



**ABAQULUSI MUNICIPALITY**

**INDIGENT POLICY**

**2018/2019**

## 2. DEFINITIONS

In this framework, unless the context indicates otherwise –

(a) clause headings are for convenience only and will not be used in its interpretation, and the following expressions bear the meanings assigned to them and similar expressions bear corresponding meanings:

**‘basic municipal services’** means a municipal service that is necessary to ensure an acceptable and reasonable quality of life that if not provided, would endanger public health or safety or the environment. For the purposes of this framework “Basic Municipal Services” refers to the following services rendered and subsidized by municipality: water and sanitation, electricity/ alternative energy and refuse removal.

**‘child headed households’** means households headed by a person under the age of 21 years but with all other requirements for an indigent household as stated in this document.

**‘Consumer’** means any occupier of premises to which the Council has agreed to provide or is actually providing any municipal service, or if there is no occupier, the owner of the premises concerned.

**‘Free Basic Alternative Energy’** means any other form of basic energy excluding electricity and solar home systems deemed necessary to support the basic energy needs of an indigent household as determined from time to time and funded by the government.

**‘Household’** - refers to a house and its occupants regarded as a unit or the people in a family or other group that are living together in one house, including biological/foster/adopted children.

**‘indigent’** means any household or category of households, including a child headed household, earning less than a combined gross income, as determined by the municipality during the compilation of annual budget in terms of a social and economic analysis of its area, as vested in the municipal policy, which qualifies for rebates or remissions, support or a services subsidy, provided that child support grant is not included when calculating such household income;

**indigent register’** means the municipal list of indigent customers as per the municipal policy, which has to be updated on a monthly basis, designed to contain all the data contained within completed indigent application forms.

**‘municipal tariff’** means a tariff for a service which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff.

**'occupier'** means any person who occupies any premises or part thereof, without regard to the title under which he or she so occupies.

**'poor household'** refers to a house and its occupants regarded as a unit or the people in a family or other group that are living together in one house but cannot afford to sustain or afford basic services for themselves, including biological/foster/adopted children.

**'property owner'** means a person in whose name property is registered/ the holder of a title deed.

**'representative'** means the Board of Trustees/Managing Agents of retirement centres and old age homes

**'restricted service levels'** - refers to metering and billing system that restricts the household's consumption of free basic service to the predetermined level allocated to a particular household.

### **3. LEGISLATIVE FRAMEWORK**

This framework is designed and implemented within the contexts, but not limited to other prescripts:

- (a) the Constitution of the Republic of South Africa, 1996;
- (b) the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- (c) the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- (d) the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000);
- (e) the Property Rates Act, 2004 (Act No. 6 of 2004);
- (f) the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- (g) the Local Government: Municipal Structures Act 2000, (Act No. of 2000);
- (h) the Local Government Municipal Systems Act 2003 (Act No. 32 of 2003);
- (i) the Free Basic Alternative Energy Policy 2007;
- (j) the Free Basic Electricity Policy 2003;
- (k) the Free Basic Water Implementation Guideline for Local Authorities 2002;
- (l) the Free Basic Water Implementation Strategy 2007: Consolidating and Maintaining;
- (m) the National Policy for the Provision of Basic Refuse Removal Services to Indigent Households 2011;

(n) the Local Government Equitable Share Municipal Demonstration Spreadsheet for 5 year (2013/14 to 2017/18 financial year).

#### 4. APPLICATION

The framework covers all rural and urban areas under the jurisdiction of district and local municipalities in KwaZulu-Natal, where members of indigent have been identified and registered.

#### 5. PURPOSE

The purpose of this framework is to ensure that:

- (a) the equitable share for indigent budget allocation benefits the poor households to improve their social, economic and development conditions.
- (b) there is proper and consistent indigent management by all municipalities within KZN province.
- (c) there is proper accountability on the use of Indigent Budget Allocation.
- (d) the indigent policy of the municipality has fraud prevention measures to ensure that only qualifying households benefits from Free Basic Services allocation.
- (e) free basic services are provided to the community in a sustainable manner within the financial and administrative capacity of the Council.
- (f) free basic services are financially stabilised through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation.
- (g) a framework for the identification, verification and management of indigent households is established including a socio-economic analysis and the indigent exit strategy.
- (h) procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households are provided.
- (i) co-operative governance with other spheres of government is achieved, and
- (j) the institutional and financial capacity of the municipality to implement the policy is enhanced

