

# Attacking poverty through a municipal policy on indigence

**M**unicipalities are constitutionally obligated to address poverty in their communities through the promotion of social and economic development and the provision of services in a sustainable manner.

The objective of a policy on indigence is to alleviate poverty by focussing on the delivery of municipal services and community facilities to poor areas. Indigence policies must play a role in ensuring that the poorest members of society have access to basic household services, as these services are an important facet of the social and

economic development of any community. Indigence policy is also one of the nationally regulated general key performance indicators (KPIs) for local government. Municipalities must set, monitor, measure and review performance targets for each KPI and report these findings in their annual performance reports. (See the Municipal planning and performance management regulations, 2001.)

The Municipal Systems Act (hereafter the Systems Act) further reinforces this obligation. It provides that a municipality must give effect to the provisions of the Constitution and must give priority to the basic needs of the local community to ensure that all its members have access to at least a minimum level of basic municipal services (section 73(1)). Accessibility is about making services available, affordable and convenient to use. As a result, a high priority has been placed on local government's delivery of essential public goods and services in an effective, efficient, responsive, equitable and optimal manner.

The purpose of this article is to briefly set out the requirements of the Systems Act as it relates to the adoption and implementation of an indigence policy by municipalities.

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## Components of an indigence policy

There is no set policy on indigence that must be adopted by every municipality. Rather, the policy must be uniquely formulated for each individual municipality.

An indigence policy is a component of municipal tariff policies and the credit control and debt collection policies contained in the Systems Act. These policies are a significant aspect of an indigence policy as they have a huge developmental impact in terms of service provision to the poor and promoting local economic development.

The Systems Act requires that municipalities adopt a by-law to give effect to the implementation and enforcement of their tariff policy. Mu-

nicipal tariff policies must ensure that poor households have access to at least a basic level of municipal services. Given that one of the major impediments to the receipt of services is affordability, tariffs that apply equally to all users will exclude the indigent. Thus, differential tariffs must be devised and implemented. Measures that can be used to achieve access to basic services for poor households are:

- tariffs that cover operating and maintenance costs only;
- special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of service; and
- any other methods of cross-subsidisation.

Municipal credit control and debt management policies must also provide special rules for the indigent. An indigence policy is a key component of credit control and debt collection. Mechanisms should be provided to relieve people who are in arrears so as to ensure they are not denied services solely because of their inability to pay.

According to the Systems Act, municipalities must then adopt by-laws to give effect to, as well as implement and enforce, their credit control and debt collection policies.

The credit control by-law must outline the qualifications for debt relief by providing specific income indicators to define who qualifies as being 'indigent'. It must also identify the nature of the relief available to individuals requesting relief. The policy and by-law should follow from the municipality's tariff policy, and must also comply with any national policy on indigents.

## Features of an indigence policy

### Qualifications for relief

An important aspect of an indigence policy is the identification of the beneficiaries. Residents will formally apply and qualify for indigence relief according to the prescribed criteria/principles laid down by the Council. It is up to the municipalities to define who will be targeted for subsidies.

# key points

- A municipality must give priority to the basic needs of the local community and ensure that all members of the local community have access to at least a minimum level of basic municipal services.
- Indigence policy is a subdivision of municipal tariff policies and the credit control and debt collection policies contained in the Systems Act.
- An indigence policy must identify who qualifies for relief, the services covered and the type and extent of relief.
- The implementation and maintenance of the policy and its procedures are the responsibility of the Municipal Manager or his/her delegate.

This decision will generally be based upon the characteristics of the municipality's population, such as size, density, age and income. The decision as to who qualifies as indigent is generally based on the combined or joint gross income of the household. Municipalities can use national statistics that provide the number of indigent households and the number of indigents within each household as guidelines for ascertaining which income groups should be targeted for the provision of services.

It is essential to identify those most severely affected by a lack of services in order to better target that group.

## Covered services

The second feature of an indigence policy will be deciding which services will be covered and to what extent they will be subsidised. There is no standard set of services that must be covered by the indigence policy and thus provided by municipalities. Rather, it is up to the municipality to define the type of service that will be regarded as basic, as well as the level of service needed. Each council must devise a policy that responds to its community's needs and is financially viable.

As a result, the type and extent of services covered will be uniquely structured to each municipality's financial situation.

## Type and extent of relief

A third feature of an indigence policy is the type and extent of relief that will be offered to those who cannot afford to pay for a basic level of municipal services. This decision will ultimately rest on the resources available to the municipality. However, the relief must be significant enough that it relieves the recipient of financial hardship for a specific period.

The size and budget of the municipality will ultimately determine the character of the relief provided. For example, some municipalities will offer free services, while others will partially subsidise services through reductions in tariff rates. Other options include providing grace periods or extensions of time for payment and arranging for debt repayment in amounts that have been agreed as being affordable.

## Implementation

While Council has the overall responsibility for devising and approving an indigence policy, its implementation and maintenance are the responsibility of the Municipal Manager or his/her delegate. It is the Municipal Manager's responsibility to manage the provision of services to communities in a sustainable manner and to implement and enforce the municipality's credit control and debt collection policy and applicable by-laws. He or she must ensure that the policy is applied in a fair and equitable manner and must maintain an up-to-date indigents register linked to the debtors system. The onus is on the recipient to inform the council of any change in his/her status or personal household circumstances. Further, the situation of all indigents should be re-evaluated after a certain period of time to assess the necessity for continued provision of services. An indigence policy will prevail for as long as funds are available and Council may review and amend the qualifications for indigent relief at any time.

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