

LEKWA LOCAL MUNICIPALITY BUDGET RELATED POLICY



MP305

DRAFT FREE BASIC SERVICES AND INDIGENT SUPPORT POLICY

2024/2025

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PLEASE NOTE THAT ALL CHANGES ON THE DRAFT POLICY ARE HIGHLIGHTED IN RED

1. ABBREVIATIONS

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

2. 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.

“Child headed” means

- Child headed households for the purposes of this policy refers to households headed:
 - By a person under the age of 18 years.

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

“Write off: A cancellation of an item or amounts in account books.

“*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)

3. INTRODUCTION

- The Municipal Council recognizes that it must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1) (b) and 153(b) of the Constitution.
- The Constitution acknowledges local government as a distinct sphere of government and as such also entitles it to an equitable share of nationally raised revenue, which will enable it to perform its basic function of providing essential services to the community.
- Due of the level of unemployment and subsequent poverty in the Municipal area, there are households which are unable to pay the normal tariffs for municipal services. The municipality therefore adopts this Indigent Management Policy to ensure that these households have access to at least basic Municipal services.

4. PURPOSE OF THIS POLICY: IS TO

- Ensure the provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Municipality.
- Provide procedures and guidelines for the subsidization of basic services to its indigents, using the Municipality's budgetary allocations through the equitable share.
- Set fair criteria and a consistent, transparent and reasonable threshold for the determination of indigent households and set appropriate subsidies consistent with the Municipality's Tariff Policy.

5. LEGISLATIVE FRAMEWORK

5.1 Legal frameworks

- This policy is designed and implemented within the frameworks of the following legislations:
- The Constitution of the republic of South Africa, Act 108 of 199
- The Local Government Municipal Systems Act 32 of 2000
- The Municipal Finance Management Act 56 of 2003
- White Paper on Local Government
- The Property Rates Act 6 of 2004

6. 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 the 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:

7. TARGETING OF INDIGENT HOUSEHOLDS

The Municipality may apply the following targeting methods:

~~(i) Service levels~~

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

(ii) **Self targeting method**

Indigent households must register for indigent status within the municipality

~~(iii) Property value~~

~~Housing to a value determined in terms of the MPRA.~~

(iii) **Human settlement subsidy beneficiaries**

(iv) Gross household income

Threshold shall be **R5 200.00** total gross household income.

(v) Geographical (Zone) targeting

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

8. FINANCING OF THE PROGRAMME

- **The Municipality must make provision on its annual Operating budget to subsidize the tariffs of registered indigents.**
- **Registered Indigent households will receive a pre-determined quantity of electricity, water and sanitation free of charge on a monthly basis as per financial year budget.**
- **The arrears on services covered by the indigent program may be written off against the provision of bad debt**

9. Qualification criteria

(9.1) The applicant applying for the indigent or pension 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.
- Be a **pensioner** who receives social grants or retired from work and receives retirement fund
- The applicant must ordinarily reside at the premises concerned. Should the qualifying applicant (debtor) **own more than one property**, the Indigent subsidy will only be applicable to the property where the applicant resides.
- Households where the combined and verified total gross monthly income (including social, foster care, disability and child grants) of all occupants over 18 years of age and does not exceed **R 5200 per month** shall qualify for an indigent subsidy. The threshold amount may be reviewed from time to time by the Municipal Council, Municipal Manager or its delegated Official.

(9.2) An application in terms of this paragraph shall be made on the prescribed application form and shall be accompanied by;

Indigents

- (i) A sworn affidavit for stating the gross total monthly household income of all persons ordinarily residing at the address concerned;
- (ii) Certified copy of the applicant's identity document
- (iii) the applicant's copy of Sassa card OR bank statement reflecting social grant amount
- (iv) where the applicant is employed and the latest pay slip or 3 months bank statement reflecting monthly income is required
- (v) a copy of the latest Municipal account.
- (vi) Where a deceased estate has not been wound up a letter of authority is needed.

