

**LEKWA LOCAL MUNICIPALITY
BUDGET RELATED POLICY**



MP305

**FREE BASIC SERVICES AND INDIGENT
SUPPORT POLICY**

2022/2023

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1. INTRODUCTION/ PREAMBLE

1.1 The indigent policy is to guide the National Initiative to improve the lives of indigents and to improve access to free basic services.

1.2 This policy is aimed providing a social safety net to relieve poverty within community of Lekwa Local Municipality.

1.3 The indigent policy has three (3) parts namely:

- Physical access to the municipal services
- Functional and maintenance of services provided; and
- Access to services must be properly targeted

2. ABBREVIATIO

- “FBS”- Free Basic Services
- “MSA” – Municipal systems Act 32 of 2000

3. 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 Systems Act, 32 of 2000 as amended from time to time.

“*Authorised officer*” means any official of the council who has been authorized by the Council to administer, implement and enforce the provisions of this policy.

“*Resident*” means a person or family unit that ordinarily resides within the area or Jurisdiction of Lekwa Local Municipality either within their own or leased accommodation.

“*Indigent*” means a household earning a combined monthly income as determined by Council from time to time.

“*Account Holder*” means any person over the age of 16 years of age who is responsible for the family or payment of municipal services.

“*Commercial Activity*” means any activity for Profit or gain

“*Financial Year*” means the financial year of the municipality that runs from July to June.

“*Municipality*” means Lekwa Local Municipality (MP305)

4. LEGISLATIVE FRAMEWORK

- Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Systems Act, 32 of 2000

5. POLICY PRINCIPLES

- Access to basic services must be provided to all, including the Indigent, in terms of the South African Constitution, and
- To determine the total value for free basic services in a way that it can be recovered from the available portion of the equitable share.
- A true reflection of the Indigent is vitally important, and
- restrict the level of utilisation of consumer services for the people who cannot afford to pay
- The consumption of metered services by indigent households must be lowered to increase affordability of service charges, and
- To regulate the access of consumers to free basic services and to maintain a ledger of such indigents.
- Tariffs for rates and services must be made more affordable for the Indigent and
- Criteria and processes for the evaluation and registration of the Indigent must be clear and transparent, therefore it is imperative that the policy be made applicable:

6. POLICY OBJECTIVES AND BACKGROUND

- To ensure access to basic services for all basic indigent households in terms of the South African Constitution.
- To determine a level of affordability for the supply of free basic services.
- To prevent the escalation of debt on the accounts of consumers that are not in a position to pay.
- To restrict the level of utilization of consumer services for the people who cannot afford to pay.
- To determine the total value for free basic services in a way that it can be recovered from the available portion of equitable share
- To regulate the access of households for free basic services.
- To maintain a register of indigent households.

7. REGISTER OF INDIGENT HOUSEHOLDS (SCOPE OF APPLICATION)

An Indigent household is defined as follows: “A household where the total combined monthly household income of members of the household must not exceed the amount per month equivalent two old age pensions income as from time to time determined for pensioners by the Department of South African Social Security Agency and the usage of electricity services is less than 300 units per month and for water services is less than **6 kiloliters** per month and agreement from the household to install a 20 ampere circuit breaker and pre-paid installation”

8. TARGETING OF INDIGENT HOUSEHOLDS

8.1 The Municipality may apply the following targeting methods:

8.1.1 Service levels

- Lowest service levels normally in informal settlements and rural areas.

8.1.2 Property value

- Applicable only to Registered Indigents in respect of subsidies or RDP housing to a value determined in addition to the R15 000.00 in terms of the MPRA.

8.1.3 Gross household income

- Threshold shall be R4 400.00 total gross household income.

8.1.4 Geographical (Zone) targeting

- Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

9. Qualification criteria

9.1 The applicant applying for the indigent support must be:

- The holder of an account with the Municipality for the provision of municipal services to the premises, who has concluded a service agreement with the Municipality, as referred to and defined in terms of the Credit Control & Debt Collection Policy and By-Law of the Municipality
- In an instance where the applicant for the **indigent support is not the holder of an account** and has not concluded a service agreement with the Municipality, as required by subparagraph above: the applicant must:
 - be the child in control of a child-headed household where the residential property is registered in the name of the deceased parent or deceased parents of that child; or
 - be the party to whom the residential property is awarded in the event of a divorce; or
 - be, where a deceased estate has not been wound up:
 - in the case of a deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been given; or
 - a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in both spouses' names, and the surviving spouse is the sole heir.
- Be the beneficiary of municipal services on rural land and be registered as such on the sundry register.

10. PENALTIES AND DISQUALIFICATIONS FOR FALSE INFORMATION.

- 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.
- Support is also given to child-headed households for as long as the unfortunate situation exists.
- 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 delisted. 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.
- Applications for indigent relief must be made on a prescribed application form.

