

NGQUSHWA LOCAL MUNICIPALITY



TARIFF POLICY

2022/2023

Summary

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Review Date	19 March 2022
Related Legislation/Applicable Section of Legislation	Municipal Finance Management Act 56 of 2003
Related Policies, Procedures, Guidelines, Standards, Frameworks	
Replaces/ Repeals (whichever is relevant, if any)	
Policy Officer (Position)	
Policy Officer (Phone)	
Policy Sponsor (Position)	
Department Responsible	Budget and Treasury Office
Unit responsible	Budget and Reporting
Applies to	All Ngqushwa Local Municipality Employees and Councillors
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REVISION RECORD

Date	Version	Revision Description
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(Note: Aappendix a not attached. Please attach)

1. BACKGROUND

1.1 Provision of Services

- 1.1.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical 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 sections 152(1) (b) and 153(b) of the Constitution of the RSA, 1996

The municipal services provided to residents and communities in the Municipality must:

- be within the municipality's financial and administrative capacity;
- be provided in a manner that –
 - is fair and equitable to all its residents and communities;
 - ensures the highest quality service at the lowest cost, the most effective and economical use as well as sufficient allocation of available resources; and
 - is financially and environmentally sustainable;
- be reviewed regularly with a view to development, upgrading, extension and improvement.

- 1.1.2 According to the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003), referred to as the MFMA henceforth, the definition of “*basic municipal service*” is a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

- 1.1.3 The Local Government: Municipal Systems Act, 2000 (No. 32 of 2000) as amended, referred to as the MSA henceforth, takes the definition of a “*municipal service*” even further by stating it is 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 s.76(MSA), or by engaging an external mechanism contemplated in s.76; and
- (b) fees, charges or tariffs are levied in respect of such a service or not.

1.1.4 S.76 MSA reads as follows:

A municipality may provide a municipal service in its area or a part of its area through-

- (a) an internal mechanism, which may be-
 - (i) a department or other administrative unit within its administration;
 - (ii) any business unit devised by the municipality, provided it operates within the municipality's administration and under the control of the council in accordance with operational and performance criteria determined by the council; or
 - (iii) any other component of its administration; or
- (b) an external mechanism by entering into a service delivery agreement with-
 - (i) a municipal entity;
 - (ii) another municipality;
 - (iii) an organ of state, including
 - (aa) a water committee established in terms of the Water Services Act, 1997 (Act No. 108 of 1997);
 - (bb) a licensed service provider registered or recognised in terms of national legislation; and
 - (cc) a traditional authority;
 - (iv) a community based organisation or other non-governmental organisation legally competent to enter into such an agreement, or
 - (v) any other institution, entity or person legally competent to operate a business activity.

1.1.5 In terms of s.74 (1) MSA a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by itself or by way of service delivery agreements which must comply with the Act (MSA), the MFMA or any other applicable legislation.

2. NAME OF POLICY

This policy shall be called the Tariff Policy of the Municipality.

3. PURPOSE AND APPLICATION OF POLICY

The purpose of this policy is to give effect to the requirements of s.74(1) MSA regarding the levying of fees, charges, rates and taxes for the Local Municipality of Ngqushwa and shall apply to all tariff structures enumerated in APPENDIX "A" hereof in order to render the municipal services needed by its community.

3. EMPOWERMENT TO LEVY AND RECOVER FEES, CHARGES AND TARIFFS

3.1 The Municipality is empowered in terms of s.75 (A) (MSA) to –

- (a) levy and recover fees, charges and tariffs in respect of any function or service it may render; and
- (b) recover collection charges and interest on any outstanding amounts.

4. CORE ELEMENTS OR PRINCIPLES OF POLICY

4.1 In terms of s.74 (2) MSA a tariff policy must reflect at least the following principles:

- (a) users of municipal services should be treated equitably in the application of tariffs
- (b) the amount individual users pay for services should generally be in proportion to their use of that service;
- (c) poor households must have access to at least basic services through
 - (i) tariffs that cover only operating and maintenance costs,
 - (ii) special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for poor households;

- (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- (e) 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) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users
- (h) the economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
- (i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

4.2 In terms of s.74 (3) MSA, a tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

4.3 Once the Municipality has approved a tariff policy, it must adopt a By-law to give effect to the implementation and enforcement of its tariff policy.

