



"The Game changer of South Coast Development"

DRAFT INDIGENT POLICY

2022/2023

RAY NKONYENI LOCAL MUNICIPALITY INDIGENT POLICY 2022/2023

PREAMBLE

WHEREAS the municipality receives an equitable share contribution from National Treasury annually;

AND WHEREAS the National Department of Provincial and Local Government has issued guideline's regarding indigent support;

AND WHEREAS the municipal council wishes to give access to basic service for all of its communities;

NOW THEREFORE, the municipal council of Ray Nkonyeni Local Municipality adopts the following Indigent Policy.

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1. DEFINITIONS

- 1.1 **'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: electricity, rates and refuse removal.
- 1.2 **'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 and is a household where both parents are deceased and where all occupants of property are children of the deceased and under the legal age to contract for services;
- 1.3 **'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;
- 1.4 **'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.
- 1.5 **'municipal tariff'** means a tariff for a service which a municipality may set for the provision of a service to the local community, and may include a surcharge on such tariff.
- 1.6 **"Owner"** in relation to immovable property means the person in whom is vested the legal title thereto provided that –
- 1.6.1 The lease of immovable property which is leased for a period of not less than thirty (30) years, whether lease is registered or not, shall be deemed to be owner thereof, and
- 1.6.2 The occupier of immovable property occupied in terms of a service or right analogous thereto shall be deemed the owner thereof;
- 1.6.3 If the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
- 1.6.4 If the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
- 1.6.5 If the municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;
- 1.7 **"Premises"** includes any piece of land, the external surface boundaries of which are delineated on A general plan or diagram registered in terms of the Land Survey Act, 1997 (Act No. 8 of 1997) in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937) and A general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and situated within the jurisdiction of the municipality;
- 1.8 **'representative'** means the Board of Trustees/Managing Agents of retirement Centre's and old age homes, or any other person in an official capacity.

1.9 'the municipality' for the purpose of this policy means Ray Nkonyeni Local Municipality

2. OBJECTIVE

In terms of Section 74 of Local Government System Act 32 of 2000, A municipal council must adopt and implement a Tariff policy. In terms of Section 74 (2) (c) of the Act in adopting a Tariff policy, council should take into consideration the extent of subsidization of tariff for poor households, thus Council needs to approve an Indigent policy. This policy should provide procedures and guidelines for the subsidization of basic services and tariff charge to its Indigent households.

3. LEGISLATIVE FRAMEWORK

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

The Constitution of the Republic of South Africa, 1996,

Municipal Systems Act no 32 of 2000,

Municipal Finance Management Act no 56 of 2003

Promotion of Administrative Justice Act no 3 of 2000

Promotion of Access to Information Act 2 of 2000

Municipal Property Rates Act no 6 of 2004

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

4. LIST OF STAKEHOLDERS / KEY ROLE PLAYERS

4.1 Local Communities

4.2 Ward Committees

4.3 SAPS

4.4 SASSA

4.5 Councillors

4.6 ESKOM

AT PROVINCIAL LEVEL:

Departments of Local Government

AT NATIONAL LEVEL:

Department of Water Affairs

Department of Minerals and Energy

The National Treasury

Statistics South Africa

SALGA

ESKOM

The National Electricity Regulator (NERSA)

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5. PURPOSE OF THE INDIGENT POLICY

The purposes of the indigent policy are to:

- 5.1 Provide basic services to the community within the financial and administrative capacity of the municipality;
- 5.2 Provide procedures and guidelines for the subsidization of basic service charges to Indigent households using equitable share allocation received from National Treasury and other budgetary provisions; and
- 5.3 Ensure affordability by subsidizing tariffs calculated in terms of municipality's tariff policy and by setting appropriate service levels in terms of the municipality's service delivery plan
- 5.4 Ensure that there is proper accountability on the use of Indigent Budget Allocation.

