

# **LEKWA LOCAL MUNICIPALITY BUDGET RELATED POLICY**



**MP305**

## **FREE BASIC SERVICES AND INDIGENT SUPPORT POLICY**

**2024/2025**

## **Table of Contents**

## **Page**

1. Abbreviations
2. Introduction 9012166
3. Purpose of the policy
4. Legislative Framework
5. Policy Principles
6. Targeting approach
7. Financing of the programme
8. Qualifying Criteria
9. Registration and approval
10. Services to be subsidized
11. Deregistration and de-listement
12. Promotion of the indigent registration campaign
13. Monitoring and Evaluation
14. Review of indigent statues
15. Capacity Building
16. Arrear Debt and Credit Control
17. Limitations
18. Review
19. Responsible Person

## 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. OBJECTIVE**

4.1. The policy seeks to address but not limited to:

4.1.1. The high levels of chronic poverty in Standerton

4.1.2. The requirement of developmental local government that municipalities work together with local communities to find ways to meet the needs of the poor and to improve their lives.

4.1.3. The Constitutional obligations to provide basic services to the poor.

4.1.4. The Indigent Support Policy will seek to provide support to the registered indigents by providing:

- Free basic municipal services
- Indigents burials
- Employment opportunities

### **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. DEFINITION OF INDIGENT**

- 6.1. Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be.
- 6.2. Any household, earning less than the R 5 200.00 per month, qualifies to be registered as indigents. This includes pensioners, unemployed, child headed families and students. Lekwa Local Municipality will benchmark the income level of indigent households with the income category as determined by the department of Human Settlement for ownership of RDP properties.
- 6.3. A household is defined as all adults and children living on a single residential property.
- 6.4. An indigent policy will thus refer to a fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account for particular households.
- 6.5. As per the indigent policy, an indigent database refers to a data base that Lekwa Local Municipality established to register and monitor all households that are categorised as per financial definition of an indigent.

## **7. 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:

## **8. TARGETING OF INDIGENT HOUSEHOLDS**

The Municipality may apply the following targeting methods:

For a household to qualify as an indigent, a household should comply with the following requirements:

- a) The applicant must be a resident of the municipality.
- b) The applicant must be eighteen (18) years of age and above.
- c) Gross household income shall be **R5 200.00** total gross household 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, provided that the

requirement of being registered as an account holder does not apply to households in informal settlements and rural areas where no accounts are rendered

- e) All households that are child headed, even if they are below eighteen (18) years of age can apply for the indigent support. The registered indigent must be either the owner or occupant (tenant) of the property concerned. h. All households applying for Free Basic Electricity must have electricity connected to the household.
- f) Subsidies apply to households and not individuals .The onus for applying for indigent subsidy rest with the consumer who cannot afford to pay the full municipal tariff for services received.
- g) The indigent register will be updated annually and the verification process is undertaken through the year for any change of circumstances.
- h) Geographical (Zone) targeting Specific areas (rural or urban) where households are regarded as poor irrespective of service level

## 9. 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
- Indigent households may be required to convert to prepayment electricity meters, the cost of which can be met by the equitable share fund.

## 10. Qualification criteria

### (10.1) 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.

(10.2) 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

## 11. SERVICES TO BE SUBSIDISED

### 11.1 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.

## **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.

## 12. DE-REGISTRATION/DE LISTEMENT

- 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 longer meets the qualificator criteria set out in this policy

### **13. 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

### **14. MONITORING AND EVALUATION**

- 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. TERMINATION OF INDIGENT SUPPORT**

The indigent Support will be terminated under the following circumstances:

- 14.1. At the end of the 12 months cycle;
- 14.2. Upon the sale of the property in respect of which support is granted and subdivision of such property.
- 14.3. When Circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded;
- 14.4. If the applicant is found to have lied about his / her personal circumstances or has furnished false information regarding indigent status the application shall be terminated,

the amount written off shall be debited back to the account and stringent credit control measures will be applied;

- 14.5. Where tampering with meters is discovered, all benefits will immediately be halted. A fine according to the Credit Control Policy will be imposed. The service will be terminated and will only be re-installed on the payment of the full amount of the reconnection fee and fine;
- 14.6. Upon the death of the indigent, and if the indigent had dependents, the dependents will have to re-apply for the support as subsidies are not transferable.
- 14.7. Services will be suspended / restricted to indigents who fail to pay for services consumed in excess of the subsidised amount.

## **15. REVIEW OF INDIGENT STATUS**

- 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 though state Pensioners and disabled beneficiaries need not to re-apply for the support
- 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. 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.~~

## **17. 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

## **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.

## **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.
- Should Indigents who's debt has been written off by the Municipality sell their properties within a period of a year from date of last registration as an Indigent household, such indigent subsidies received within this period shall be recovered prior to the issuance of a signed property rates clearance certificate.
- The write-off of indigent debts shall be reversed on request for a rates clearance certificate, in cases where the property concerned is sold within two years after the write-off has been made.
- Furthermore, the written-off amount shall also be reversed on permission being granted by the municipality for the extension or building of a house by an applicant or household that has been declared indigent within a year after write-off.

## **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 1<sup>st</sup> of July every financial year