



**INDIGENT MANAGEMENT POLICY
2022/23**

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LESEDI DRAFT INDIGENT MANAGEMENT POLICY

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PREAMBLE

In recent municipal discourse in South Africa the term “Indigent Management Policy” has tended to refer to a policy on how chronically poor households should be dealt with in relation to the generation of municipal income.

Most commonly, these policies adopt a narrow approach to this, seeking to define indigence in terms of particular household income level, administratively identifying household falling below this level, and provide them with a subsidy to their basic services of the municipal accounts.

Our approach as Lesedi is that the term Indigent Management Policy should refer to something broader. We prefer to define it rather as the whole set of interventions that ensure that the basic needs of the poor are met, and their rights upheld while protecting resources for use by the next generation.

1. OBJECTIVE

The policy seeks to address the following:

- 2.1 The urgent need to address the high levels of poverty in Lesedi Local Municipality
- 2.2 The requirement of developmental local government that municipalities work together with local communities to find ways to meet the needs of the less fortunate and to improve their lives.
- 2.3 The Constitutional obligations to provide basic services to the poor.

The Indigent Management Policy will seek to provide support to the registered indigents by:

- Free basic municipal services

2. BACKGROUND

An indigent policy is required to ensure that constitutional obligations relating to the socioeconomic rights of all South Africans are realised.

Failure to address the needs of the poor may jeopardise growth while poverty relief may stimulate growth and competitiveness by creating a more stable environment. An indigent policy provides an opportunity to create a safety net to the poorest section of the population.

Poverty Manifestation in Lesedi

Poverty is more than a lack of income. Poverty exists when an individual's or a household's, access to income, jobs, infrastructure or services is inadequate to ensure full access to opportunities in society. The condition of poverty is caused by a combination of social, economical, spatial, environmental and political factors.

It is clear from the poverty profiles that not only is poverty a general critical problem in Lesedi, but that there is a significant number of people who are living in extreme poverty and who without Council support will be unable to afford to pay for even the most basic of services.

LEGISLATIVE BACKGROUND

The Constitution of South Africa sets out the obligation of government

Local Government: Municipal Structures Act No. 117 of 1998

Local Government: Municipal Structures Amendment Act No. 33 of 2000

Local Government: Municipal Systems Act No. 32 of 2000

Local Government Property Rates Act

Municipal Finance Management Act No. 56 of 2003

Water Services Act No. 108 of 1997

Division of Revenue Act

Local Government: Municipal Demarcation Act No 27 of 1998.

3. DEFINITIONS

'Indigents' Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be.

Any household, earning up to or less than the R4 500 qualify to be registered as indigents. Examples are pensioners, **people with disability**, unemployed, child / youth headed families. Lesedi Local Municipality will align the income level of indigent households with the predetermined income category as determined by the department of Human Settlement for ownership of RDP properties. The said amount currently is an equivalent of R4 500 per household.

"Household" refers to all adults and children living on a single property. An indigent policy will thus refer to fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account to particular households.

Indigent database refers to a database that Lesedi Local Municipality established to register and monitor all households that are categorised as per financial definition of an indigent.

"Basic municipal services" refers to a Municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public

"CFO" refers to the Chief Financial Officer of the Lesedi Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003

"Child Headed" refers to households where all members are under 18 years

"Combined household income" refers to income equivalent to or less than the highest of twice the government pension grants as prescribed by the Department of Social Development. (R4000 +12.5%= R4500)

“Consumer” refers to any occupant or owner of the premises to which the council has agreed to supply or is actually supplying municipal services, or if there is no occupier, then the owner of the premises.

“Council” refers to -

- a) a municipal council as referred to in section 157 of the Constitution
- b) Lesedi Local Municipality exercising a delegated power or carrying out an instruction, where any power in this policy has been delegated ,or sub delegated, or an instruction given as contemplated in section **59 of the Municipal Systems Act**;

“Employed” refers to a household earning an income that is or below R4 500;

“Equity” refers to health or safety or the environment.

