

Date of implementation: 1 July 2015

TARIFF POLICY

1. PURPOSE

- 1.1 The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying tariffs by the Emalahleni Local Municipality.

The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development

2. POLICY STATEMENT

- 2.1 In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.

- 2.2 In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

- 2.3 This policy has been compiled in accordance with:-

- 2.3.1 The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;
- 2.3.2 Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;
- 2.3.3 Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;
- 2.3.4 Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;
- 2.3.5 Emalahleni Municipality Property Rates Policy as reviewed annually.

3. DEFINITIONS

Definition - In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

"Account" means an account rendered specifying charges for municipal services provided by the municipality, or any authorised and contracted service provider, and which account may include assessment rates levies.

"Accounting officer" means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

"Annual budget" shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget.

"Arrangement" means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

"Basic municipal services" shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment.

"Business and commercial property" means –

(a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or

(b) Property on which the administration of the business of private or public entities take place;

"By-law" shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

"Category" –

(a) In relation to a property, means a category of properties determined in terms of section 8(2) of the Act;

(b) In relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Act;

"Chief financial officer" means a person designated in terms of section 80 (2) (a) of the Municipal Finance Management Act.

"Consumer price index" shall mean the CPIX as determined and gazetted from time to time by the Statistician General.

"Councillor" shall mean a member of the Council of the municipality.

"Domestic customer or user" of municipal services shall mean the person or household which municipal services are rendered in respect of "residential property" as defined below.

"Electricity charges" means service charges in respect of the provision of electricity.

"Farm property or small holdings used for agricultural purpose" – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes.

"Farm property not used for any purpose" means agricultural property which is not used for such purpose, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property.

"Financial year" shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

"Indigent customer" means the head of an indigent household:-

- (a) Who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
- (b) Who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

"Indigent Support Programme" means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Support Policy.

"Indigent Support Policy" means the Indigent Support Policy adopted by the Council of the municipality.

"Integrated development plan" shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

"Industrial property" – means property used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

"Local community" or **"community"**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations or bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

"Month" means one of twelve months of a calendar year.

"Municipality" or **"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.

"The municipality" means Emalahleni Local Municipality.

"Municipal council" or **"council"** shall mean the municipal council of Emalahleni Local Municipality as referred to in Section 157(1) of the Constitution.

"Municipal manager" shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

"Multiple purposes" in relation to a property, shall mean the use of a property for more than one purpose.

"Municipal service" has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

"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 and consumption or usage of electricity, water, sewerage and 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.

"Occupier" means any person who occupies controls or resides on any premises, or any part of any premises without regard to the title under which he or she so occupies it.

"Owner" in relation to immovable property means -

(a) The person in whom is vested the legal title thereto provided that:-

- i) The lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
- ii) The occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;

(b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;

(c) if the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

"Premises" includes any piece of land, the external surface boundaries of which are delineated on:

(a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or

(b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the municipality.

"Rate" shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.

"Rateable property" shall mean property on which the municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act.

"Ratepayer" shall mean a person who is liable to the municipality for the payment of (a) rates on property in the municipality; (b) any other tax, duty or levy imposed by the municipality; and/or (c) fees for services provided either by the municipality or in terms of a service delivery agreement.

"Rebate" in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property.

"Refuse charges" means service charges in respect of the collection and disposal of refuse.

"Residential property" shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential.

"Residential property" furthermore means improved property that: - **EMALAHLENI LOCAL MUNICIPALITY TARIFF POLICY (MAY 2013)**

(c) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property.

Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

(d) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

(e) Is owned by a share-block company and is used predominantly for residential purposes;

(f) Is a residence used for residential purposes situated on a property used for educational purposes;

(g) Is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Act;

(h) Are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

Vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

"Sewerage charges" means service charges in respect of the provision of sewerage services.