11. MONITORING AND EVALUATION

- All registered indigents will be limited to electricity supply of **20 ampere** pre-paid installation, will be registered as indigents, but their average electricity consumption levels must be monitored.
- If average consumption levels exceed **300 units of electricity** per month, taken over a period of three months, the Department of Finance will receive such information on which the relevant officials must physically investigate and evaluate the household for qualification in accordance with the other criteria of the policy.
- If an average consumption levels exceed of **6 kilolitres of water** per month, taken over a period of three months, the Department of Finance will receive such information on which the relevant officials must physically investigate and evaluate the household for qualification in accordance with the other criteria of the policy.
- Recommendation by the Ward Councillor that the person qualifies as indigent.
- 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.

12. VERIFICATION OF THE INDIGENT REGISTER

- The ward committees must at all times do the household verifications to ensure that the applicant of the subsidy does indeed qualify for it.
- Recommendation (in a form of a signature) by the Ward councillor that an applicant qualifies for an indigent subsidy.

13. COMMUNICATION

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

14. DE-REGISTRATION/DE LISTEMENT

- De-registration shall follow after evaluation reveals that the consumer falls outside the criteria as stipulated in Paragraph for Registration Criteria above. Such cases must be reported on monthly basis to Finance to change indigent status on the system.
- 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.

15. REVIEW OF INDIGENT STATUS

- All registered indigents must be reviewed for qualification in terms of the criteria of the policy once every 12 months, which will be continuous process by the indigent section of the Department of Finance.
- Approved Indigent debtors who qualify and remain with indigent status for more than **two(2) consecutive years**, balances transferred to abeyance account shall be written off after obtaining a council resolution.

16. CAPACITY BUILDING

- 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:
 - Database management
 - Demand and revenue management
 - Policy and by-laws implementation

17. TARIFFS AND SUBSIDIES AFTER REGISTRATION

17.1 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.

Electricity

- Free Basic Electricity to the maximum of **50 kWh** per month, per household. The tariff to low consumption private household consumers will be applicable.
- Free basic electricity will not be carried over to a next month. (Basic charge = zero)
- 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.
- Basic levies on electricity will also be subsidised at the applicable and approved rate
- Upon the discovery and confirmation of any tampering to electricity supply equipment or electricity theft, the registration as indigent will be cancelled.

Water

- Usage is charged at the normal applicable household tariff, which already includes **6 kilolitres free** water per month (for all households).
- Basic levies on water will also be subsidised at the applicable and approved rate
- A restriction of **6 kilolitres per month** shall be applicable to registered indigents, where the restriction is exceeded for a period exceeding three consecutive months in a calendar

year, a restriction metered service will be installed to limit water consumption to required levels

- Consumers will be informed of the adopted service levels and how to use a limitation system when installed.
- 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.

Refuse

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

Sewerage

- Applicable tariff to normal private household's consumers in the applicable area would apply which would include amount which comes as the indigent funding as determined by council.

All additional Charges

- Applicable tariff to normal household's consumers would apply for all additional charges and it is included in the total maximum subsidy

Assessment Rates

- Registered indigents will get 100% rebate on assessment rates.

Conventional Meters

- Indigents who qualify to receive subsidies and using conventional meters, be assisted by Council to install Pre-paid meters and be funded through the Equitable Share.

Miscellaneous

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

18. ARREARS DEBT AND CREDIT CONTROL

- 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.
- No interest is calculated on arrear debt in respect of consumers who qualify as indigent in terms of this Policy.
- 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.
- Restricted metered water services are installed for those indigent households who default on the payment of their current Municipal accounts.
- Subject to the conditions specified in this policy, the normal Credit Control Policy is also applicable to the Indigent.
- The balances on the Municipal accounts upon first registration of the registered indigent will be dealt with in terms of the Writing Off Bad Debt and the Impairment of Debtors Policy.

19. CHILD HEADED HOUSEHOLDS

- Support is also given to child headed households for as long as the unfortunate situation exists. Child headed households will be treated as special cases subject to the following conditions:
- The indigent application form is completed with assistance by the appointed legal guardian.
- Must submit proof of the death of both parents
- Must be 18 years or younger
- Produce a valid document, certified copy or birth certificate.

20. LIMITATIONS

- 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.
- The benefits are reserved for consumers who are prepared to limit their electricity current demand to 20 amperes.
- 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.
- No official or councillors may apply for indigent support.

21. REVIEW

- This policy will be reviewed annually with the annual budget process to be in line with legislative requirements.

22. SHORT TITLE

- This Policy shall be called Free Basic Services and Indigent Support Policy