“Municipal Manager” refers to the person appointed at Lesedi Local Municipality in terms of section 82(1)(a) or (b) of the Municipal Structures Act;

“Occupier” in relation to a property, refers to a person in actual occupation of a property, whether or not that person has a right to occupy the property;

“Pensioner” refers to a person who is 60 years of age or older with a household income of or less than R4 500

“Person with disability” refers to a household headed by a person **with disability** who has a long-term or recurring physical or mental impairment which substantially limits prospects of entry into or advancement in employment.

“Renting Pensioner” Refers to a pensioner household that rents accommodation and has an income less than twice state pension R4 500. (Proof of rental agreement to be provided with application)

“Unemployed” refers to a household who is not earning an income or household income that is or below R4 500;

“Youth Headed” refers to a household where all members are between 18 and 35 years of age.

4. QUALIFICATION CRITERIA

The criteria for the approval and registration as indigent household are as follows:

- 4.1 The applicant and beneficiaries must be South African citizens.
- 4.2 The applicant, must be –
- 4.2.1 The registered owner of the property; or
 - 4.2.2 An occupier of a child-headed household where the property is registered in the name of the deceased parent or deceased parents; or
 - 4.2.3 The party to whom the property is awarded in the event of a divorce; or
 - 4.2.4 Where a deceased estate has not been wound up a letter of authority / executorship is needed;
 - 4.2.5 In the case of a deceased estate, in whose name the property is registered, any heir to whom the registered property has been bequeathed; or
 - 4.2.5.1 A surviving spouse, where the surviving spouse was married in community of property / registered customary to the deceased, and where the property is registered in both spouses' name and the surviving is the sole heir; or
 - 4.2.5.2 A surviving spouse, who was married in community of property / registered customary to the deceased, together with any other heirs, if any, where the property is registered in the name of that deceased;
 - 4.2.5.3 The property must be registered into the new owners name within a year, after approval date of indigence; and
 - 4.2.5.4 A **renting** pensioner who rents an accommodation in a municipal property and has a household income of R4 500 or less (proof of rental agreement to be provided).
 - 4.2.6 An occupier who falls under merit cases as described in section 16 of this policy.**
 - 4.2.7 The total household income of the property may not exceed R4 500;
 - 4.2.8 The applicant must be in possession of a valid South African identity document.
 - 4.2.9 The vacant land where there is no full time occupant does not qualify for the subsidy.
 - 4.2.10 The applicant must not own more than one (1) property and must resides in the property;
- 4.3 Business or industrial, **government, Non-Profit Organisation (NPO), farming properties** and place of worship properties do not qualify as indigents.

5. SCOPE OF THE POLICY

The policy covers a wide range of indigent benefits such as:

- 5.1. Allocating a subsidy on the municipal account by giving a credit which equivalent to the total basic charges:
 - 5.1.1. Basic water
 - 5.1.2. Basic sewer
 - 5.1.3. Basic electricity
 - 5.1.4. Refuse removal
- 5.2. Free 6kl of water services of the qualifying households
- 5.3. Free 50 kwh of electricity services of the qualifying households

6. CHALLENGES

- 6.1. Household income alone is not an adequate indicator of poverty.
- 6.2. To make an accurate assessment of the true situation in any household is difficult.
- 6.3. The number of households who might legitimately be termed 'indigent' or too poor to afford minimum acceptable level of municipal services is huge.
- 6.4. The households are changing constantly (**addition of family members / employed**).
- 6.5. Conditions of poverty are too complex to allow for a single indicator to define the target group of indigent support.

NB: In light of the above challenges, the municipality is required to do system verification and conduct physical verification for all indigent applications.

7. RATIONALE FOR AN INDIGENT POLICY

- 7.1. The assurance of a basic human right as a progressive democracy.
- 7.2. To create a centralised mechanism to address poverty in a systematic way.
- 7.3. To enable Lesedi Local Municipality to efficiently support the provision of basic services to the poor.

7.4. To enable Lesedi Local Municipality to restore the rule of law in its jurisdiction by establishing universal acceptance of a need to meet the obligations of payment of services.