6. TARGETING OF INDIGENT HOUSEHOLDS

- 6.1 The applicant must have a single property (erf), the applicant cannot have two properties registered in his/her name in order to qualify.
- 6.2 All households that are child headed, even if they are below twenty one (21) years of age can apply for the indigent support.
- 6.3 Subsidies apply to households and not individuals
- 6.4 The onus for applying for indigent subsidy rest with the consumer who cannot afford to pay the full municipal tariff for services received, rates and/or refuse.

7. CRITERIA FOR QUALIFICATION

In order to qualify for Indigent Support the following criteria must be met:

- 7.1 The verified gross monthly income of all occupants over twenty one (21) years of age may not exceed, the amount approved by Council, currently being the equivalent of two (2) state pensions.
- 7.2 The property owner has completed an official application form;
- 7.3 Approved Child headed households, even if they are below twenty one (21) years of age automatically qualify for indigent support unless proven otherwise;
- 7.4 The applicant must be the full time owner living on the property concerned, and may not own any other property, whether in or out the municipal area;
- 7.5 Subsidized services and assistance offered may include refuse, electricity and rates;
- 7.6 a) That the property's market value (per the Municipal Valuation Roll) of the household applying for indigent relief may not exceed **R350 000-00** in value;

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b) In the case of a child headed household the the property's market value (per the Municipal Valuation Roll) of the household applying for relief may not exceed **R500 000 - 00** in value.

c) Deliberation of applications will be done on merit and if the sole reason for an application being declined is the property value, then due consideration will be given and the matter will be escalated to the relevant council committees for decision.

- 7.7 The average of three months electricity consumption of the household must not exceed 300kWh per month;
- 7.8 Households must formally apply for the relief on the prescribed application form and meet the necessary criteria.
- 7.9 The application form, together with the relevant attachment, has been approved by the municipality
- 7.10 The following documentary proof has to accompany the indigent application form
 - a) Applicants certified identity document or birth certificate;
 - b) Proof of total monthly income ;
 - c) Child headed households, a letter from the social worker, death certificate of parents/ guardian;
 - d) Latest municipal bill or Eskom account where the applicant is connected to electricity and proof of ownership of the premises;
 - e) For prepaid meters 3 (three) months consumption statement;
 - f) The subsidy will only be valid for 12 (twelve) months upon approval of application, where after the customer must re-apply.

8. COMMUNICATION

- 8.1 New registrations and de-registration on the register must be communicated by the Indigent officer to the applicant/indigent.
- 8.2 The indigent officer will further communicate internally the new registrations and/or de-registrations of an applicant such that:-
 - concessions regarding tariffs and arrears can be initiated or cancelled on the relevant accounts
 - The concession regarding electricity supply can be initiated or cancelled.
- 8.3 The list of approved or de-registered indigents must be submitted to Council on a monthly basis.
- 8.4 This policy and information contained herein will form part of the annual budget community participation process.

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9. EXTENT OF INDIGENT SUPPORT

- 9.1 Subsidies will be determined during the compilation of the annual budget
- 9.2 The sources of funding of the Indigent subsidy is that portion of the equitable share contributed by National Treasury and any additional provisions made by council as provided for in the annual operating budget
- 9.3 The subsidy will only be credited to the qualifying customers' accounts until the amount provided on the budget by the municipality has been exhausted whereupon no further credits will be made.
- 9.4 In respect of electricity, a 100% subsidy up to 50 kWh per month will apply
- 9.5 If a customer's consumption or use of municipal services is less than the subsidised service, the unused portion may not be accrued and the customer will not be entitled to a cash rebate in respect of the unused portion
- 9.6 If consumption exceeds any of the norms stated in (5) and (6) above per metering period (month), the consumer will be charged normal tariffs on the quantity exceeding the above-mentioned limits
- 9.7 Annual service charges on the indigent account will automatically be converted to monthly instalments
- 9.8 In areas where the supply of electricity is undertaken by any other entity other than Ray Nkonyeni Local Municipality, the subsidy of such electricity (Below the stipulated threshold) of qualifying Indigent consumers, in line with the policy of the said entity, will be paid by Ray Nkonyeni Local Municipality and all qualifying consumers will form part of a supplementary schedule of the municipality's Indigent register.
- 9.9 In relation to rates and refuse, if an applicant is declared indigent, a 100% rebate will apply for the applicable period.
- 9.10 Where appropriate and applicable, the municipality may subsidise the supply of alternate electricity to qualifying applicants.

