



**TARIFF POLICY**  
**2016/2017**

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## **2.DEFINITIONS**

**"account holder"** means any person who is due to receive a municipal account, which includes a user of pre-paid electricity or water;

**"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;

**"commercial"** means municipal services are rendered in respect of business property

**"residential " 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 Ngqushwa \_\_\_\_ (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. ENABLING LEGISLATION**

- I. Municipal Systems Act of 2000, S74
- II. Municipal property rates Act No.6 of 2004
- III. Municipal Finance Management Act no.56 of 2003

### **4. OBJECTIVE OF THIS POLICY**

The purpose of this policy is to give effect to Section 74 of the Local Government: Municipal Systems Act 32 of 2000 which requires a municipal council to adopt and implement a tariff policy and by-law on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements. The aforesaid policy must comply with the Municipal property rates Act No 6 of 2004 and any other applicable legislation.

## **5. SCOPE**

This policy applies to Ngqushwa municipality for the levying of fees for municipal services provided by the municipality.

## **6. CONTENT**

### **GENERAL PRINCIPLES**

- (a) The municipality adopts, subject to subparagraph **I**, paragraphs 4.1(c)(iii) and (iv) and 4(e)(iv), a two-part tariff structure consisting of a fixed availability charge coupled with a charge based on consumption;
- (b) In setting its annual tariffs, the municipality must, at all times, take due cognizance of the -
  - (1) tariffs applicable elsewhere in the economic region; and
  - (ii) the impact which its own tariffs may have on local economic development;

With the exception of the indigent relief measures approved 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;

- (c) The municipality must ensure that its tariffs are uniformly and fairly applied throughout the municipal area;
- (d) Tariffs for the following services rendered by the municipality, 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:
  - (i) refuse (solid waste) removal services;
- (e) The tariff, which a particular consumer or user pays, must be directly related to the standard of service received and the quantity of the particular service used or consumed;
- (f) The municipality must annually review its indigent relief measures, and must set out the -
  - (i) 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;
- g)( I) The municipality's tariff policy must be transparent;
- II) The extent to which there is cross-subsidization between categories of consumers or users <sup>must</sup> be evident to all consumers or users of the service in question;
- (h) 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;
  - (iii) In order to calculate the tariffs which must be the economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged.

charged for the supply of the

services contemplated in paragraph 2(e), the municipality must identify all the costs of operation—of the undertakings concerned, including specifically the following:

- (a) distribution costs;
- (b) depreciation expenses;
- (c) maintenance of infrastructure and other fixed assets;
- (d) administration and service costs, including -
  - (i) service charges levied by other departments such as finance, human resources and legal services;
  - (ii) reasonable general overheads, such as the costs associated with the office of the municipal manager;
  - (iii) adequate contributions to the provisions for bad debts and obsolescence of stock, and
  - (iv) all other ordinary operating expenses associated with the service concerned including, and
- (d) the cost of indigent relief measures.

## **STRUCTURE OF TARIFFS**

- (a) The municipality may-
  - (1) consider relief in respect of the tariffs refuse removal for such registered indigent to the extent that the council deems such relief affordable in terms of each annual budget. Such relief may, however, not be less than a discount as determined by the municipality;

## **REFUSE REMOVAL TARIFF**

- (a) The categories of refuse removal users as set out in subparagraph (c) are charged at the applicable tariffs, as approved by the municipality in each annual budget;
- (b) Tariff adjustments are effective in respect of July accounts 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 and other users, where refuse is removed by the municipality once weekly; and
  - (ii) business and other users, where refuse is removed by the municipality twice weekly;
  - (iii) business and other users, where refuse is removed by the municipality thrice weekly; and
  - (iv) business and other bulk consumers;
- (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.

## **MINOR TARIFFS**

- (a) All minor tariffs are standardized 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 subsidized 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;
- (d) 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:
  - (i) subject to paragraph (6), the use of a municipal hall and other municipal premises against payment of a fee;
  - (ii) the approval of a building plan against payment of a fee;
  - (e) The following charges and tariffs are considered as regulatory or punitive, and are determined as appropriate in each annual budget:
    - (i) advertising sign fees;
    - (v) pound fees;
    - (vi) penalty and other charges imposed in terms of the municipality's credit control policy and



- (vii) penalty charges for the submission of dishonored, stale, postdated or otherwise unacceptable cheques.

### **LEASE OF MUNICIPAL PREMISES**

- (a) The lease of a municipal property must be dealt with in terms of the Municipality's Supply Chain Management Policy or Regulations;
- (b) 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 nonprofit making purposes and for the provision of a service to the community, the Municipal Manager may waive the applicable rental;
- (c) 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.

### **COSTS OF DEMOCRATIC PROCESS**

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.

### **RATES TARIFFS**

- (i) Tariffs for rates are being guided by the municipal property act no 6 of 2015 as amended.
- (ii) The Act stipulates that the tariffs should be charged according to the categories that are being identified by the general valuation , strictly those tariffs must be in line with the budget and must be approved by the Council
- (iii) Tariff structure, property rate policy and Council resolution must be