



# TARIFF POLICY

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## 1. **DEFINITIONS**

**“Council”**- shall mean the Municipal Council of Mkhambathini Local Municipality.

**“Financial Year”** - means a twelve months period commencing on 1 July and ending on 30 June each year.

**“Municipal area”** - shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the Municipal area pertaining to the Municipality;

**“Municipal service”** - refers to services (major and minor) offered by Mkhambathini Local Municipality.

**“Municipal Tariff”** - shall mean a tariff for services which the Municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the Municipality in respect of other services supplied including services incidental to the provision of the major services.

**“Systems Act”**- means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

## 2. **INTRODUCTION**

2.1 A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Systems Act, 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

2.2 The Tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.

- 2.3 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.

### **3. POLICY OBJECTIVES**

- 3.1 The objective of this Policy is to ensure that:
- a) The tariffs of the Municipality comply with the legislation prevailing at the time of implementation,
  - b) The Municipal services are financially sustainable, affordable and equitable.
  - c) The needs of the indigent are taken into consideration,
  - d) That tariffs are uniformly and fairly applied throughout the area of jurisdiction, and
  - e) The Policy is drawn in line with the principles as outlined in the Municipal Systems Act.

### **4. PRINCIPLES**

- 4.1 Service tariffs imposed by the local municipality shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).
- 4.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 4.3 Tariffs for the major services rendered by the municipality, namely:
- refuse removal (solid waste)
- 4.4 The Municipality shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 4.5 The Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services ensure self-sustainability.

- 4.6 The Municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the Municipality's cost recovery in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the Municipal region.
- 4.7 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- 4.8 The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question. The Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by the tariff policy concerned.
- 4.9 The Municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

## **5. REFUSE REMOVAL**

- 5.1 All residential, industrial and commercial properties will be charged a basic fee to be reviewed annually during the budget process. All other properties will be charged a monthly fee determined annually during the budget process. The monthly refuse removal charge will be charged against the owner's account. (Suggestion: To attach the Tariffs schedule as annexure to the policy)
- 5.2 Tariff adjustments shall be effective from 1 July each year.
- 5.3 Registered indigents may receive discount on this charge as the Council deems affordable when approving each annual budget.

**6. CALCULATION OF TARIFFS FOR MAJOR SERVICES**

6.1 In order to determine the tariff which must be charged for the supply of refuse removal, the Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- a) Depreciation expenses.
- b) Maintenance of infrastructure and other fixed assets.
- c) 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;
  - (iv). All other ordinary operating expenses associated with the service concerned.

6.2 The intended surplus to be generated for the financial year, such surplus to be applied:

- a) As an appropriation to capital reserves; and/or
- b) Generally in relief of rates and general services.

6.3 The cost of approved indigency relief measures.

- a) The Municipality shall consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

**7. OTHER TARIFFS, LEVIES AND CHARGES (MINOR TARIFFS)**

7.1 All other tariffs shall be standardized within the municipal region.

7.2 All other tariffs shall be approved by the Council in each annual budget, and may, when deemed appropriate by the Council, be subsidized by property rates and general revenues inter alia, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be

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

7.3 All other tariffs over which the municipality has full control shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

7.4 Other tariffs shall include inter-alia the following:-

- a) Cemetery fees
- b) Housing rentals
- c) Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- d) Rentals for the use of municipal premises
- e) Rentals for the use of municipal sports grounds
- f) Rentals for the lease of municipal property
- g) Building plan fees
- h) Advertising sign fees
- i) Plastic bag sales
- j) Refuse bin sales
- k) Cleaning of stands
- l) Photostat copies and faxes
- m) Clearance certificates
- n) Penalty and other charges in terms of the Credit Control and Debt Collection Policy
- o) Supply of information
- p) Garden refuse removal
- q) Pound fees

## 8. **POLICY ADOPTION**

This Policy has been considered and approved by the **COUNCIL OF MKHAMBATHINI MUNICIPALITY** as follows:

Resolution No: .....

Approval Date: .....

## **ANNEXURE: LEGAL REQUIREMENTS**

### **SECTION I: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000**

#### **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 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:

- i. that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- ii. that the amount individual users pay for services must generally be in proportion to the use of such services;
- iii. 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 subsidization of tariffs for poor households;
- iv. that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;



- v. that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
- vi. that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- vii. that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- viii. that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- ix. that the extent of subsidization 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 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.