LEKWA LOCAL MUNICIPALITY
BUDGET RELATED POLICY

MP305

DRAFT FREE BASIC SERVICES AND INDIGENT SUPPORT POLICY

2026/2027

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PLEASE NOTE THAT ALL CHANGES ON THE DRAFT POLICY ARE HIGHLIGHLITED IN YELLOW

1. ABBREVIATIONS

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

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 pf
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 cancelation 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)

"Indigent Estate Form" Is an application form designed specific for debtors without letters of authority, which must also be completed by the Ward Councilor, Ward Committee, and approved by the Chief Financial Officer.

2. 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 to the high 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.

SOCIO ECONOMIC PROFILE

- According to Stats SA's Census 2022, Lekwa's population increased from 115 662 in 2011 to 119 669 people in 2022 – 12th largest population in 2022 within the Mpumalanga province. The population increased by 4 007 between 2011 and 2022, a population growth rate of 0.3% per annum, which was slower than the corresponding economic growth of 1.3% p.a.
- Households and average households size
- The number of households in Lekwa increased from 31 071 in 2011 to 38 583 households in 2022 – an increase of 7 512 households and a growth rate of 2.1% per annum. Lekwa's share of Mpumalanga's households declined from 2.9% in 2011 to 2.7% in 2022. The household size declined from 3.7 in 2011 to 3.1 in 2022.

Labour Market in Lekwa

- The official unemployment rate of Lekwa deteriorated from 23.0% in 2019 to 23.9% in 2022. The expanded unemployment rate deteriorated from 28.0% to 31.3% over the same period.
- In 2022, both Lekwa's official & expanded unemployment rates were the lowest in the district.
- In 2022, the official unemployment rate for females was 28.7% & that of males 19.8%.
- In 2022, the official youth (15-34 years) unemployment rate was 37.7% - 2nd lowest in the district.
- There is concern about the high share of unemployed youth & especially females – there appears to be a mismatch between their offering of education and skills (or lack thereof) and the demand of the labour market, but also a lack of investment to create jobs.

- In 2022, 4.1% of Mpumalanga's employed worked in Lekwa, which was equal to 14.5% of the district.
- Between 2019 & 2022, employment declined by 0.5% p.a. The average annual employment growth deteriorated compared with the 2014-2019 increase of 2.1% p.a.
- The job gains in 2022 was 5 512, which was in contrast to the 3 968 job losses in 2021.
- In 2022, the largest employing industries in Lekwa were trade, community services, finance, & agriculture.
- There are more people not employed in Lekwa than there was in 2019.

3. 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.

4. LEGISLATIVE FRAMEWORK

4.1 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

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

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:

6. TARGETING OF INDIGENT HOUSEHOLDS

Population Distribution

A large portion of Lekwa's population live in Sakhile, followed by the Standerton town area. However, new settlements established such as Ext. 4, 6 & 7 have grown tremendously and more people are settling in these areas. The demand for services comes mainly from the Sakhile and the Town area (See map below). Rural areas such as Holmdene and Platrand have fewer people which is a challenge in the provision of services. As such, rural wards are mostly provided with boreholes and VIP toilets due to the extra cost associated with extending bulk infrastructure to the outskirts of the municipality.

Disability

A person is regarded as having a disability if they reported any of the following degrees of difficulty in the six functional domains, namely seeing, hearing, communicating, walking/climbing stairs, remembering or concentrating and self-care:
▪ A person who reported "some difficulty" in at least two domains of functioning.
▪ A person who reported "a lot of difficulty" in any of the six domains of functioning.
▪ A person who reported "cannot do at all" in any of the six domains of functioning, extent of disability in Lekwa Local Municipality for 2022. The dominating disability is seeing as 10 881 of the population have difficulty seeing. Self-care is the least at 1 619.

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) The total household joint gross income of all occupants or dependents in a single household must be less than two (2) state pension grant 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) The applicant must have a single property (stand), the applicant cannot have two properties registered in his/her name in order to qualify.
f) 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. i. j 7. 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.

(i~~) Service levels~~
~~Lowest service levels normally in informal settlements and rural areas.~~
(ii) Self targeting method
Indigent households must register for indigent statue 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 R6,000 total gross household income.
(v) Geographical (Zone) targeting
Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

7. 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

8. Qualification criteria

8.1. 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.