8. INDIGENT POLICY PRINCIPLES

8.1. Equity

8.1.1. This implies that all people in a similar position should be treated similarly / **equally**.

8.1.2. The municipality must differentiate fairly between those in different circumstances, and treat them appropriately according to their different circumstances.

8.2. Sustainability

8.2.1. The policy must be financially and environmentally sustainable. This assumes a judicious long term approach to the use of resources in Finance sections (**Income and Credit Control**)

8.3. Reasonable choices

8.3.1. The policy shall enable all households, including indigent households, to take responsibility and make choices wherever possible that best suit their circumstances.

8.4. Inclusivity

8.4.1. Income and Indigent Management Policy for poor Lesedi residents must be integrated seamlessly with income policy for all other citizens. As households' circumstances change, they should be able to shift relatively easily across the continuum of choices.

8.5. Implementable

8.5.1. The Indigent Management Policy must be administratively practical and implementable. Finance shall play a key role to implement the policy.

9. OPERATIONAL PRINCIPLES

This section outlines a set of critical 'operational principles' which outlines many different aspects of the policy.

- 9.1. Implement convenient mechanisms to enable poor household to control consumption.
- 9.2. Early responses to problems are required in managing indigent households
- 9.3. Current consumption provides a good basis for establishing arrangements to pay off older arrears
- 9.4. The management of indigent households should not be fragmented amongst services
- 9.5. The role of electricity **and water** department is crucial in the long term management of indigent households
- 9.6. The sharing of responsibility between Finance, Electricity, **Water** and Community Services must be well designed.
- 9.7. Measures must be taken to ensure the reliability of the information submitted by the applicant.
- 9.8. The issue of poor postage delivery in indigent areas must be **improved**.
- 9.9. Legal processes (**debt management**) should be instituted against households through formal legal system only when other mechanisms have been exhausted and only if it is economically viable.
- 9.10. Updated and ongoing communication is crucial
- 9.11. Processes must be established to realise continuous improvement in the management of indigent households.

10. INDIGENT SUPPORT CRITERIA

- 10.1. That the combined gross income of a household for qualification as an indigent be determined as equal or less than R4 500 per month excluding: Child support, foster care and disability grants;
- 10.2. That residents wishing to apply as indigent should do so at Lesedi Finance Department for verification and capturing

- 10.3. That all application forms be captured into the electronic Indigents database and site inspections be conducted for further verification;
- 10.4. That a subsidy be credited on the account for one year for employed / unemployed, pensioners, child headed family and **person with disability**– that approved indigents be subsidised according to:

10.4.1. **Indigent relief: Water**

- Consumer may receive their first 6 kl, or as determined by Council from time to time of consumption on a zero based tariff.
- A basic charge will be levied and be offset
- Where six (06) kilolitres of water is exceeded, the approved municipal tariffs will be levied on the excess portion and Council's Credit Control and Debt Collection Policy will be applied in case of non-payment.
- The supply of water by means of a tanker service, communal stand pipes, or any other service where the settlement is not reticulated, will be at no cost to the consumer.
- The Infrastructure Department is authorised to make water available to informal communities through the use of the standpipes that are approximately 200 meters away from any informal dwelling. Water supplied through these standpipes is free of charge.
- As and when such standpipes are installed to supply water to an informal community, all the illegal connections to such communities will be removed immediately after the standpipes have been installed.
- If it is found that illegal connections are made to these standpipes and not reported to the Council, the standpipe connection will be disconnected and removed.
- The provision of a free standpipe and water will be strictly limited to supplying people who are living in informal communities. Where an informal community is located on privately owned land, the consent of the private land owner may be sought before such a service can be provided. Such consent may not be unduly with-held.