Pensioners

- (vii) Pensioners dependent on the retirement fund – subsidy subjected to criteria
- (viii) Documentation Required
- (ix) Certified ID copy
- (x) Proof of pension certificate
- (xi) Proof of bank statement

10. SERVICES TO BE SUBSIDISED

10.1 Indigents

- 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

- A subsidy up to 50 kWh per household per month will apply in line with the budget allocation of the year under review.
- 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 pipe, 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.
- ~~Registered Pensioners will receive 50% and 25 % rebate on assessment rates in~~

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.

10.2 Pensioners

- Pensioners whose gross monthly earnings are higher than R5201.00 but less than R10000 – 60% subsidy on all services
- Pensioners whose gross monthly income is higher than R10001 but less R13000 will receive 40% subsidy on all services
- Pensioners whose gross monthly income is higher than R13 000 will receive 20% subsidy on all services

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.

11. DE-REGISTRATION/DE LISTEMENT

- ~~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.~~
- When a property owner or account-holder who has registered as an indigent fails to comply with any 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 residential property owner or account-holder for the financial year concerned.
- The Municipality at its own discretion may consider/prefer criminal charges against any applicant who submitted false/fraudulent information/documentation in order to be registered as an Indigent.
- The onus is on each registered Indigent Applicant to advise the Municipality of any change in indigent status or change in financial status.
- The relief to indigents will be withdrawn if a registered indigent:
 - (i) Fails to keep to the terms of the policy agreement.
 - (ii) Tampers with the installed electricity and water meters.
 - (iii) Household income increasing beyond the threshold prescribed.
 - (iv) Property is turned into a business.
 - (v) Owner is renting or leasing out the property.

(vi) The Property is sold.

- 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 indigent register, and shall be liable to repay the municipality with immediate effect the costs of all indigent relief measures received from the date of such fraudulent registration.
- An indigent household shall be automatically de-registered if an audit or verification concludes that the financial circumstances of the indigent household has changed or has a business registered under his/ her name to that extent he or she no longer meets the qualification criteria set out in this policy

12. PROMOTION OF THE INDIGENT REGISTRATION CAMPAIGN

- The Municipality shall through the office of the Speaker and with the aid of Ward Councillors and Ward Committees, embark on an extensive community outreach indigent programme

13. MONITORING AND EVALUATION

- ~~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 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.~~
- The responsibility on the usage or consumption lies with the Indigent applicant as he/she is liable for payment of services.

- Regular physical inspections will be carried out at the premises of each of the registered indigent premises to ensure that the supply of subsidized services remains intact and that the information disclosed is accurate.
- Should an applicant in his/her application present any fraudulent statements or information he/she will be denied approval or, if already approved, will immediately be deregistered and be removed from the Indigent register. He/she will be held responsible for any monies written off and will repay all benefits received at the discounted rates.
- In the event of the death of an indigent debtor a relative or an adult member of the household of the deceased must provide a certified copy of the death certificate in respect of the debtor issued in terms of section 22 of the Births and Deaths Registration Act 1992 (Act No 51 of 1992) to the Municipality. The Chief Financial Officer or authorized official shall, as soon as practicable after receipt of a death certificate, cancel the registration of the deceased as an indigent debtor. The deceased's heir or guardian in case of child headed families- may, if she/he is an adult person, apply to be registered as an indigent household in the manner prescribed in this policy.
- When a debtor is registered as indigent the debt of the consumer existing on the day of registration shall be parked and such a person's name be given through to the credit bureau. The Chief Financial Officer shall as often as is necessary report to the Municipal Manager regarding any debts parked in terms of this paragraph, and may recommend that such debts be written off.

14. 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.

15. 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.~~

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. 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.

17. 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.
- 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.

18. REVIEW AND IMPLEMENTATION

- This policy will be reviewed annually with the annual budget process to be in line with legislative requirements
- The implementation of the amendments of this policy shall take effect on the 1st of July every financial year

19. RESPONSIBLE PERSON

Ms. Mbali Vilakazi – Indigent accountant.

Date of approval:

Council resolution Number