10. EXIT MECHANISM

- 10.1 The status of the Indigent may, even within the twelve(12) month validity period, alter if it is established that:
 - i. The consumption exceeds any of the norms stated in per metering period (month), the consumer will be charged normal tariff on the exceeding above-mentioned limits
 - ii. The household income exceeds the threshold
 - iii. The household employment status change
 - iv. Fraudulent or incorrect information was supplied by the applicant and in such a case the applicant will have to repay all the benefits or support received.
- 10.2 The status of Indigent will all cease to exist upon:
 - I. End of 12 (twelve) month cycle;
 - II. When the indigent account holder disposes of the property by means of sale or donation

11. AGREEMENT WITH ESKOM

FREE BASIC ELECTRICITY

Ray Nkonyeni Local Municipality has entered into a funding agreement with Eskom for the purposes of rendering free basic electricity to qualifying consumers in the areas where Eskom supplies electricity.

Under this ambit Eskom, shall, on behalf of the Municipality, provide free basic electricity through its prepaid and conventional meters to eligible consumers falling within the Ray Nkonyeni Local Municipality boundary.

Eskom shall supply eligible consumers who have prepaid meters with tokens and shall provide eligible consumers who have conventional meters with an allocation on a targeted basis as agreed between the Municipality and Eskom subject to the predefined provisions and criteria.

Eskom shall provide 50KWh of electricity to eligible consumers and shall charge the municipality for the Free Basic Electricity on the basis of the recommended National Tariff for the provision of Free Basic Electricity as amended by the National Energy Regulator of South Africa (NERSA) from time to time.

Via the established agreement between Ray Nkonyeni Local Municipality and ESKOM, the parties have agreed that the approach towards establishing eligible consumers would be a Technical Targeting agreement:

b. QUALIFYING CRITERIA

The methodology of approving eligible consumers for the benefit of receiving free basic electricity is as follows:

Technical Targeting method

- All domestic grid installations (households) of 2.5A, 8A, 10A and 20A on prepaid metering technologies.
- All domestic grid installations (households) consuming less than 150kWh in credit meters per month.

For all intents and purposes these eligible consumers will be considered as indigent consumers within Ray Nkonyeni Local Municipality for the purposes of receiving Free Basic Electricity.

These consumers will also be screened to verify if they qualify for the indigent benefit for the purposes of rates and refuse.

In the areas of the jurisdiction wherein Ray Nkonyeni Local Municipality supplies electricity the aforementioned criteria will also be applied for the purposes of receiving Free Basic Electricity.

12. INDIGENT SUPPORT PROCESS MANAGEMENT

12.1 Applications

With the exception of Property and Zonal Targeting the indigents, Indigent application forms should be completed in full with all the attachments mentioned on the form and then captured onto the indigent register and accounting system will be conducted accordingly against the budgeted amount for free basic services roll-out each financial year.

12.2 IMPLEMENTING AN INDIGENT SUPPORT POLICY

Ray Nkonyeni Local Municipality is expected to develop an indigent policy in relation to the specific needs of its Community and its financial standing.