10.4.2. **Indigent relief: Electricity**

- Consumer will receive a free supply of 50 kWh per month in case where a low voltage meter has been installed
- The Municipal Manager will grant authority that a pre-payment meter may be installed in those properties where the registered owners **or occupiers are approved indigents so** that the debtor cannot consume electricity beyond such debtor's means.
- All pre-payment meters are installed at the rate as indicated in the Tariff Policy.
- A basic charge will be levied and be offset.
- The current electricity supply will be limited to a 60 ampere circuit breaker.
- The necessary activating number (pre-paid token) to the value of 50 kWh can be obtained from any municipal pay-point once per month.
- Any unclaimed tokens cannot be carried forward to the following month.
- Prepaid electricity in excess of 50 kWh will be purchased at the applicable electricity tariff.
- For conventional consumers the value of 50 kWh of electricity will be credited to their monthly consumer account.
- The Infrastructure Department is not authorised to provide electricity reticulation to informal settlements. Backlogs in informal settlements are addressed through establishment of formalised settlements with services and relocation of families from informal settlements to formalised stands.

10.4.3. **Indigent relief: Refuse**

- All registered indigent debtors will be levied with a refuse removal service and be offset.

10.4.4. **Indigent relief: Sewerage**

- A basic charge will be levied and be offset against equitable share.
- No volume based sewage disposal charge is raised for **consumers** with access to the municipal waterborne sewage disposal reticulation system for the first 6 kl of water per month.

- For customers living beyond the urban or waterborne edge, where a Municipal waterborne sewerage system is not available, the minimum level of basic sanitation service is a urine diversion toilet which is provided at no cost to the householder but is required to be maintained by the householder.
- In certain areas, households were provided with a VIP toilet by the previous local authority responsible for service provision in that area. These toilets are acceptable as a basic level of sanitation but, over time, will be replaced by a urine diversion type toilet. In the meantime VIP type toilets will be emptied once in a 5 year period at no cost to the householder.
- Informal communities are served by communal toilet blocks which are both provided and serviced at no cost to the community.
- Where an informal community is located on privately owned land, the consent of the private land owner may be sought before such a service can be provided. Such consent may not be unduly with-held.

10.5. Assessment rates

- Registered indigents will receive a rebate on assessment rates in line with the Rates Policy.

10.6. Interest relief

- Registered indigents will receive 100% rebate on interest for accounts in arrears.

10.7. That the indigents reapply for assistance and the Finance Department should perform a re-evaluation/ reassessment of an Indigent applicant during the ninth (9th) month of indigence.

10.8. That the municipality should investigate possible ways of creating and encouraging Exit programs for indigents. This clause excludes pensioners, person with disability and child headed families.

10.9. That Indigents be compelled to inform Council about any change of their indigence status compelling them sign a penalty clause i.e. services will be discontinued until arrears are paid in full.

10.10. That application forms in respect of approved indigents be submitted to the Finance department for capturing within fourteen (14) days of approval thereof.

10.11. That all outstanding balances up to the date of approval is written off on the Municipal Financial System. The debt will be written off irrespective of the number

of times it was written off.

- 10.12. That in an event an indigent household sell the property; all outstanding balances written off will be reversed back into the account and clearance certificate will be issued in line with Section 118 of Municipal Systems Act, **2000 (Act 32 of 2000)** and Par 7.7 of Municipal Credit Control and Debt Collection Policy.
- 10.13. That credit control measures be implemented to indigents who fail to pay for services consumed over and above the subsidised amount or excess portion (refer to paragraph 6 of the Municipal Credit Control and Debt Collection policy)
- 10.14. That no legal eviction should be instituted / conducted against indigents who are lessees of the municipality. However in an event where there is crime committed by the applicant, credit control will apply and the applicant will no longer receive the benefit.
- 10.15. That expired indigents will automatically no longer receive indigent subsidy.
- 10.16. That any conditions affecting indigents should be brought to their attention in the official language of their preference by the Finance department.
- 10.17. That the assessment of indigent applicant include lifestyle audit and ownership of luxurious items e.g. Motor car, **DSTV** etc.
- 10.18. Where tampering is discovered, all benefits will immediately be suspended. A **penalty** according to the Credit Control and tariff Policy (tariff schedule) will be imposed. The service will be terminated and will only be re-installed on the payment of the full amount of the reconnection, **meter** and **penalty** fee (refer to paragraph 6 and 13 of the Municipal Credit Control and Debt Collection Policy and paragraph 19 of the Municipal Tariff Policy as well as the Schedule of Rates and Tariff under replacement fees).
- 10.19. Once the applicant qualifies for indigent, the municipality will immediately change conventional electricity to pre-paid at the cost of the municipality subject to availability of budget. **A notice will be issued in this regard.**
- 10.20. Water leaks beyond the meter in the yards of the indigents will be fixed by the Municipality subject to availability of budget.