5. ACCESS TO SERVICES AND REQUIREMENTS TO BE TAKEN INTO ACCOUNT IN DETERMINING TARIFFS

5.1 Basic Municipal Services

5.1.1 The municipality must heed its first and foremost duty to ensure that all residents and communities within its boundaries have basic municipal services as required by the Constitution of the RSA.

5.1.2 In order to acquaint itself of the task set in 5.1.1, the municipality should utilize its resources as effectively, efficiently and economically as possible to create a financially sustainable capacity within which to operate and therefore regular reviews and analysis of this aspect must be done by all the municipal departments and the necessary adjustments or revisions done timeously to prevent financial risk or incapacity.

5.2 Municipal Services to be financially sustainable

5.2.1 The MSA requires that a municipality must render its services in a *financially sustainable* manner. In order to do this, municipal services are to be provided in a manner that:

- Is likely to ensure that revenue from that service is sufficient to cover the cost of –
 - the initial capital expenditure required for the service;
 - operating the service; and
 - maintaining, repairing and replacing the physical assets used in the performance of the service;

- Is likely to ensure –
 - a reasonable surplus in the case of a service performed by the Municipality itself; or
 - a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself;

- is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service; and

- takes account of the current and anticipated future –
 - level and quality of that service;
 - demand for the service; and
 - ability and willingness of residents to pay for the service.

5.2.2 However, regard must be had in respect of the municipality's indigent households that should have access to at least the basic services through –

- tariffs that cover only operating and maintenance costs;
- special tariffs or life line tariffs for low level use or consumption of services or for basic levels of service; or
- any other direct or indirect method of subsidization of tariffs for poor households; and
- adherence to the municipality's indigent support scheme.

5.2.3 When determining tariffs the municipality must ensure that users of municipal services are treated equitably in the application of tariffs and that the amount payable by them are generally in proportion to their use of that service.

- 5.2.4 Notwithstanding severe financial constraints, a municipality should, as far as possible, take the affordability of the service to its various categories of users into account.
- 5.2.5 Before introducing a tariff for any municipal service, or when the tariffs are reviewed annually, the tariffs of surrounding municipalities (especially those of similar size) should be obtained and analysed to retain a degree of competitiveness and affordability amongst municipalities.
- 5.2.6 Where a municipal service is provided by an external service provider, the municipality must ensure that any agreement for the provision of such a service shall contain a clause entitling it to control the setting and adjustment of tariffs to be charged by such a service provider for the rendering of that particular service so that the municipality does not suffer a loss in the service provided.

6. EXCEPTIONAL ARRANGEMENTS IN DETERMINING TARIFFS

6.1 Discount for timeous payment of municipal accounts

Should the municipality decide to give discount to users of municipal services for timeous payment of their accounts, provision for this circumstance must be made in the annual revenue budget.

6.2 Exemption from payment of interest on arrear accounts

Similarly, if the municipality should decide to exempt a user who is in arrears with his/her account and who successfully negotiates an agreement to repay such arrears in accordance with the municipality's Credit Control and Debt Collection Policy, from payment of any further interest, allowance for such instances must be made in the annual revenue budget.

6.3 Commercial, Industrial and Business Users

- 6.3.1 While the general principle in determining tariffs is usually that users in the commercial, industrial and business sectors pay a higher rate in tariffs, the municipality may decide, in the interest of obtaining further economic development within its boundaries, to determine special tariffs and rates in respect of certain services for certain categories of commercial, industrial or business users.
- 6.3.2 Rental payments should escalate at a rate of 10% every twelve months excluding rooms.

6.4 Municipal Services in Special Circumstances

In circumstances where the installation of monitoring of municipal services are exorbitant due to geographical, geological or soil conditions existing within certain areas, the municipality may decide to render such services at a higher tariff to cover the costs connected therewith.

7. REVIEW OF POLICY

The municipality shall review the tariffs relating to this policy annually before September of the year preceding the new financial year and any increases in tariffs shall be reflected in a report to the Council in January for approval.

**REVIEWED BY THE COUNCIL ON.....2022 UNDER AGENDA ITEM
NO.....**

MUNICIPAL MANAGER

MAYOR OBO COUNCIL

APPENDIX “A” -

Tariff Structures that this Policy applies to.

(Please attach)

APPENDIX A