

MBHASHE LOCAL MUNICIPALITY



TARIFF POLICY

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1. OBJECTIVES OF THE POLICY

The objectives of the tariff policy are;

- (a) To ensure that the municipal services are financially sustainable, affordable and equitable;
- (b) To ensure that the tariffs of the municipality comply with the legislation prevailing at the time of implementation, and in line with the principles as outlined in the Municipal Systems Act;
- (c) To ensure that there is consistency in the manner in which the tariffs are applied throughout the municipality; and
- (d) To ensure that the needs of the indigent are taken into consideration.
- (e) To ensure that the municipal services are regulated by imposing tariffs on those services.

2. DEFINITIONS

For the purposes of this policy, unless the context otherwise indicates -

"Account holder" means any person who is due to receive a municipal account, which includes a user of pre-paid services;

"Annual budget" means the budget approved by the municipal council for any particular financial year and includes any adjustments to such budget;

"Availability charge" means a fixed monthly or annual charge levied against the account holder which is based on the cost of providing a municipal service to the premises of the account holder;

"Consumer" means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there is no such person, then the owner of the premises;

"Domestic consumer" or "domestic user" of municipal services means the person or household to whom municipal services are rendered in respect of residential property;

"Consumer price index" means the consumer price index (CPIX) as gazetted by the South African Bureau of Statistics;

"Council" means the Council of the Municipality of Mbhashe (or any service provider to the municipality);

"Indigent debtor" means an indigent debtor registered in the municipality's register of indigent debtors;

"Major services" means those services contemplated in paragraph 2(e) of this policy;

"Minor tariffs" means all tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of services, other than major services provided, and includes services incidental to the provision of the major services;

"Municipal manager" means the person appointed by the municipality in terms of Section 82 of the Municipal Structures Act, 1998 and includes any person:

- (a) Acting in such position; and
- (b) to whom the municipal manager has delegated any power, function or responsibility in as far as it concerns the execution of those powers, functions or duties;

"Municipal service" means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether-

- (a) Such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in Section 76 of the Municipal Systems Act, 2000 or by engaging an external mechanism contemplated in the said Section 76; and
- (b) Fees, charges or tariffs are levied in respect of such a service or not;

"Municipal tariff" means a tariff for services which the municipality sets for the provision of a service to the local community, such as a tariff set for major services or a minor tariff, and includes a surcharge on such service;

"Tariffs for major services" means tariffs set for the supply and consumption or usage of major services.

3. GUIDING PRINCIPLES

- (a) Tariffs shall be set at a level to facilitate financial sustainability of the service, taking into account subsidisation, where possible, from sources other than the service concerned.
- (b) In setting its annual tariffs, the municipality must, at all times, take due cognisance of the -
 - (i) tariffs applicable elsewhere in the economic region; and
 - (ii) the impact which its own tariffs may have on local economic development;
- (c) With the exception of the indigent relief measures approved by the municipality, service tariffs imposed by the municipality should be viewed as user charges and not as taxes, and the ability of the relevant consumer or user of the services to which such tariffs relate, to pay for such services, should not be considered as a relevant criterion;
- (d) Poor households must have access to at least a minimum level of basic services through:
 - (i) Tariffs that cover the operating and maintenance costs; and
 - (ii) Any other direct or indirect method of subsidisation of tariff for poor households;
- (e) The users of municipal services shall be treated equitably in the application of tariffs;
- (f) Tariff shall include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges, where possible;
- (g) Tariffs for the services rendered by the municipality such as refuse (solid waste) removal services, must as far as possible recover the expenses associated with the rendering of each service concerned, and, where feasible, generate a surplus as determined in each annual budget;
- (h) The tariff, which a particular consumer or user pays, must as far as practically possible be directly related to the standard of service received and the quantity of the particular service used or consumed;

- (i) The municipality must annually review its indigent relief measures, and must set out the -
 - (i) The municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents; and
 - (ii) The implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region;
- (j) The municipality's tariff policy must be transparent;
- (k) The extent to which there is cross-subsidisation between categories of consumers or users must be evident to all consumers or users of the service in question;
- (l) The municipality undertakes to -
 - (i) ensure that its tariffs are explained to and understood by all consumers and users affected by this policy;
 - (ii) Render its services cost effectively in order to ensure the best possible cost of service delivery;
- (m) The Municipality should continuously focus on:
 - (i) Extending access to services,
 - (ii) Improving the efficient and effective supply of services,
 - (iii) Managing and improving the quality of services provided, and
 - (iv) Maintenance of service delivery infrastructure to minimise the cost of replacement or development of capital assets and infrastructure.

4. DIFFERENTIATION FOR TARIFF PURPOSES

The nature and basis for differentiation for tariff purposes is set out below:

4.1. Category of users

The municipality has identified the following categories of users which are included in the municipality's property rates policy:

- (a) Residential properties
- (b) Industrial properties
- (c) Business properties
- (d) Community Benefit Organisations
- (e) Agricultural properties used for:
 - (i) Farming
 - (ii) Trading
 - (iii) Residential purposes other than those specified in sub-paragraph (a) to (c)
- (f) Municipal properties
- (g) Public service infrastructure
- (h) Communal land as defined in section 1 of the Communal Land Rights Acts, 2004
 - (i) State trust land
 - (j) Properties owned by public benefit organisations and used for any specific public benefit activities listed in part 1 of the Ninth Schedule to the Income Tax Act
- (k) Properties used for multiple purposes, subject to section 9 of the Property Rates Act.