11. SUPPORT FOR WATER LEAKS

Should an indigent consumer's internal water system develop a water leak and which is confirmed by all of the following criteria:

- (a) The consumption according to the meter readings actually increased substantially from the normal average consumption; and
- (b) That the actual consumption after the water leak had been repaired, returned to the normal average consumption; and
- (c) Confirmation in writing by the Infrastructure Department, based on their technical opinion that a water leak exists or did exist.

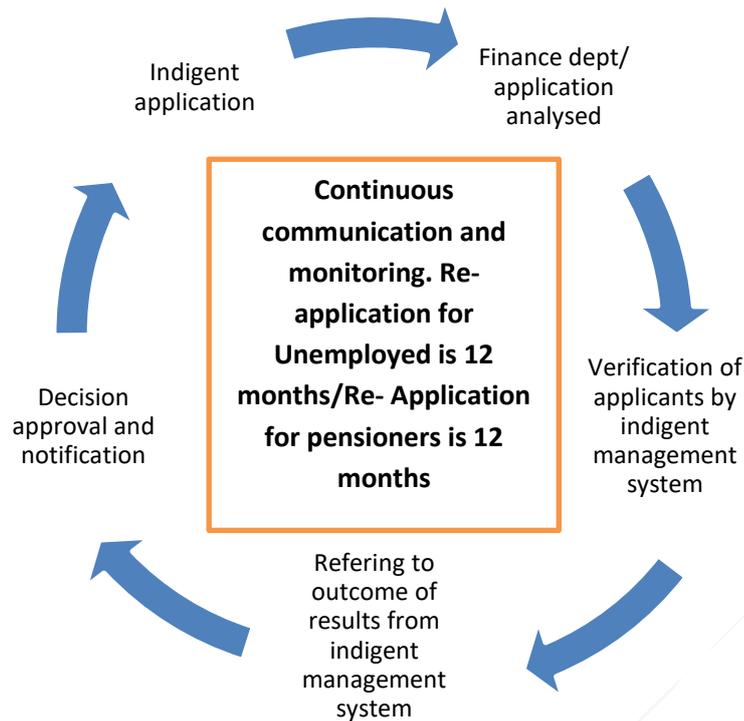
Then the indigent account can be credited with the amount levied on the account which exceeds the normal average consumption.

Subject to availability of budget, the municipality will repair internal leaks to indigent households.

12. REQUIRED DOCUMENTS FOR REGISTRATION:

- Proof of gross income: This must not exceed R4 500 per household per month.
- Ownership status / proof of residence: The applicant must be a registered owner of the property or proof of account liability in case a child headed household where the property is registered in the name of the deceased parent/s or **renting** pensioner where a pensioner rents an accommodation (municipal property)
- Letter of authority where the property is registered in the name of the deceased.
- Valid copy of the applicant identity and of all household occupants.
- Pension certificate or card in case of a pensioner.
- Municipal account.
- Three (3) months bank statement (employed).
- Affidavit
- Duly completed application form.

13. PROCEDURES AND PROCESSES FOR IMPLEMENTATION



This whole process is to be completed within 3 months from date of application

14. RESPONSIBILITY OF REGISTERED INDIGENT HOUSEHOLDS

In order to ensure the success of the indigent's assistance, the following should be observed by registered indigents:

- The registered indigent household must be willing to accept the installation of pre-paid electricity and water meters by the municipality. Refusal to accept the installation of the pre-paid meter will result in the debt being re-instated and the indigency status being revoked.
- The registered indigent household must be willing to accept technical assistance offered by the municipality to make his / her current monthly consumption of services affordable through limiting services.
- The registered indigent household must report all water leakages to the municipality.
- The registered indigent household is responsible and obliged to pay for the excess portion of the bill over and above the subsidy provided by the municipality. Account not settled on monthly basis will be subject to credit control measures that might affect the free issue.