"Small holding" means

- a) All agricultural zoned land units situated within an urban region with an area of one to three hectares; or
- b) (b) Any agricultural zoned land unit situated outside an urban region with an area of three hectares or less;

1. SCOPE OF POLICY

[2] That rates, tariffs, charges, fees, levies and surcharges for the maintenance of municipal services shall be so structured that, with due regard to the principles contained in Section 1, the under-mentioned goals shall be achieved:

[a] Goal 1: Indigent Households must receive a Minimum Amount of Free Basic Services

The Municipality subscribes to the policy that every household that has been registered as indigent in the municipality's indigent register is entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. The Municipality should aim to achieve the goal of providing a minimum amount of free basic services to everyone, where possible.

The specific services are:

- Potable water;
- Domestic waste, water and sewage removal;
- Domestic refuse removal;
- Electricity; and
- Municipal health services.

The Council is aware that it currently does not provide these services to all residents within its municipal area. It is also aware that, more than likely, some of the services it currently provides in conjunction with the abovementioned services may be transferred or assigned to other bodies. In the latter case, the Council commits to make representations and negotiate with those service providers to achieve its goal.

The Council realizes that, in order to achieve its goal, a minimum amount of basic services should be free. Tariffs for services above the minimum level and property rates will have to be increased to assist with the offsetting of the free basic services.

[b] Goal 2: Keeping Tariffs Affordable.

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels.

The Council is also aware that, due to historical reasons, many residents receive services at a level higher than what they can afford.

In order to ensure that tariffs remain affordable, the Council will ensure that:

- Services are delivered at an appropriate level;
- Efficiency improvements are actively pursued across the Municipality's operations;
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used;
- Any non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in its area; and

- Any service that is provided for which there is little demand, is priced under the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities, are phased out, except where the Council is by law required to provide such a service.
- To increase affordability for indigent persons, the Council will ensure that its equitable share of revenue raised nationally, will be used to subsidize a certain level of basic services for them.

[c] Goal 3: Pulling Untaxed Properties into the Tax Net and fully Exploiting Sources of Revenue.

Property rates are an important source of discretionary revenue for the Municipality. It is used to finance services that cannot be apportioned to individual consumers and to balance the budget after service charges have been determined. It is, therefore, imperative that property rates must be imposed on, and is payable in respect of, all ratable properties within the municipal area. The Council will ensure that all properties are valued in terms of the Municipal Property Rates Act No. 6 of 2004 during the 2008/09 financial year. Commencing from the 2009/10 financial years, all ratable properties will be subject to and liable for paying property rates.

The Council is also aware of cases where tariffs are uneconomical and too low in relation to the cost of providing the service concerned. Also, there are cases where the consumption of services that can be measured, apportioned and priced is provided free of charge or at a nominal fee. The Council will ensure that the appropriate service charges are imposed in respect of any service where this can be done.

In the past, it has been the practice not to increase tariffs for services and property rates regularly. Where tariffs had been increased, increases have often been lower than the inflation rate or increases in the cost of goods and material used for service delivery. Consequently, the revenue base of the Municipality has been eroded for quite some time. The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions. Consequently it is the policy of the Council:

- That tariffs for service and property rates will be reviewed at least once during every financial year;
- That tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its functions; and
- Further, the tariff for a particular service must be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision.

[d] Goal 4: Introducing the “Consumer Must Pay Principle”.

Having regard for the abovementioned Council’s policy on a minimum amount of free basic services for all indigent households, the Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of services, the Council intends to install metering systems as in the case of water usage, and to take into account the free service element, where applicable. In this regard the Council will develop a programme to install meters in appropriate cases. Also, it is the Council’s policy that the tariffs for such services must include all relevant cost factors as stated above.

[e] Goal 5: Redistribution/ Cross-subsidization.

It is a fact that some members of the community are better able to afford to pay for the services that they use and benefit from, than others. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidize those who pay less tax. Also, the Council uses the trading surplus it realizes on the trading account to bring relief with regard to property tax rates. Likewise, the Council will ensure that the cross-subsidization occurs between and within services to further contribute to its redistribution objectives.