4.2. Classification of Services

4.2.1 Major Services

- (a) Refuse Removal

4.2.2 Minor Services

- (a) Economic Services
- (b) Rental of municipal facilities and equipment
- (c) Building Plan Fees
- (d) Clearance Certificates

4.2.3 Community Services

- (a) Disposal of garden refuse at landfill sites

4.2.4 Subsidised Services

- (a) Cemeteries
- (b) Municipal Sports Facilities

4.2.5 Regulatory Services

- (a) Library Fines
- (b) Pound Fees
- (c) Penalties and other charges imposed in terms of the approved credit control and debt collection policy

5. CALCULATION OF TARIFFS FOR MUNICIPAL SERVICES

5.1. Major Services

- (a) In order to calculate the tariffs which must be charged for the supply of the services contemplated in paragraph 4.1.5 of this policy , the municipality must identify all the costs of operation of the undertakings concerned, including specifically the following:
 - (i) Materials (e.g. refuse bags and bins, etc);
 - (ii) Depreciation expenses;
 - (iii) Maintenance of infrastructure and other fixed assets;
 - (iv) Administration and service costs, including -

- (b) Service charges levied by other departments such as finance, human resources and legal services;
- (c) Reasonable general overheads, such as the costs associated with the office of the municipal manager;
- (d) Adequate contributions to the provisions for bad debts and obsolescence of stock; and
- (e) All other ordinary operating expenses associated with the service concerned; and
- (f) The intended surplus to be generated for the financial year, such surplus to be applied:
 - (i) As an appropriation to capital reserves; and/or
 - (ii) Generally in relief of rates and general services
 - (iii) The cost of approved indigent relief measures
- (g) Tariffs related to consumers, who have registered as indigents, shall be in terms of the municipality' approved indigent policy. In terms of the policy, the municipality shall:
 - (i) Provide the first 50kWh of electricity per month or other alternative sources of energy as approved by the municipality;
 - (ii) The municipality shall further consider relief in respect of the tariffs for refuse removal to the extent that Council deems such relief is affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 30% on the monthly amount billed for the refuse removal service.

5.2. Minor Services

- (a) Details on tariff structure of minor services are covered in section 5.2 of this policy.

6. STRUCTURE OF TARIFFS

6.1. Refuse removal tariff

- (a) The categories of refuse removal users as set out in subparagraph 5.1.3 are charged at the applicable tariffs, as approved by the municipality in each annual budget;
- (b) Tariff adjustments are effective in respect of accounts in July each year;
- (c) A separate fixed monthly refuse removal charge applies to each of the following categories of users, based on the costs of the service concerned:
 - (i) Domestic or households and other users, where refuse is removed by the municipality once weekly; and
 - (ii) Small to medium business and other users, where refuse is removed by the municipality twice weekly; please note that residences used for business purposes, such as hostels or flats for rental, fall into this category.
 - (iii) Large business and other bulk consumers, where refuse is removed by the municipality daily during working days; and
- (d) A registered indigent may receive a discount on the charge referred to in this paragraph in a percentage as the municipality deems affordable when approving each annual budget, provided such discount is not be less than the percentage, as determined by the municipality, of the monthly amount billed as a refuse removal charge.

6.2. Minor tariffs

- (a) All minor tariffs are standardised within the municipal region.
- (b) All minor tariffs are approved by the municipality in each annual budget and are, when deemed appropriate by the municipality, subsidised by property rates and general revenues, particularly when the -
 - (i) Tariffs prove uneconomical when charged to cover the cost of the service concerned;
 - (ii) Costs cannot be determined accurately; or
 - (iii) Such tariff is designed purely to regulate rather than finance the use of the particular service or amenity;

- (c) Unless there are compelling reasons why such adjustment should not be effected, all minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, are adjusted annually at least in accordance with the prevailing consumer price index;
- (d) The following services are subsidised services, and the tariffs levied cover 50%, or as near as possible to 50%, of the annual operating expenses budgeted for the service concerned:
 - (i) Burial services and the provision of cemeteries; and
 - (ii) The provision of municipal sports facilities for use against a fee;

6.2.1 The following services are considered as being community services, and no tariffs are levied for their use:

6.2.1.1 A municipal swimming pool;

6.2.1.2 A municipal museum and art gallery;

6.2.1.3 The disposal of garden refuse at the municipal disposal site;

6.2.1.4 A municipal reference library;

6.2.1.5 A municipal lending library, except for fines determined;

6.2.1.6 A municipal botanical garden, other park or open space;

6.2.2 The following services are considered as being economic services, and the tariffs levied cover 100%, or as near as possible to 100%, of the budgeted annual operating expenses of the service concerned:

6.2.2.1 The maintenance of graves, gardens of remembrance and crematoria against payment of a fee;

6.2.2.2 The availability of a house against payment of a housing rental;

6.2.2.3 The approval of a building plan against payment of a fee;

6.2.2.4 The selling of-

- (i) Plastic refuse bags;
- (ii) The selling of refuse bins; or
- (iii) Livestock and plants;

6.2.2.5 The cleaning of stands against payment of a fee;

6.2.2.6 The issuing of a clearance certificate against payment of a fee.

6.2.3 The following charges and tariffs are considered as regulatory or punitive, and are determined as appropriate in each annual budget:

6.2.3.1 Fines for lost or overdue library books;

6.2.3.2 Advertising sign fees;

6.2.3.3 Pound fees;

6.2.3.4 Penalty and other charges imposed in terms of the municipality's credit control and debt collection policy; and

6.2.3.5 Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

6.2.3.6 Traffic fines;

6.2.3.7 Storage of impounded vehicles

6.2.3.8 Fines for encroachment

7. TARIFF APPROVAL AND REVIEW

7.1. Tariff setting/approval

7.1.1 All tariffs, and related tariff structures, shall be approved by the Municipal council, annually, in accordance with legislated budget timelines.

7.1.2 All categories of consumers shall be charged at the applicable tariffs, as approved by the council in each annual budget.

7.1.3 When approving minor tariffs, the council shall, when deemed appropriate, approve for the subsidisation of such tariffs by property rates and general revenues, particularly when:

7.1.3.1 The tariff will prove uneconomical when charged to cover the cost of the service concerned, or

7.1.3.2 When the costs cannot accurately be determined, or

7.1.3.3 When the tariff is designed purely to regulate, rather than finance the use of the particular service or amenity.

7.1.4 In setting its annual tariffs, the Council shall at all times take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on Local Economic Development.

7.2. Tariff adjustments

7.2.1 Tariff adjustments shall be effective from 1 July each year or as soon as possible thereafter.

7.2.2 All minor tariffs over which the Municipality has full control and which are not directly related to the cost of a particular service shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustments shall not be effected.

8. LEASE OF MUNICIPAL PREMISES

8.1 The lease of a municipal property must be dealt with in terms of the Municipality's Supply Chain Management Policy or Regulations;

8.2 If the Municipal Manager is satisfied, in the case of a rental for the use of a municipal hall and premises, that the hall or premises is required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive the applicable rental;

8.3 The Municipal Manager must determine whether an indemnity or guarantee is to be lodged, or whether a deposit has to be paid, for the lease of a municipal hall, premises or sports field, and in so determining, must be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.

9. COSTS OF DEMOCRATIC PROCESS

9.1 The costs of the democratic process in the municipality such as, but not limited to, all expenses associated with the political structures of the municipality, form part of the expenses to be financed from property rates and general revenues, and are not included in the costing of the major services of the municipality.

10. BUDGET-RELATED POLICY

10.1 This policy constitutes a budget-related policy and must be reviewed annually by the municipality as part of the budgeting process prescribed under the Municipal Finance Management Act.

11. Annexure: Legal Requirements

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation. Such tariff policy must reflect at least the following principles:

- (a) that users of municipal services must be treated equitably in the application of the municipality's tariffs.
- (b) that the amount individual users pay for services must generally be in proportion to the use of such services
- (c) that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households
- (d) that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges
- (e) that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned
- (f) that provision may be made in appropriate circumstances for a surcharge on the tariff for a service
- (g) that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users

- (h) that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged
- (i) that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: General Duty

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner, which does not amount to unfair discrimination.

12. CHANGE CONTROL AND APPROVAL

12.1. Policy Consultations & Approval

12.1.1. Consultation Process

The policy has been reviewed by the Chief Financial officer and management of the municipality.

12.1.2. Policy Approval Process

This Policy shall be approved by the Council. Any amendments to the Policy must be approved at the next Council meeting. No policy amendments may be implemented without prior Council approval.

12.2. Review and Revision Arrangements Including Version Control

12.2.1. Review and Revision Process

The Policy shall be reviewed at least annually by the chief financial officer and the Accounting officer. Council shall approve the Policy thereafter.

All reviews and revisions to any section of the policy and procedures document must be approved council.

12.2.2. Version Control

A Version Control sheet shall be maintained with the document.

12.3. Dissemination and Implementation

12.3.1. Dissemination

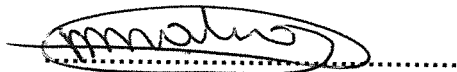
Once approved, this policy document shall be circulated by e-mail to appropriate staff within the organization including management, staff, Financial Management staff and Budget Holders.

The document will also be supplied to the corporate services department for archiving, and publishing.

12.3.2. Implementation

Implementation shall be carried out by the Chief Financial Officer and the accounting officer shall exercise oversight.

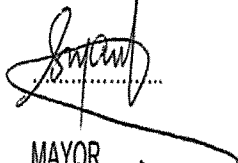
Approved by Council and Signed by:



Mr NAKO M
ACTING MUNICIPAL MANAGER

07/08/19
DATE

Cllr. Janda S.N



MAYOR
07/08/19
DATE