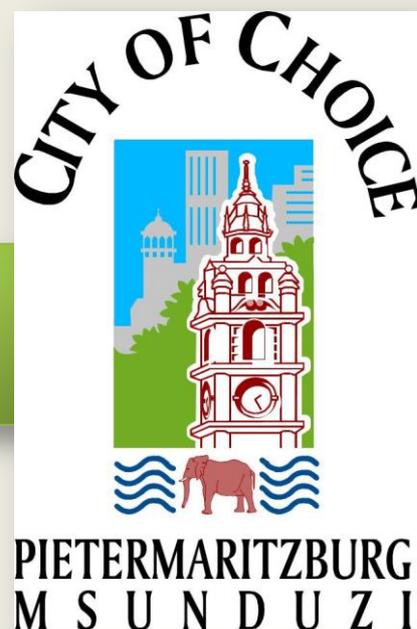


**MSUNDUZI MUNICIPALITY**



**TARIFF POLICY – 2013/2014**

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## 1. **PREAMBLE**

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA).

In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the tariff policy.

## 2. **DEFINITIONS**

- 2.1** “**Municipal area**” means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and demarcated in terms of the Demarcation Act (Act 27 of 1998);
- 2.2** “**Council**” refers The Msunduzi Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy;
- 2.3** “**Tariff policy**” means a policy on, the levying of fees, rates or taxes for the municipal services provided by the municipality itself, which complies with the Municipal Systems Act, 2000.

## 3. **INTRODUCTION**

- 3.1** Rates and Tariffs represent the charges levied by Council on owners and consumers for the utilisation of services provided by the Municipality and are raised in order to fund these services. Tariffs are calculated dependent upon the nature of the service being provided. They may be set in such a manner so as to recover the full cost of the service being provided or recover a part of those costs, or to bring about a surplus that can be utilised to subsidise other non-economical services.

## 4. **OBJECTIVES**

The objective of the tariff policy is to ensure that:

- 4.1** The rates and tariffs of the Municipality comply with the legislation prevailing at the time of implementation;
- 4.2** Municipal services are financially sustainable, affordable and equitable;
- 4.3** There is consistency in how the rates and tariffs are applied throughout the municipality;
- 4.4** The needs of the indigent are taken into account; and
- 4.5** The policy is in line with the principles outlined in Municipal Systems Act, 2000 (Act No. 32 of 2000).

## **5. PRINCIPLES OF THE TARIFF POLICY**

The underlying principles, which should at least be taken into account when formulating a tariff policy, are contained in Section 74 (2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000). The following have been taken into account in the development of this policy:

- 5.1** Service tariffs levied by the municipality shall be viewed as user charges and the users of municipal services should be treated equitably when applying these tariffs.
- 5.2** Consumers should pay in proportion to the amount of services consumed, as far as practically possible.
- 5.3** The tariffs for the four major services rendered by the municipality, namely electricity, water, refuse removal and sewerage, are to recover in full or partially, the expenses reasonably associated with the providing of each service concerned, including capital, operating, maintenance, administration, replacement and interest charges.
- 5.4** Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- 5.5** The municipality is to ensure that the tariffs levied with regard to the above mentioned services generate an operating surplus where possible having regard to 5.4 above. The surplus is to be applied in relief of property rates and for the financing of a portion of general services or for the future capital expansion of the service concerned, or both.
- 5.6** Provision may be made for the promotion of local economic development through a special rate or tariff for certain or all categories of commercial and industrial users.
- 5.7** The municipality shall develop, implement and at least annually review an indigent support policy for the municipal area. The extent of subsidization of the indigents is to be fully disclosed in terms of the municipality's indigent policy.
- 5.8** The municipality may differentiate between different categories of users and consumers in regard to the tariffs that it levies. Such differentiation shall, however, at all times be reasonable and shall not result in unfair discrimination, and shall be fully disclosed in each annual budget.
- 5.9** The municipality is to ensure that its tariffs shall be easily explainable, and translated into languages which all consumers and users affected by the tariff policy concerned can understand.
- 5.10** The consumption of measurable services, such as electricity and water, shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service that they consume.
- 5.11** A monthly availability charge for a service may be levied by the municipality where the service is available to a consumer and where the consumer does not make use of such service, and these charges shall be fixed for each type of property. For example, consumers of electricity could therefore pay two charges: one which is unrelated to the volume of consumption and is levied because of the availability of the service concerned (i.e. a demand charge); and another which is directly related to the consumption of the service in question.

- 5.12** By adopting this tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which future expansion, variable demand cycles and other fluctuations will make on service delivery.
- 5.13** In determining the tariffs for services such as electricity and water, the municipality shall take into account the high capital cost of establishing and expanding such services and the fixed and operating costs of maintaining these services.
- 5.14** In order to comply with legislation and the principles of generally accepted accounting practice, Council has adopted the policy of reflecting all income foregone and rebates as expenditure with the corresponding amount being reflected as revenue. Accordingly in cases where this applies, from a billing perspective the full tariff will be raised and then rebated to reflect the reduced charge.