#### 6. QUALIFYING CRITERIA

Subsidies apply to households and not individuals. For a household to qualify as indigent, a household must comply with the following requirements:

- (a) The applicant must be a resident of the **AbaQulusi municipality**;
- (b) The applicant must be eighteen (18) years of age and above;
- (c) The total joint gross income of all occupants or dependents in a single household must be less than or equal to two (2) state pension grant income;

(d) The applicant must be the owner or tenant who receives municipal services and is registered as an account holder on the municipal financial system. This does not apply to households in informal settlements where no accounts are rendered;

(e) The applicant must be the resident of a single property (stand) and applicants with one property registered under their names will be considered. In the event of recognised polygamous customary marriages the applicant should provide property registration documents (title deed/lease agreement) for each property;

(f) All households that are child headed, even if they are below eighteen (18) years of age, are eligible to apply for the indigent support;

(g) All households applying for Free Basic Electricity must have electricity connected to the household;

(h) All Households with no electricity connection utilizing alternative energy; and

(i) All households applying for Free Basic Water and Sanitation must have water supply and waterborne systems connected to their household

## **7. APPLICATION PROCEDURE**

(1)(a) Registration must be undertaken three months before the beginning of each financial year.

(b) The onus for applying for indigent subsidy, in terms of this framework, rests with the consumer who has low income and cannot afford to pay the full municipal tariff for services received.

(c) The onus of ensuring that indigent budget allocation is spent on indigent households rests with the municipality who has the responsibility to identify indigent households, provide and maintain services, and implement an indigent exit strategy.

(d) An indigent application must be done on a specific council application form obtainable from service centres designated at their respective areas.

(e) The programme officers must provide the applicant with a reference number during application and verification phases.

(f) The following documentary proof has to accompany the indigent application form:

- (i) Applicant's identity document;
- (ii) The applicant biological/foster/adopted children's identity documents;
- (iii) Proof of residence;
- (iv) Proof of ownership or Lease of the premises where the applicant is not yet connected to electricity, or water, or sewer;

- (v) Proof of connection to electricity, or water or sewer latest municipal or Eskom account
- (vi) Documentary proof of total monthly income of the household;
- (vii) In addition, a recommendation by a Ward Councillor or local traditional council (Induna/Secretary/Inkosi) detailing qualifying reasons;
- (viii) Bank Statement where applicable;
- (ix) Copy of a certified Government grant card (state pensioners, disability, foster etc.)
- (x) A sworn affidavit to the effect that all information supplied is true and that income from all sources has been declared; and
- (xi) In addition, a recommendation by a Ward Councillor or local traditional council (Induna/Secretary/Inkosi) detailing qualifying reasons.
- (xii) A sworn affidavit to the effect that the applicant is indeed the occupant of the house.

(g) Programme officers must visit the applicant's household to verify the correctness of the information provided on the application form, which may include verification of unemployment status of household members including that of biological/foster/adopted children with Trans-union, South African Revenue Services, Compu-Scan (verification of people in the employ of the State); residential addresses of household members including that of biological/foster/adopted children with Home Affairs

(h) The Accounting Officer must, on recommendations by the Chief Financial Officer approve or disapprove the submitted application forms and also approve the list of identified indigent beneficiaries and determine the subsidy amount granted as per the indigent policy.

(i) Once the forms are captured on the municipal indigent database the indigent management system must generate a recommended draft indigent register that must be dealt with in terms of the municipal indigent management system guidelines and this policy.

(k) All applicants must be informed in writing about the outcome of their applications, which should also include the date of commencement and termination of the subsidy, where applicable.

(2)(a) The subsidy must only be valid for a period of 12 months where after the consumers who occupy or own the property must re-apply.

(b) The re-application for indigent support must be done before the end of March each year.

(c) State pensioners and disabled beneficiaries need not re-apply for the support.

(b) The re-application for indigent support must be screened before granting approval, where the consumer's account for water and or electricity:-

- (i) exceeds the free basic service approved by the council over a 12 month period, and

(ii) is not paid up to date, according to the Credit Control and Debt Collection by-laws.

The reapplication should not be approved unless the applicant has made an arrangement with the municipality to settle the outstanding debt.

(3) An applicant who is the registered household owner living within the municipal jurisdiction who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal with the council in line with the municipality's appeals processes.

(4) In the event that the approved applicant is deceased, the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met as per the municipal indigent policy.