- Should the economic status of the registered indigent household change, the onus is on the household to inform the municipality immediately.

15. RESPONSIBILITIES OF CREDIT CONTROL SECTION

It shall be the responsibility of credit control to:

- 15.1. Create, maintain and update a register of all debtors receiving indigent support subsidies from the Municipality in terms of this Policy;
- 15.2. Reflect the indigent status of debtors in the accounting records of the Municipality;
- 15.3. Quarterly check deceased status and economically active accounts;
- 15.4. Advise and keep indigent debtors informed of the approval, amendment, suspension or withdrawal of an application for indigent support in terms of this Policy, and the conditions under which such support will be granted, including the renewal of indigent support applications;
- 15.5. Notify indigent debtors 90 days before the expiry date;
- 15.6. Report any incidents of misuse of the Municipality's Indigent Support Programme to Council.

16. DISCRETIONARY OF MUNICIPAL MANAGER

- 16.1 Approve special merit cases where special circumstances prevail and must be treated individually and could amongst others include the following;
 - 16.1.1 Deceased estate and also where there is no letter of authority
 - 16.1.2 Legal guardian not owning the property
 - 16.1.3 Unemployed persons not owning the property
 - 16.1.4 Applicant previously registered a company or corporative and it is no longer or never operated and provide 3 month bank statement,
 - 16.1.5 Any other cases not mentioned above which can be regarded as merit cases due to circumstances.
 - 16.1.6 All merit cases should involve Ward Councillors and Social Services to ensure that merit cases are valid.**

17. APPROVAL OF INDIGENTS

All applications will be verified and approved by Finance Department.

18. THE RESPONSIBILITY OF COUNCIL

The report of approved indigent list will be submitted to council for noting once per quarter

19. OBLIGATION TO PAY

The consumer (indigent) is liable for the consumers' account over and above the mentioned subsidies and the credit control measures will be implemented on the excess amounts (refer to paragraph 6 of the Municipal Credit Control and Debt Collection Policy)

20. APPLICATION FORMS

The attached application form should be used for application and processing of all indigent applications for municipal rebates / **indigent relief** (See Appendix A), Indigent acknowledgement letter (See Appendix B), Indigent status application outcome: approved (see Appendix C) and indigent status application outcome: declined (see Appendix D). Indigent site inspection form (Appendix E)

21. RE – APPLICATION FOR CONCESSION

The re-application for concession will be applied with the following intervals during which each category of applicant may apply for an extension of the concession is recommended.

- Child /Youth Headed families : once in twelve (12) months
- Pensioner : once in twelve (12) months, affidavits not new application
- Disabled : once in twelve (12) months, affidavits not new application
- Unemployed : once in twelve (12) months,
- Employed : once in twelve (12) months,
- Special Pensioner : once in twelve (12) months.

22. CONCLUSION

For Lesedi Local Municipality it is a priority to ensure that the poor receive affordable basic services. However, this task is made more complex by the large proportion of the population who are potential beneficiaries of the indigent programme.

To advocate the policy and the initiative, Finance will engage Ward Councillors and Ward Committees and ensure community participation. Newspaper adverts in the local media and the Indigent's brochure will also be used to invite indigent's applications.

23. REVIEW OF POLICY

This policy shall be reviewed annually during March of the year preceding the new budget commencing on 01 July and be amended, if necessary.

APPENDIX A: Application Form for Indigent Household Subsidy

APPENDIX B: Indigent acknowledgement letter

APPENDIX C: Indigent status application outcome: approved

APPENDIX D: Indigent status application outcome: declined

APPENDIX E: Indigent site inspection form

RESOLUTION NO.: LC.MC