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**TO ALL: Executive Mayors
 Mayors,
 Speakers,
 Municipal Managers,
 Chief Financial Officers,
 Technical Services Managers**

JOINT CIRCULAR ON THE IMPLEMENTATION OF THE FREE BASIC SERVICES (FBS) PROGRAMME: DEVELOPMENT OF CREDIBLE INDIGENT REGISTERS

1. Objective of the Circular:

The objective of this circular is to request the Honourable Executive Mayors, Mayors, Speakers and the municipal administration to urgently prioritise the development of credible indigent registers to facilitate the delivery of free basic services¹ and much needed relief to indigent households. This is informed by the misalignment between the number of poor households subsidised through the Local Government Equitable Share² allocations and indigent households registered by municipalities.

2. Legislative and Policy Provisions to FBS Delivery:

2.1 The National Treasury is responsible for the determination of the LGES allocations and the Department of Cooperative Governance³, as the national department responsible for local government, is responsible for the transfer of the LGES to municipalities for FBS delivery.

2.2 The National Treasury is also responsible for ensuring appropriate utilisation of the funds for the intended purposes, in line with the provisions of the Constitution of the Republic of South Africa, 1996⁴, the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA).

¹ Hereinafter referred to as "FBS".

² Hereinafter referred to as "LGES".

³ Hereinafter referred to as "DCoG".

⁴ Hereinafter referred to as the "Constitution".

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- 2.3 Furthermore, the DCoG is responsible for the administration of the Municipal Systems Act⁵ (Act No. 32 of 2000) (MSA), and the mandate for the implementation of the FBS programme derives from Section 97(1)(c) and 104(1)(l) of the MSA.
- 2.4 The introduction of the FBS programme was intended to subsidise poor households that cannot afford to pay for basic services. Since inception, most municipalities have been struggling to implement the indigent policies, undermined by impediments such as poor marketing and communications, indigent registrations and redirecting of FBS subsidies for operations, that require national government intervention to support municipalities to understand the policy requirements and to assist them in developing municipal indigent policies and practical mechanisms for the effective implementation thereof, using credible municipal indigent registers.
- 2.5 The FBS programme is a poverty alleviation initiative designed to provide poor households with water, electricity, sanitation and refuse removal services without charging a fee as per the minimum set levels. The FBS programme is implemented by municipalities supported by provincial CoGTAs and overseen by the DCoG. It is therefore the responsibility of the municipalities to identify indigent households and encourage them to apply for the indigent subsidy. Upon approval of these applications by municipalities, the beneficiaries are recorded in the municipal indigent registers, which are used as tools to implement the FBS programme. It is based on the above that all municipalities are required to develop credible indigent registers.
- 2.6 During 2005 and 2006, the DCoG introduced the National Framework for Municipal Indigent Policies, and the Guidelines for Implementation of Municipal Indigent Policies, respectively. The essence of the framework and the guidelines was to assist municipalities with the design of their indigent policies and the subsequent roll-out of the FBS programme to poor households using municipal indigent registers; they were also aimed at ensuring common understanding, uniformity, consistency and comparability in the implementation of the programme.

3. FBS Subsidies:

- 3.1 In terms of section 227 of the Constitution, local government is entitled to an equitable share of nationally raised revenue to enable it to provide basic services and perform its allocated functions. The LGES is an unconditional transfer that supplements the revenue that municipalities can raise themselves (including revenue raised through property rates and service charges). The LGES provides funding for municipalities to deliver FBS to poor households and also subsidises the cost of administration and other core services for those municipalities with the least potential to cover these costs from their own revenues.

⁵ Local Government: Municipal Systems Act No. 32 of 2000, as amended.

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- 3.2 The portion of national revenue allocated to local government through the LGES is determined in the national budget process and endorsed by Cabinet (the vertical division). The LGES is divided among the country's 257 municipalities, using a formula to ensure objectivity (the horizontal division). The Basic Services Component assists municipalities in providing FBS to households that fall below an affordability threshold, which for this purpose is based on the sum of two state old age pension grants.

4. Challenges on FBS Delivery and Credible Municipal Indigent Registers:

- 4.1 Despite the strides made in formalising the FBS programme, there remain impediments with the implementation of the Municipal Indigent Policies. These challenges are largely manifested in the slow pace of service delivery regarding access to free basic services by indigent households.
- 4.2 Statistics South Africa⁶ annually collects data relating to indigents management in municipalities, based on the indicators discussed and agreed upon between Stats SA and the DCoG. The data is published annually in the Non-Financial Census, with the latest data being published on 27 March 2025. From this data, it is noted that only 2.8 million households are accounted for in the municipal Indigent Registers compared to the Stats SA data (Census 2011 and 2016 Community Survey). This suggests that a total of 11.2 million indigent households nationally are currently subsidised for the provision of free basic services through the LGES and thereby concluding that there is a total of 8.4 million indigent households that are denied free basic services provision, while municipalities receive the subsidies for the provision of FBS.
- 4.3 It can therefore be deduced that there is a misalignment between the indigent households funded through the LGES and the actual households targeted by municipalities in the municipal indigent registers. In addition, the utilisation of the LGES for payment of outstanding creditors, is also not an acceptable practice. The National Treasury have also observed that municipalities do not take seriously the disclosure of this information in the annual budget documents.
- 4.4 The DCoG, in collaboration with the National Treasury, will now focus on strengthening the spending of the relevant component of the LGES funding on the provision of free basic services to indigent households.
- 4.5 Failure by municipalities to submit a credible indigent registers and meet the submission deadline would result in the possible withholding of the FBS subsidy from your 2025/26 financial year LGES allocations.

⁶ Hereinafter referred to as "Stats SA".

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5. Reporting on Progress in the Development of Credible Indigent Registers:

- 5.1 Municipalities are required to complete the questionnaire through this link (<https://forms.office.com/r/DwPkZw7cUD>) to establish the status of the FBS provision, and to provide activity plans and timeframes, for the development of credible indigent registers, for immediate implementation. These plans must be submitted to both the National Treasury and the DCoG by no later than 30 September 2025. Furthermore, municipalities are required to provide progress reports on the development of credible indigent registers (increase in the number of FBS beneficiaries), by the last day of each calendar month.
- 5.2 Should the municipality fail to prioritise the development of a credible indigent register and alignment with the number of subsidised indigent households based on the Stats SA data, **National Treasury and DCoG will consider invoking section 216(2) of the Constitution resulting in the December 2025 tranche of the 2025/26 LGES being withheld.**
- 5.3 The above intervention by National Treasury and DCoG is considered essential to ensure that the LGES is utilised for the purpose it is intended for, and that service delivery to the poor are prioritised.

For enquiries on LGES allocations and FBS policy matters, you can contact Ms Khutjisho Fata, Director: LGES Transfers by telephone at: 0123954931, or by email at: khutjishof@coqta.gov.za.



MR VELENKOSINI HLABISA, MP
MINISTER OF COGTA

DATE: 05 SEPTEMBER 2025



MR. ENOCH GODONGWANA, MP
MINISTER OF FINANCE

DATE: 8 SEPTEMBER 2025