There are five(5) steps that municipality will follow in order to develop and implement indigent policy. They are:

- a) **Planning activities:** A municipality will have a precise understanding of its own capabilities and resources, the extent of the intervention required, as well as the needs of its constituencies.
- b) **Institutional arrangements:** The municipality will have formal structures and processes through which indigent policy will be managed.
- c) **Communication Activities (Community Participation):** Municipality will leverage the existing communications channel e.g. ward committees, to explain the purpose and objectives of its indigent policy programmes.
- d) **Monitoring, Evaluation & Impact Assessment:** It is essential that an indigent policy be monitored and evaluated. Municipality will report back to the provincial and national government on the effectiveness of its indigent relief. Impact assessment will be done, as it is an important part of the process to determine the extent at which indigent support is making a real impact on the quality of life.
- e) **Exit from indigence:** The ultimate outcome of Indigent relief is that those who require the relief will eventually experience an improvement in their quality of life. For this to happen, the Local Municipality will form partnership with other spheres of government, CBOs, and business sectors in regard to the poverty alleviation of indigents.

13. DEATH OF THE REGISTERED APPLICANT

In the event that the approved applicant passes away 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.

14. AUDIT AND REVIEW

14.1 The municipality will conduct regular audits of the indigent register with regard to the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of the applicant.

14.2 The frequency of such audits will depend on the institutional capacity of the Municipality to do so.

15. ARREARS ON THE INDIGENT ACCOUNTS

15.1 Council may from time to time decide to write off indigent arrears. No further legal action will be taken on indigent arrears

16. NON – COMPLIANCE OF HOUSEHOLDS REGISTERED AS INDIGENT

16.1 When a property owner or registered indigent fails to comply with the arrangements or conditions materially relevant to the receipt of indigent relief, such person will forfeit his or her status as a registered indigent with immediate effect, and will thereafter be treated as an ordinary accountholder for the financial year concerned

16.2 The onus is on each registered indigent to advise the municipal manager of such failure to comply.

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

16.4 The indigent status of a customer will be reviewed from time to time, at intervals as determined by Council. This could be done by either physical audit or external verification check (e.g. ITC – Credit Bureau). Should the requirements not be met, the subsidy for that consumer will be cancelled.

16.5 If a registered indigent is found to have provided fraudulent information to the municipality in regard to any material condition for registration as an indigent, such person shall immediately be removed from the register of indigents, and shall be liable to repay the municipality with immediate effect all indigence relief received from the date of such fraudulent registration. Moreover, such person may not again be considered for indigence relief for a period extending for five years beyond the financial year in which the misdemeanour is detected.

17. MONITORING AND REPORTING REQUIREMENTS

17.1.1 The Chief Financial Officer shall report on a monthly basis to the Finance & Budget Portfolio Committee for the month concerned:

- (a) The number of households registered as indigents and a brief explanation of any movements in such numbers;

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- (b) The monetary value of the actual subsidies and rebates granted;
- (c) The budgeted value of the subsidies and rebates concerned; and
- (d) The above information cumulatively for the financial year to date.

18. APPEAL

- 18.1 A person whose rights are affected by a decision taken by a political structure, political office bearer, councillor or staff member of a municipality in terms of a power or duty delegated or sub-delegated by a delegating authority to the political structure, political office bearer, councillor or staff member, may appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of the notification of the decision.
- 18.2 The municipal manager must promptly submit the appeal to the appropriate appeal authority mentioned.
- 18.3 The appeal authority must consider the appeal, and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision
- 19.4 When the appeal is against a decision taken by— (a) a staff member other than the municipal manager, the municipal manager is the appeal authority; (b) the municipal manager, the executive committee or executive mayor is the appeal authority, or, if the municipality does not have an executive committee or executive mayor, the council of the municipality is the appeal authority. An appeal authority must commence with an appeal within six weeks and decide the appeal within a reasonable period.
- 19.5 A political structure, political office bearer, councillor or staff member of a municipality to whom a delegating authority has delegated or sub-delegated a power or duty, must report to the delegating authority at such intervals as the delegating authority may require, on decisions taken in terms of that delegated or sub- delegated power or duty since the last report.

19. POLICY REVIEW

This policy has considered and reviewed by the council of Ray Nkonyeni Local Municipality and supersedes all other indigent policies that were previously adopted by council

RESOLUTION NO:

20. SHORT TITLE

This policy shall be called the Indigent Policy of Ray Nkonyeni Local Municipality.