INGQUZA HILL LOCAL MUNCIPALITY

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REVIEW HISTORY

LAST REVIEW DATE	SUMMARY OF CHANGES
May 31, 2025	• No amendments
June 30, 2025	• No amendments
May 31, 2026	• No amendments

1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS

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.

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.

This policy has been compiled in accordance with: -

a) The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended.
b) Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.
c) Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003.
d) Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004.
e) INGQUZA HILL Municipality Property Rates Policy as reviewed annually.

2. DEFINITIONS AND ABBREVIATIONS

"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.

"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.

"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.

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

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

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

"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.

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

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

"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 INGQUZA HILL Local Municipality.

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

"Municipal manager" shall mean the person appointed in terms of Section 54A of the Municipal Systems Act, 2000 as amended.

"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 refuse removal, and minor tariffs shall mean al 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.
"Rate"	shall mean a municipal rate on property as envisaged in Section 229 (1 (a) of the Constitution.
"Ratable 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.
"Residential property"	shall mean a property included in the valuation roll in terms of Section 48(k2)(b) of the Municipal Property Rates Act, 2004 as residential.
"Tariff"	means a tariff for services which the Municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

3. PURPOSE OF THE TARIFF POLICY

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 INGQUZA HILL 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 always 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.

4. SCOPE OF APPLICATION

This policy applies to all tariffs charged within the defined boundaries of INGQUZA HILL Local Municipality.

5. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE

5.1 Service tariffs imposed by the local municipality shall be viewed as user charges and not 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).

5.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal boundaries.

5.3 Tariffs for the service rendered by the municipality, namely Refuse Removal, shall as far as possibly 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.

5.4 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.

5.5 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 regarding the tariffs which it levies. Such differentiation shall always however be reasonable and shall be fully disclosed in each annual budget.

5.6 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

5.7 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.

5.8 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

6. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE

6.1 Financial Factors

The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service. If a service is rendered at a loss, cross subsidisation of such loss by another service will be necessary. This will place a burden on the tariff structure of the other service.

In order to determine the tariffs which must be charged for the supply of the service, 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) The cost of approved indigent relief measures.
d) 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
    iv. The intended surplus to be generated for the financial year. Such surplus to be applied: -
        1. as an appropriation to capital reserves; and/or
        2. Generally, in relief of rates and general services.

6.2 Socio-economic factors

Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered.

Users can be divided into the following categories: -

a) Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised.
b) Users who are able to afford a partial contribution and who are partially subsidised only; and
c) Users who can afford the cost of the services in total.

It is important to identify these categories and to plan the tariff structures accordingly.

Subsidies currently derived from two sources namely:-

a) Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.

b) Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

To make provision for subsidisation the tariff structure can be compiled as follow:-
Totally free services (within limits and guidelines);

a) Lower tariffs for users who qualify in terms of particular guidelines, for example to recover the operational costs of the service only; and
b) Full tariff payable with a subsidy that is transferable from sources as mentioned above.

6.3 Minimum service levels

It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.

6.4 Credit Control

It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually.

However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

6.5 Package of services

The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

6.6 Historical and future user patterns

It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

6.7 User groups

Users are traditionally divided into user groups as set out below:

a) Residential properties;

b) Industrial properties;
c) Business/office properties;
d) Business/commercial properties;
e) Farm properties (including small holdings) used for:-
    i. Agricultural purposes only;
    ii. Commercial purposes;
    iii. Industrial purposes;
    iv. Residential purposes;
f) Recreational purposes such as sport farms and/or resorts or game farms;
g) Other;
h) Farm properties not used for any purpose;
i) State owned properties;
j) Municipal properties;
k) Public service infrastructure referred to in the Act;
l) Informal settlements;
m) State trust land;
n) Communal land as defined in section 1 of the Communal Land Rights Act of 2004;
o) Properties-
p) Acquired through the Provision of the Land and Assistance Act, 1993(Act 126 of 1993), or the Restitution of Land Rights Act, 1994 (Act 22 of 1994); or
q) Properties subject to the Communal Property Associations Act, 1996 (Act 28 of 1996);
r) Protected areas;
s) Properties on which national monuments are proclaimed;
t) Properties owned by Public Benefit Societies;
u) Properties used for multiple purposes;
v) Vacant

A continuous effort should be made to group together those users who have more or less the same access to a specific service.

7. PROPOSED TARIFF STRUCTURES FOR VARIOUS SERVICES

It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

a) The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
b) The need to ensure equality and fairness between user groups;
c) The need for a practically implementable tariff;
d) The need for an understandable tariff; and
e) The user's ability to pay.

Taking into consideration the abovementioned points the tariff structure of the following services are discussed: -

a) Refuse Removal.
b) Property Rates.

7,1 Refuse Removal

Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

The tariff levied by INGQUZA HILL Local Municipality is based on the category of user and number of removals.

7,2 Property Rates

The rate levied by the municipality will be an amount as approved by the council.

In terms of the Municipal Property Rates Act, 2004 the municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of exemptions, reductions and rebates as provided for in the municipality's property rates policy.

8. REFUSE TARIFF POLICY

8,1 Refuse removal tariffs

The fees for refuse removal are determined by the category of consumer and the number of removals per week. These tariffs also make provision for additional bins at an additional fee.

The Council has determined the following categories which will be changed based on zoning report from Town Planning Department.

a) Residential consumers
b) Business consumers
c) State owned consumers
d) Refuse removal sundry tariffs

All refuse removal related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

9. PROPERTY RATES POLICY

Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the INGQUZA HILL Municipality.

10. SUNDRY TARIFFS

Sundry tariffs include tariffs for categories like, hawker licences, building Plan, rezoning and subdivisions.

All other services offered by the Council are charged at a tariff as determined by the Council annually during the budget process. And will be reflected in the tariff list.

11. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented once approved by Council.

In terms of section 17(1) (e) of the Municipal Finance Management Act this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

12. ADOPTION OF THE POLICY

Policy adopted by Council of Ingquza Hill Local Municipality for implementation.
Approved by Resolution number…… on this ……. Day of …….....

_____ _____

HONORABLE SPEAKER
S.B. VATSHA