- Beneficiaries of a deceased estate who continue utilising municipal services ,without a Court-issued Letter of Authority must provide a SAPS-commissioned affidavit explaining the absence thereof, together with deceased person's identity document or an official death certificate.

- 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 6, 000 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.

- Customers who are active on CIPC, should provide proof such as a bank statement of the business **gross monthly income that does not exceed R5200.00 per**

month and an affidavit stating that the business is not operating and no income is being received from the business. (The statement to be provided must be in the name of the business and owner/s of the personal account as well.Both statement must be submitted.

- In the instance the account holder has passed on and beneficiaries are elected within the family, they may be added on the council system as care taker for the respective account which will enable them to apply for indigent. The beneficiary must bring an affidavit, death certificate or a letter of authority and their ID to be added on the system. The councilors, must concur with and confirm the family's elected beneficiary before the Municipality records such beneficiary on the system

8.2. 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 wounded up a letter of authority is needed.

(vii) Where the property owner is deceased, a certified copy of the death certificate must be submitted.

(viii) In the event where the property owner is deceased, a Letter of Authority or a special Estate authorization form signed by the ward councillor must be submitted.

(ix) Where a letter of authority cannot be obtained due to family feuds or as a result of the unavailability of some of the family members, such applicants must be referred to the Ward Councillor and/or Chairperson of the Ward Committee for a resolution and/or completion of the Indigent Estate form.

(x) Whenever the ward councilor has reason to believe that premises are occupied by a child-headed household (regardless whether municipal services are supplied to such premises), she/he shall make such enquiries, which may include inspecting the premises concerned, as she/he may deem necessary to establish the facts.

(xi) If the applicant's employment contract has been terminated or the applicant has taken early retirement, a six-month bank statement or an official letter of termination must be provided.

Pensioners

(xii) Pensioners dependent on the retirement fund – subsidy subjected to criteria

(xiii) Documentation Required

(xiv) Certified ID copy

(xv) Proof of pension certificate

(xvi) Proof of bank statement

9. SERVICES TO BE SUBSIDISED

9.1 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.
- Pensioners will receive a subsidy on property rates based on the percentage of subsidy they qualify for on other municipal services. For example, if a pensioner qualifies for an 80% subsidy on other services, they will also receive an 80% subsidy on their rates. Alternatively, a standard subsidy of 25% or 50% may be applied to all pensioners' 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.

9.2 Pensioners

- Pensioners whose gross monthly earnings are higher than R6,001.00 but less than R10000 – 80% subsidy on all services
- Pensioners whose gross monthly income is higher than R10,001 but less R13,000 will receive 70% subsidy on all services
- Pensioners whose gross monthly income is higher than R13, 001 but less R15,000 will receive 60% subsidy on all services

- Pensioners whose gross monthly income is higher than R15, 000 and above will receive 40% 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.

10. 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 extant he or she longer meets the qualificator criteria set out in this policy

11. 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.
- Councillors through community outreach programs will educate the community about the indigent registration process and the importance thereof.

- Mayoral Imbizo programs will also communicate the indigent registration processes with more focus being on vulnerable groups, e.g., Women, Child-headed households, Old aged people.

12. 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 subsided 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.

13. 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. • All registered indigent beneficiaries will remain on the indigent register for as long as they are alive and remain unemployed. Verification of their status will be conducted every six (6) months to ensure continued eligibility.

- All recipients of old age pensions, and social grants shall not be required to undergo re-registration. Beneficiaries will, however, be required to submit proof of life once every twelve (12) months in order to continue receiving benefits.

- 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.

14. 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

15. 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.

16. 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.

17. 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.

18. STATUS VERIFICATION

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.

19. EXITING THE PROGRAMME

All approved applicants will be captured in the indigent data base, from which all skills development and job creation programmes developed by the Lekwa Local municipality will draw their intake from. Any department developing a measure or programme designed to target the poor will use this database as the source of their programme participants. This is designed to systematically assure that households qualifying for indigence are subject to the full range of interventions delivered through (or in collaboration with) the GDM, in accordance with the Growth and Development Strategy Pillars, one of which is poverty alleviation.