#### **8. INDIGENT HOUSEHOLDS IN RETIREMENT CENTRES AND OLD AGE HOMES**

Indigent consumers living in retirement centres or old age homes are eligible to qualify for assistance and support in terms of the municipal policy, subjected to the following rules and procedures:

(a) The onus is on the Property owner to apply to the municipality for indigent status to be granted in respect of charges related to property rates.

(b) The institution's representative must submit applications to the Chief Financial Officer

(c) The Free Basic Services unit must verify all applications and notify the representative or the property owner, whether the application was successful or not, with regard to property rates, water and electricity consumption; and the respective amounts determined by the municipality.

(d) The Chief Financial Officer must credit the monthly municipal accounts with water, electricity and sewerage charges of the Retirement Centre or Old Age Home, where the municipality serves as a provider.

(e) The amount credited must be calculated by dividing the total number of kilolitres of water consumed by the number of units in the complex, but up to a maximum of 200 litres of water per day for each unit that qualifies for assistance.

(f) The institution's representative must, in respect of monthly water credits allowed under indigent support:

(i) ensure that such credits are off-set against the monthly levies of the relevant individual units;

(ii) provide proof to the Chief Financial Officer that the monthly levies of units which qualify for assistance, have been adjusted by the amounts of credits to the account of the Retirement Centre

or Old Age Home. Such information must be provided once every six months, or at such intervals as may be determined by the municipality.

## **9. TARGETING APPROACH**

(1) Municipalities in consultation with community based public participation structures must adopt and implement an approach that:

- (i) meets its diverse needs;
- (ii) is cost effective and sustainable;
- (iii) maintains consistency and equal treatment of indigent households; and
- (iv) ensures that all and only indigent households are the beneficiaries of the programme.

(2) (a) Approaches that must be considered by municipalities when providing free basic services are attached hereto as annexure A, and the specific approaches for free basic water and basic electricity are found under annexure B.

(b) The following are additional approaches that municipalities must consider:

- (i) Property value, as an indication of the level of household wealth, and hence income;
- (ii) Means testing, applied with targeted credits or subsidy to those households which are below a household income threshold;
- (iii) Plot size, using a charge based on plot size, with a zero rating for properties under a determined threshold;

## **10. SOURCES OF FUNDING**

(a) The council must provide funds annually on the budget for the subsidization of indigent households on water, sanitation, electricity, refuse removal and burial services.

(b) Funds are already allocated to the municipality to fund the implementation of free basic services and for the free basic alternative energy program through the equitable share grant disbursed by the National Treasury to municipalities.

(c) Some of these funds are classified as free Basic Electricity, and where no electricity infrastructure exists, these funds must be channelled to fund free basic Alternative Energy.

(d) The municipality must make provisioning in its expenditure budget for the alternative energy for cooking and lighting, in areas where there are no immediate plans to electrify, including areas where energy poverty is prevalent.



(e) Free basic service subsidies must be determined during the compilation of the annual budget and must be calculated by dividing the budget provision for indigent support by the number of applications already approved less 10 percent.

(f) The ten percent of the provision held back may be used to finance applications received after the budget date.

(g) The subsidy must only be credited to the qualifying customer's accounts until the amount provided on the budget by the municipality has been exhausted whereupon no further credits must be made.

(h) Indigent households may be required to convert to prepaid electricity meters, the cost of which must be met by the municipality through the Equitable Share fund.

(i) Existing indigent arrears on rates, tariffs and services charges must be written off against the provision for bad debts in line with the municipality's credit control and accounting policies.

## **11. EXTENT OF INDIGENT SUPPORT**

(a) The extent of the monthly, indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

(b) Subsidised service charges must be limited to water, refuse removal, electricity, sewerage disposal and burial services.

(c) Assessment rates in respect of residential property registered in the name of a qualifying indigent owner must be subject to the maximum amount as determined by Council from time to time.

(d) Where a customer's consumption or use of municipal service is less than the subsidised service, the unused portion may not be accrued and the customer is not entitled to a cash rebate in respect of the unused portion.

(e) Annual service charges on the indigent's account must automatically be converted to monthly instalments.

## 12. FREE BASIC SERVICES SOCIAL PACKAGE OR INTEGRATED BASIC SOCIAL SERVICES AND PROVISION

(1) The municipality must determine the suitable social package for its indigent beneficiaries.

(2) The social package may be extended to include households where eligible applicants are not municipal account holders and registered indigent households in rural areas. The social package comprise of the following:

(a) Water and sanitation – an approved indigent registered household must receive fully subsidised water and sanitation at a minimum of 6kl per month, including the basic charges for such supply, provided that:

(i) Where the consumption exceeds 6kl per month the municipality must restrict water supply to the property or must bill the excess consumption used at a normal rate.

