meters

- a) Indigents, who qualify to receive subsidies and using conventional meters, be converted to Pre-paid meters and be funded through the Equitable Share.

11.6 Miscellaneous

- a) 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.
- b) The indigent monthly account must be credited with the amount of indigent relief.
- c) The amount granted will be budgeted as an expenditure item under grants and subsidies paid and be recovered from the equitable share.

12. ARREARS DEBT AND CREDIT CONTROL

- a) 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.
- b) No interest is calculated on arrear debt in respect of consumers who qualify as indigent in terms of this Policy.
- c) 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.
- d) Restricted metered water services are installed for those indigent households who default on the payment of their current Municipal accounts.
- e) Subject to the conditions specified in this policy, the normal Credit Control Policy is also applicable to the Indigent.

13. CHILD HEADED HOUSEHOLDS

- a) Support is also given to child headed households for as long as the unfortunate situation exists as per the Department of Social Services might indicate. Child headed households will be treated as special cases subject to the following conditions:
- b) The indigent application form is completed with assistance by the appointed legal guardian.
- c) Must submit proof of the death of either or both parents if parents were married.
- d) Must be not be older **23 years if still at school**.
- e) Produce a valid document, certified copy or birth certificate.

14. LIMITATIONS

- a) 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.
- b) The benefits are reserved for consumers who are prepared to limit their electricity current demand to **20** ampere.
- c) 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.
- d) No official or councillors may apply for indigent support.

15. TAMPER WITH ELECTRICITY METER

- a) When an Indigent is found tampering with electricity:
- b) The Indigent status will be revoked
- c) The Indigent's account will be debited with the amount and units owed, in order to decrease the municipality's distribution loss.

16. EXIT STRATEGY

- a) 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.
- b) The Indigent household may exit from the subsidy:
- c) **If the household income exceed the threshold (R3900.00).**
- d) If the household employment status change.
- e) If the Indigent consumer is deceased.
- f) Indigent applicants who own companies with an annual turnover exceeding R46,800.00 will not qualify for the indigent subsidy.

17. POLICY REVIEW

- a) This policy shall be subject to review annually.

Effective date	01 July 2022
Council resolutions no	