[f] Goal 6: Promoting Local Economic Competitiveness and Development.

The size of the property rates and service charges accounts presented to local businesses is a significant business overhead for any business enterprise in the municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal account presented to local businesses is fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness; and
- To promote local economic development and growth.

In order to promote the development and maintenance of residential and non-residential properties alike, the Municipality may consider reviewing the property rates charged on business properties, in consultation with the business community, in such a manner that development of local economic competitiveness is enhanced. Such basis for rating is expected to also contribute to keeping the rates liability of business and other economic enterprises as low as possible, thereby contributing to the competitiveness and survival of business.

[g] Goal 7: Ensuring Financial Sustainability of Service Delivery.

The Constitution, Local Government Municipal Systems Act, 2000 and Water Services Act of 1997 require that the Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient. The tariff for a service must, therefore, be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that the charges to be levied must be collected. The Council will, therefore, adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are recovered. Where a trading and economic service is available to a property, an availability levy or charge will be imposed if the occupier of the property does not use the service concerned or if the property is vacant. The availability levy, if possible, will be adequate to cover the pro rata cost of the initial capital expenditure and interest thereon and the maintenance of the infrastructure associated with service delivery.

[h] Goal 8: Tariff Determination Process.

Except in special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Council's consultations about the budget.

After the Council has adopted its rates, tariffs, fees, charges and surcharges the Municipal Manager shall, without delay:

[a] conspicuously display a copy of the resolution adopting such fees, charges or tariffs for a period of at least 30 days at the main administrative office of the municipality and at such other places within the municipality to which the public has access as the Municipal Manager may determine;

[b] Publish in a newspaper of general circulation in the municipality a notice stating-

[i] That a resolution as contemplated above has been passed by the Council;

[ii] That a copy of the resolution is available for public inspection during office hours at the main administrative office of the municipality and at the other places specified in the notice; and

[iii] The date on which the determination will come into operation; and

[iv] That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed; and

[v] That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe his/her objection.

[c] Seek to convey the information referred to in paragraph (b) to the local community by means of radio broadcasts covering the area of the municipality.

[d] The municipal manager must forthwith send a copy of the notice referred to in subparagraph [b] to the MEC for Housing and Local Government.

If no objection is lodged within the period stated in the notice, the determination or amendment will come into operation on the date determined by the Council. Where an objection is lodged, the Municipality will consider every objection.

The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or amendment will come into operation.

After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

[3] Where the Council establishes Ward Committees or community representative forums, such committees or forums will be consulted prior to the final determination of rates, tariffs, charges, fees, levies and surcharges in terms of this Policy.

[4] Notwithstanding anything to the contrary contained in this Policy, the tariffs adopted by the Council shall encourage and promote the objects and programmes contained in its Integrated Development Plan.

[5] The Council shall review this Policy by the latest January in each year to enable amendments made thereto to be reflected in the following annual budget of the Council.

[6] This policy comes into effect on the day that it is finally adopted by council after the process of public consultation has been finalized.

[i] Goal 9: The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged

The municipality will ensure that quality resources used for the delivery of services to the community are procured at the reasonable price and the reasonable quantities, and that the resources are used effectively and wastages are minimized. The municipality will also ensure that for all the services that the Council renders to the community are paid for and that the tariffs are compiled with the intention that the total costs of the services are recovered from customers.

The municipality encourages the use of environmental friendly good, and as such in procuring the goods to be used in the supply of services to the community the municipality will be biased to the procurement of those goods that are environmentally friendly, while also ensuring the recycling of waste.

[7] DATE REVISED

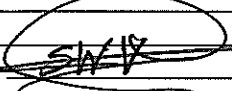
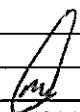
23 May 2015

[8] DATE ADOPTED

28 May 2015

[9] EFFECTIVE DATE

01 July 2015

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|  DR SW VATALA MUNICIPAL MANAGER | 23/06/2015 DATE |  CLLR NC LALI SPEAKER ELM | 23/06/2015 DATE |
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