(ii) Where excessive consumption is partly due to leaking or poor plumbing, the consumer should report to the municipality avoid excessive water losses and billing and ensure that a reference number is secured.

(iii) Alternative water supply (water tanks) is provided to areas where there is no infrastructure within the Municipal jurisdiction.

(iv) Relief granted for the safe removal of human waste and grey water from the premises is not less than a rebate of 100% on the monthly amount billed for the service.

(b) Electricity - all approved beneficiaries for the indigent support automatically qualify for Free Basic Electricity whether on 20Amps or 60Amps supply under the following conditions:

(i) approved indigent registered household must receive electricity fully subsidised at a minimum of 50 kWh per month.

(ii) where an indigent consumer's consumption of municipal services is less than the subsidized service or free basic services, the unused portion must not be accrued by the customers and the customers must not cash or receive a rebate in respect of the unused portion.

(iii) indigent households in informal settlements within the municipal jurisdiction where limited or no electricity is available, the municipality must provide alternative energy sources for lighting and cooking.

(c) Alternative energy – municipality has an obligation to identify a suitable energy sources for its community and ensure its effective distribution to the identified indigent households, it must

give energy to the estimated value of R105.22 (2015) as a minimum to an un-electrified indigent household. The figure should increase on an annual basis by the inflation rate plus 1.5% or by the figure to be determined by The Department of Energy.

(c) Refuse removal - approved indigent households must be fully subsidised for refuse removals in the annual budget

(d) Property rates - approved indigent households must be fully subsidised for property rates as provided in the municipal annual budget and be subjected to the provision of the Municipal Property Rates Act 2006. Approved indigent households accounts must have the interest indicators flagged and included in the arrears which are to be written off in terms of the municipal indigent policy.

(e) Burial Services – approved indigent households must be fully subsidised for burial services as provided in the municipal annual budget and be subjected to the provision of the Municipality's Burial Policy.

(3) Depending on annual tariff changes and council's resolution, indigent customers must contribute towards the payment of their accounts.

### **13. COMMUNICATION PROCEDURES AND FREE BASIC SERVICES IMPLEMENTATION STRATEGY**

(a) The municipality must develop a free basic services communication and implementation strategy through which communities must be informed and educated about the indigent programme in line with this framework and its implementation.

(b) Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for the free basic services subsidy as well as the services that are rendered in general. The following are methods of communication that must be used, but not be limited to:

- (i) ward committees;
- (ii) Traditional leaders, where applicable
- (iii) Community based organisations;
- (iv) local radio stations and newspaper;
- (v) municipal accounts;
- (vi) preparation of a separate notice to accompany the annual report publication;
- (vii) izimbizo and road shows;

- (viii) public participation structures; and
- (ix) jamborees where government and municipal officials are made available to assist residents with the following certified copies that must be attached to applications.

#### **14. ARREARS AND EXCESS USAGE OF ALLOCATIONS**

- (a) Upon registration as an indigent household, the arrears on the account of the applicant must be kept pending for a period of up to six months after which it may be written off, interest may be calculated on the arrears as contemplated.
- (b) If the applicant exits from the indigent support programme within the six (6) months period the arrears must be re-introduced in the account and be subjected to the credit control and debt collection policy of the municipality.
- (c) Council may from time to time decide to write-off indigent arrears. No further legal action must be taken on such indigent arrears.
- (d) Customers who qualify for an equitable share subsidy must be placed on restricted service levels in order to limit further escalation of debt.
- (e) Where a qualifying customer's account is paid in full at the date of application, or after receiving the subsidy, and regularly maintains a paid up monthly account including any arrangements made, the restriction on service levels must be waived.
- (f) Where the municipal Budget permits, customers who qualify for equitable share subsidy and are still in arrears, must be placed on the pre-paid services system where after 50% of electricity purchases be allocated to the arrear debt.

#### **15. DISHONESTY AND NON-COMPLIANCE OF HOUSEHOLDS REGISTERED AS INDIGENT**

- (a) The indigent status of a customer must be reviewed at intervals determined by Council. This must be done by either physical audit or external verification check using the data obtained from, but not limited to, Trans-union, SARS and the Department of Social Development. Where the requirements are not met, the subsidy for that consumer must be cancelled.
- (b) Where a registered indigent is found to have provided fraudulent information to the municipality with regard to any material condition for registration as an indigent, such person must immediately be removed from the register of indigents, and must be liable to repay the municipality with immediate effect all indigent relief received from the date of such fraudulent

registration. Moreover, such a person must not be considered for indigent relief for a period of five years beyond the financial year in which the misdemeanour is detected.