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

- 6.1** In terms of Section 75(A) of the Municipal Systems Act Amendment Act 51/2002, a municipality may,
- Levy and recover fees, charges or tariffs in respect of any function or service of the municipality,
  - That such fees, charges or tariffs levied by a resolution passed by the municipal council with a supporting vote of a majority of its members.
  - The proposed fees, charges or tariffs will be presented to the community during Council's consultations.

In order to determine the tariffs that must be charged for the supply of the four major services, the municipality shall take into account all the costs of operation of the services, including the following:

- Cost of bulk purchases in the case of electricity and water.
- Distribution costs.
- Distribution losses in the case of electricity and water.
- Depreciation expenses.
- Maintenance of infrastructure and other fixed assets.
- Administration and service costs, including:
  - service charges levied by other departments such as finance, human resources and legal services;
  - reasonable general overheads;
  - adequate contributions to the provisions for bad debts and obsolescence of stock;
  - all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area.
- The intended surplus to be generated for the financial year, such surplus to be applied:
  - as an appropriation to capital reserves; and/or
  - generally in relief of rates and general services.
- The cost of approved indigent relief measures.

- 6.2** With regard to pre-paid meters, the tariff shall be determined based on the cost of provision of the service, as no availability charge is levied on properties where pre-paid meters have been installed.

## **7. LEVYING OF RATES**

**7.1** The Municipality shall levy rates on all rateable property within its area, provided that it may, by resolution, grant exemptions from, rebates on or reductions in, rates levied in terms of this policy or in terms of a national framework prescribed under the Act.

### **DIFFERENTIAL RATES**

**7.2** The Municipality may, by resolution, and in terms of criteria set out in this policy, levy different rates for different categories of rateable property, which may include categories determined according to the use of the property, the permitted use of the property or the geographical area in which the property is situated.

### **IMPERMISSIBLE DIFFERENTIATION**

**7.3** The Municipality may not levy -

- (a) Different rates on residential properties, except as provided for in sections 11(2) [uniform fixed amount for rates], 21 [phasing in of rates] and 89 [use of existing valuation roll/supplementary roll] of the Act;
- (b) a rate on a category of non-residential properties that exceeds a prescribed ratio to the rate on residential properties determined in terms of section 11 (1 )(a) [on the market value of the property] of the Act: Provided that different ratios may be set in respect of different categories of non-residential properties.
- (c) rates which unreasonably discriminate between categories of non-residential properties;
- (d) additional rates except as provided for in section 22 [special rating areas] of the Act.

### **PROPERTIES USED FOR MULTIPLE PURPOSES**

**7.4** A property used for multiple purposes where there is not a separate category shall, for rates purposes, be assigned to a category determined by the Municipality for properties used for a purpose corresponding to the dominant use of the property.

### **LEVYING OF PROPERTY RATES ON SECTIONAL TITLE SCHEMES**

**7.5(1)** A rate on property which is subject to a sectional title scheme shall be levied on the individual sectional title units in the scheme and not on the property as a whole.

### **AMOUNT DUE FOR RATES**

**7.6.1** The rate levied by the Municipality shall be an amount in the Rand on the market value of the property.

**7.6.2** Furthermore, in the interest of accelerating the provision of basic services to communities, and enhancing the international competitiveness of the South African economy and mobilization of foreign investments and job creation, the Municipality may consider exempting from rating all components of public service infrastructure as defined in the Act.

**7.6.3** The Municipality acknowledges that the Minister may from time to time increase the monetary threshold referred to in section 21, to reflect inflation

### **PERIOD FOR WHICH RATES MAY BE LEVIED**

- 7.7.1** The Municipality shall levy rates for one financial year at a time. At the end of each financial year the rate levied for that financial year shall lapse.
- 7.7.2** The Municipality shall, annually, at the time of its budget, set the amount in the Rand for rates.
- 7.7.3** The levying of rates shall form part of the Municipality's annual budget process as set out in Chapter 4 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

#### **COMMENCEMENT OF RATES**

- 7.8** Rates levied by the Municipality shall become due and payable as from the start of the financial year.

#### **PROMULGATION OF RESOLUTIONS LEVYING RATES**

- 7.9.1** A rate levied by the Municipality shall be adopted by resolution supported by a majority of the members of the Council.
- 7.9.2** The Municipality shall publish the resolution in the Provincial Gazette.
- 7.9.3** The Municipal Manager shall, without delay, conspicuously display the resolution for a period of at least 30 days at the Municipality's head office and satellite offices and libraries and, if applicable, on a website available to it.
- 7.9.4** In addition, the Municipal Manager shall, without delay, advertise in the media a notice stating that a resolution levying a rate on property has been passed by the Council and that the resolution is available for inspection at the Municipality's head office and satellite offices and libraries during office hours and on the Municipality's website, if applicable.

