

BELA – BELA LOCAL MUNICIPALITY



DRAFT TARIFFS BY-LAW

2019/2020

TARIFF BY-LAW

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Preamble

WHEREAS section 229(1) of the Constitution authorises a municipality to impose:

- (a) rates on property and surcharges on fees for services provided by or on behalf of the municipality; and
- (b) If authorised by national legislation, other taxes, levies and duties.

AND WHEREAS In terms of section 75A of the Systems Act a municipality may:

- (a) levy and recover fees, charges or tariffs in respect of any function or service of the municipality; and
- (b) recover collection charges and interest on any outstanding amount.

AND WHEREAS section 64 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) provides that a municipality must have an effective revenue collection system and ensure that revenue is collected regularly to meet the requirements and practices of sound financial administration;

NOW THEREFORE be it enacted by the municipal council of the Bela-Bela Local Municipality as follows:

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1. Definitions

Unless the context indicates otherwise

“Municipal council” or council means Bela-Bela Municipal council;

“Municipality” means Bela-Bela Local Municipality established in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

“Tariff” means fees and charges levied by the municipality in respect of any function or service provided by the municipality to the local community, and includes a surcharge on such tariff but excludes the levying of rates by the Municipality in terms of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004); and

“The Act” or “The Systems Act” means the Local Government; Municipal System Act, of 2000 (Act 32 of 2000).

“Municipal Finance Management Act (MFMA)” means the Local Government: Municipal Finance Management Act Management Act, 2003 (Act no 56 of 2003), as amended, and any regulations made under the 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.

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

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

“Occupier” in relation to a property, shall mean a person in actual occupation of the property, whether or not that person has a right to occupy the property.

2. PURPOSE

Section 74(1) of the Systems Act provides a municipal council must adopt and implement a tariff policy on the levying of fees for a municipal service provided by the municipality or by way of service delivery agreements and which complies with the provisions of the Systems Act, the Local Government: Municipal Finance Management Act of 2003 and any other applicable legislation.

The purposes of these by-law are to give effect to the implementation and enforcement of the tariff policy of the municipality as outlined in section 75 of the act.

3. GUIDING PRINCIPLES AND OBJECTIVES

In the determination of tariffs, the council shall be guided by the following principles:

- a) Consumers of municipal services should be treated equitably in the application of the tariffs.
- b) Tariffs shall support macro-economic policies and incorporate the vision, strategies and economic policies of the Republic of South Africa.
- c) As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- d) All households, with the exception of the poor (indigent), should pay the full costs of services consumed.
- e) Indigent households must have access to at least a minimum level of basic services through: Tariffs that cover the operating and maintenance costs; Special/subsidised/lifeline tariffs for low levels of use or consumption of services; or any other direct or indirect method of subsidisation of tariff for poor households.
- f) Tariffs shall promote the sustainability of the provision of municipal services.
- g) Efficient and effective use of resources must be encouraged.
- h) The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

4. CATEGORIES OF CONSUMERS

In terms of S74 (3) of the Municipal Systems Act, a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section.

4.1 The tariff structure of the municipality may make provision for but are not limited to the following categories:

- a) Residential or domestic
- b) Commercial;
- c) Industrial;
- d) Agricultural;
- e) Municipal services;
- f) Governmental (schools, hospitals etc);
- g) Places of worship (churches);
- h) Consumers who do not fall under any abovementioned categories and with whom special agreements were entered into;

4.2 Where there is substantial difference between the infrastructure used to provide the service to a specific group of users within a category or standard services provided, the municipality may after considering a report by the

Municipal Manager or relevant Head of Department, determine differentiated tariff for that specific category.

The differentiation may be based on one or more of the following elements:

- a) Infrastructure cost;
- b) Volume usage; or
- c) Availability and service standard.

Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

4.3 The municipality may, in writing exempt a consumer, category of consumers, or other persons from complying with a provision of this by-law, subject to any conditions it may impose;

4.4 The municipality may not grant exemption from compliance with any section that may result in

- a) The wastage or excessive consumption of water or electricity;
- b) The evasion or avoidance of water or electricity restrictions;
- c) Significant negative effects on public health, safety or the environment;
- d) The non-payment for services;
- e) Installation of pipes and fitting which are not acceptable in terms of the municipality's prescribed standards;
- f) Any Act, or any regulation made under it, not being complied with.

The municipality may at any time give a written notice of at least 30 days, withdraw any exemption given.

5. SERVICES

Tariffs for the four major services rendered by the municipality, namely:

- Electricity;
- Water;
- Sewerage; and
- Refuse Removal

Shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.

- 5.1 Where a service is provided primarily for the benefit of an individual user and the actual service or consumption can be accurately measured, the cost of providing the service should be recovered from the individual by means of tariffs.
- 5.2 When a service connection is made, a sundry tariff should be used and when a metered amount of service is consumed, a consumption-based tariff should be used.
- 5.3 Some services, although provided primarily for the benefit of individual users and have important community benefits, particularly where these services

cannot be accurately measured, the cost of the service should be recovered by combination of tariffs and rates.

- 5.4 Where service is provided primarily for the benefit of the community and an individual's benefit cannot be accurately measured, the cost of providing the service should be recovered by means of rates and the rates must comply with the municipal rates policy.
- 5.5 Municipal tariffs shall be determined and adjusted by the council from time to time after having followed all necessary procedures

6. COST ELEMENTS

To determine the total cost of the service the Chief Financial Officer must create cost drivers, based on the service and expenditure classification prescribed by the National Treasury.

The following cost elements may be used to calculate the tariffs –

- a) Fixed costs, which consists of the capital costs (interest and redemption) on the external as well as internal advances or depreciation, whichever are applicable on the service and any other costs of the permanent nature as determined by Council from time to time;
- b) Variable costs, which includes all other variable cost that have reference to the service; and
- c) Total cost that is equal to the fixed plus the variable cost.

7. INDIGENT HOUSEHOLDS

- 7.1 The Council shall annually together with its annual budget, review an indigent policy to determine criteria for the determination of indigent households.
- 7.2 The criteria referred to in subsection (1) shall take into account:

- a) the total income of consumers of municipal services residing on the property to which municipal services is rendered;
- 7.3 The council may include in its indigent policy a sliding scale according to which the quantity of basic municipal services provided free of charge or at a subsidized tariff to a poor household is limited in relation approved indigent household.
- 7.4 A user shall qualify for the benefits of a poor household with council in terms of its indigent policy only if such user has applied to be registered as a poor household and approved by council.
- 7.5 Any person who knowingly supplies false information to the Council in terms of subsection 4 above will be guilty of an offence.

8. GENERAL POWER TO LEVYAND RECOVER FEES, CHARGES AND TARIFFS

(1) The municipality has the power to-

(a) levy and recovers fees, charges or tariffs in respect of any function or service of the municipality; and

(b) Recover collection charges and interest on any outstanding amount.

(2) Fees, charges and tariffs referred to in subsection (1) are levied by resolution passed by the municipal council with a supporting vote of majority of its members.

9. Repeal

10. Short Title and commencement

This by-law is called the Bela-Bela Local Municipality Tariff by-law and it shall come into effective from the date of publication in the *Provincial gazette*.