(c) A property owner or accountholder who has registered as an indigent and who fails to comply with any arrangements or conditions materially relevant to the receipt of indigent relief must forfeit his or her status as a registered indigent with immediate effect, and must thereafter be treated as an ordinary accountholder for the financial year concerned.

(d) The onus is on each registered indigent to advise the municipal manager of any changes likely to impact or impacting on their qualifying criteria.

(e) If an indigent household falls into arrears the property owner or accountholder concerned must make arrangements with the municipal manager to pay off these arrears. If these arrangements are not made, no subsidies must be paid or free services provided, and services must be terminated in terms of the municipality's credit control and debt collection policy.

## **16. REGISTER OF INDIGENT HOUSEHOLDS**

(a) The municipality must in consultation with community based public participation structures and by consulting Statistics South Africa latest released data develop and keep an updated register of indigent households.

(b) The indigent register, after approval by the Free Basic Services unit, must be distributed to all the Municipal pay points for public perusal.

(c) The indigent register must be updated annually and the verification process undertaken throughout the year for any necessary change of circumstances.

(d) The municipality must conduct regular audits and where necessary review the status of the applicant as indicated under section 15(a) of this framework. The frequency of such audits is dependent on the institutional capacity of the municipality.

## **17. EXIT PROGRAM**

(a) An indigent customer must immediately request deregistration where his or her circumstances have changed to the extent that he or she no longer complies with the requirements set out in section 6 of this framework.

(b) In addition to the circumstances stated in section 6, indigent support must be terminated under the following circumstances:

(i) Upon death of the account-holder or the head of the household where no accounts are rendered.

- (ii) Upon sales of the property in respect of which support is granted.
  - (iii) When circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded.
- (c) The exit strategy of indigent beneficiaries from the approved indigent register must ensure:
- (i) continuous verification of the register;
  - (ii) involvement of all stakeholders including government departments, stakeholders involved, sector departments and private sector;
  - (iii) participation of members of households registered as indigent
- (d) The municipality may promote exit from indigence by identifying indigents for inclusion in public works projects.

## **18. ROLES AND RESPONSIBILITIES**

- (1)(a) The municipality must designate the administration of this policy to the most appropriate unit within the municipality, the Free Basic Services unit or any other unit with the similar functions.
- (b) Upon registration of an application, the Free Basic Services unit must, capture and verify all information according to the procedures vested on the municipal indigent policy and guidelines provided by the Department of Cooperative Government and Traditional Affairs.
- (2) The Municipal Manager must report on a monthly basis to the executive mayor for the month concerned and by municipal ward:
- (a) the number of households registered as indigents and brief explanation of any movement in such numbers;
  - (b) the monetary value of actual subsidies and rebates granted;
  - (c) the budgeted value of the actual subsidies and rebates concerned; and
  - (d) the above information cumulatively for the financial year to date.
- (3) The executive mayor must submit a summation of the indigent reports submitted to him on a monthly basis by the municipal manager to the council quarterly.
- (4) District and local municipalities must submit quarterly reports regarding the execution of the policy on indigent households in the affected areas within their jurisdiction to the Department of Cooperative Governance and Traditional Affairs.

(5) The municipality must submit quarterly reports to the Department of Cooperative Governance and Traditional Affairs regarding the execution of the policy on indigent households in the affected areas within their jurisdiction in order for the Department of Cooperative Governance and Traditional Affairs to report to cabinet regarding the execution of the policy on indigent households.

#### **19. POLICY MONITORING**

The implementation of this policy framework must be monitored by the Department of Cooperative Governance and Traditional Affairs

#### **20. POLICY REVIEW**

This framework on the indigent households must be reviewed every three years, subject to major changes in the demographic, social and economic conditions of communities and individual households. The reviewed framework must be endorsed by the Executive Committee of the Department of Cooperative Governance and Traditional Affairs.

#### **21. EFFECTIVE DATE**

This Policy comes into effect on date of signature hereof by the Executive Authority.

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**ACTING MUNICIPAL MANAGER: AB MNIKATHI**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER: HA MOHOMED**

\_\_\_\_\_  
**DATE**