#### **EXEMPTIONS, REDUCTIONS AND REBATES**

- 7.10.1** The Municipality shall not grant relief in respect of the payment of rates other than by way of exemption, rebate or reduction, nor shall it grant such relief to the owner of a property on an individual basis.
- 7.10.2** The Municipal Manager shall annually table in the Council of the Municipality a list of all exemptions, rebates and reductions granted by the Municipality during the previous financial year together with a statement reflecting the income foregone by the Municipality by way of exemptions, rebates, reductions, exclusions and the phasing-in discount granted in terms of section 21 of the Act.
- 7.10.3** The Council shall identify, and provide reasons for, exemptions, rebates and reductions when the annual budget is tabled in terms of section 16(2) of the Local Government: Municipal Finance Management Act, 2003.

#### **CATEGORIES OF PROPERTIES FOR EXEMPTIONS, REDUCTIONS AND REBATES**

- 7.11** The Council may, by resolution, grant exemptions, reductions and rebates on the following categories of properties -
- a) Residential property;
  - b) Home business property;
  - c) Vacant land;
  - d) Agricultural property;
  - e) public service infrastructure;
  - f) rural communal property;
  - g) impermissible rates property;
  - h) DSF property;
  - i) mining property;
  - j) sectional title garages (separately registered);
  - k) unauthorised use property
  - l) other property

#### **8. ELECTRICITY TARIFFS**

**8.1** Adjustments to tariffs shall be effective from 1 July each year or as soon as possible thereafter.

**8.2** Categories of consumption and charges shall be as follows:

- All electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- Indigent consumers who qualify in terms of the Indigent Policy will receive 60 kWh electricity free on condition that the MCB is reduced to 20Amp.
- All domestic electricity consumers, with the exception of consumers using prepaid meters, shall additionally be billed a basic availability charge per meter installed per month.
- All commercial, industrial and other non-domestic properties shall additionally be billed a demand charge per meter installed appropriate to their respective levels of consumption.
- The municipality's consumption of electricity shall be charged at the normal tariff rates applicable or alternatively at a special tariff as determined by Council.

## **9. WATER TARIFFS**

**9.1** Adjustments to tariffs shall be effective from 1 July each year or as soon as possible thereafter.

**9.2** Categories of consumption and charges shall be:

- All domestic consumers shall be charged for actual water consumption at a tariff per kilolitre as determined by the Council from time to time.
- Indigent consumers who qualify in terms of the Indigent Policy will receive 7 kl of water free. The balance of water consumed will be billed at the normal applicable tariff.
- All other consumers, including businesses, industries and institutional consumers shall be charged the relevant applicable tariff per kilolitre, based on the volume of water consumed.
- The municipality's consumption of water shall be charged at the relevant tariff as determined by Council.

## **10. REFUSE REMOVAL TARIFFS**

**10.1** Adjustments to tariffs shall be effective from 1 July each year or as soon as possible thereafter.

**10.2** Refuse removal charges shall be charged monthly to the consumer according to the category applicable, based on the frequency of the service rendered.

**10.3** Domestic indigent consumers will be billed at the indigent tariff.

**10.4** The municipality's use of the refuse removal service shall be charged at the relevant tariff applicable to business consumers.

## **11. SEWERAGE TARIFFS**

11.1 Adjustments in tariffs are effective from 1 July each year or as soon as possible thereafter.

11.2 Categories of usage and charges shall be:

- A fixed monthly charge shall be levied for sewerage for domestic users.
- Domestic indigent consumers will be billed at the indigent tariff.
- A charge based on water consumption shall be levied for sewerage to all flats, businesses, industries and institutional users.
- A charge based on water consumption at the relevant tariff applicable to business consumers shall be charged to the municipality for the use of such services.

11.3 Where special purification measures have to be utilized to purify wastewater emanating from factories and other industrial users, an effluent fee is further payable by these users.

## **12. OTHER TARIFFS**

12.1 All other tariffs are to be approved by the Council in each annual budget. These tariffs may be subsidised by property rates and general revenues, 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.

12.2 Subsidised services are services for which tariffs are fixed in such a way that at least a portion (as approved by Council) of the cost of providing the service can be recovered. The consumption of these services can be measured and can be apportioned to individual consumers, but, if based on actual cost, would prove to be excessive and unaffordable to the consumer. A user charge is therefore payable for using the service, but the tariff is much lower than the real cost of providing the service.

12.3 Community services are those services for which the municipality is unable to accurately determine the consumption or usage and hence apportion to individual consumers e.g. municipal parks and open spaces. Tariffs shall, therefore, not be levied for their use as the cost of providing these services is funded from general rate income.

12.4 Economic services are services for which tariffs reflect the full cost of providing the service and the costs are recovered without incurring a surplus or deficit. The consumption can be accurately determined and apportioned to an individual consumer.

12.5 Certain other charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget.

12.6 With regard to the leasing of municipal properties to the public, market-related rentals shall be levied unless special circumstances apply.

## **13. BY-LAWS TO GIVE EFFECT TO POLICY**

- 13.1** In terms of Section 75 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.