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LOCAL AUTHORITY NOTICES

LOCAL AUTHORITY NOTICE 233

The Greater Letaba Municiplaity hereby publish the Rates policy in terms of section 6(1) of the Municipal Property Rates Act no.6 of 2004.

Mutshinyali I.P
Municipal Manager

Rates Policy

1 July 2009 – 30 June 2010

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1. INTRODUCTION

Section 3(1) of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) ("MPRA"), and section 62(1)(f) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) ("MFMA"), provide that a municipality should adopt and implement a policy on the levying of rates on rateable property.

This document sets out the policy of the Greater Letaba Municipality on the levying of rates on rateable property. In applying its rates policy, the Municipality will meet all the requirements of the MPRA and MFMA, including any regulations made under these Acts.

The Municipality will, as part of each annual operating budget process, impose a rate in the rand on the market value of all rateable properties as recorded in the Municipality's valuation roll or supplementary valuation roll(s). Rateable property includes any rights registered against the property, with the exception of a mortgage bond. Generally, all land within a municipal area is rateable unless it is specifically exempted in terms of section 15 of the MPRA. Such exemptions apply to cemeteries, amateur sports grounds and properties owned by welfare organisations. A municipality must, in accordance with section 3 of the MPRA, adopt a rates policy that sets out the broad policy framework within which the municipality rates its area and must, in accordance with section 5 of the MPRA, review and if necessary amend its rates policy annually.

When imposing rates on a property a municipality may not exercise that power in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries or the national mobility of goods, services, capital or labour.

2. DEFINITIONS

Definitions, words and expressions as used in the Act are applicable to this policy document wherever it is used. In this policy, unless the context indicates otherwise –

"Agricultural smallholding" means a small farm larger than 1 hectare and less than 10 hectares, and be deemed to be agricultural land when it is zoned for agricultural purposes.

"bone fide farmer" is a person farming with the intention of making a living from the development, cultivation and utilisation of agricultural land and includes subsistence and forestry.

"business", in relation to property, means the use of property for the activity of buying, selling or trading in commodities or services on a property and includes any office or other accommodation on the same property, the use of which is incidental to such activity, but does not include the business of agriculture, farming, or any other business consisting of the cultivation of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms.

"exemptions" in relation to the payment of a rate, means an exception granted to certain categories of properties from levying of full rates on the market value of the properties.

"farm" refers to a property utilised by a bona fide farmer for farming purposes and includes forestry.

"financial year" means the period starting from the 1 July of each year to the 30 June of the next year.

"government", in relation to property, means owned and exclusively used by an organ of state, but does not refer to any non-urban land owned by an organ of state and used for residential or agricultural purposes or not in use.

"improvement" means any building or structure on or under a property, but excludes –

(a) a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and

(b) any building, structure or equipment or machinery referred to in section 46(3) of the MPRA;

"indigent debtor" means a debtor who is a poor private household as defined by the Municipality's policy on indigent debtors.

"industrial", in relation to property, means the use of a property 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, including any office or other accommodation on the erf, the use of which is incidental to the use of the factory commercial properties and agricultural packing stores.

"municipal", in relation to property, means owned and exclusively used by the Municipality.

"municipality" means the Greater Letaba Local Municipality.

"multiple purposes", in relation to property, means the use of a property for more than one purposes and the property thus not being assigned to a single category of properties and, where one use represents on average 90% or more of the property's value, the property is rated as though it were used for that use only;

"MFMA" refers to the Municipal Finance Management Act, No 56 of 2003.

"MPRA" refers to the Municipal Property Rates Act, No 6 of 2004.

"residential", in relation to property, means a property's having a suite of rooms which forms a living unit that is exclusively used for human habitation purposes or a multiple number of such units, but does not refer to a hotel, commune, boarding or lodging undertaking, hostel or place of instruction.

"**rateable property**", refers to a property on witch a municipality may in terms of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of MPRA.

"**rebate**", in relation to a rate payable on a property, means a discount granted on the amount of rate payable on the property.

"Squatters/dwellers" means a person who unlawfully occupied private and or agricultural property or occupied these properties without the consent of the owner.

3. STRATEGIC FOCUS

In determining the rates, exemptions, rebates and reductions, the Municipality has considered the following:

- The impact of the rates on the community;
- the impact of the rates on businesses;
- the integrated development plan (IDP) of the Municipality;
- the local economic development strategy (LED) of the Municipality; and
- the impact of the new rating system to the poor, private households, agricultural communities and owners of communal land;
- the prevention of major shocks to ratepayers when moving from a site rating system to a system based on a rating on the market value (land and buildings) of a property.

4. ANNUAL ADOPTION OF THE POLICY

The rates policy will be reviewed annually in compliance with section 5(1) of the MPRA and according to the time schedule tabled by the Executive Mayor in accordance with section 21(1) (b) of the MFMA. Community participation will take place in accordance with Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). All stakeholders with vested interest in the rates policy must be consulted on any amendments to the rates policy.

The following annual rates policy will be approved with the annual budget in compliance with section 24 of the MFMA.

The rates policy will be available for perusal, free of charge, at:

4.1 Greater Letaba municipal offices, Modjadjiskloof
4.2 Municipal paypoint, Modjadjiskloof
4.3 Municipal paypoint, Ga-Kgapane
4.4 Municipal paypoint, Senwamokgope
4.5 Municipal paypoint, Mokwakwaila
4.6 Municipal web site at www.greaterletaba.gov.za

5. KEY PRINCIPLES

5.1 Equity

Liable rate payers will be treated equally according to the level of service they receive. The fundamental principle is that ratepayers in similar circumstances will pay similar amounts of tax.

However, the circumstances of an individual ratepayer are only taken into account when exemptions or rebates are to be granted. Rates are levied on an *ad valorem* (by value) basis, that is pro rata to the value of the property. This is generally considered sufficient to meet the equity principle because two ratepayers with the same property values will pay the same amount of tax (excluding any exemptions, rebates and reductions). A ratepayer with a property that has a high value will pay proportionately more than a ratepayer with a property that has a lower value.

In the local government context, the application of the equity principle would suggest that the tax (the rate in the rand) would be the same for all ratepayers in a municipal area, unless some compelling application of other taxation principles changes the incidence of the tax. The main reasons one ratepayer may pay a different rate than another ratepayer are:

- different rates levied on different categories;
- exemptions;
- rebates

Although these mechanisms were created by the MPRA, their use should be justified. The main reason is to retain the historical level of contribution of the various categories of properties and including and encouraging new rate payers to the income from assessment rates and therefore minimise the impact on ratepayers.

5.2 Affordability

In considering affordability, the total municipal services account and not only the rates account will be considered. The Municipality will endeavour to limit the annual increase in revenue from property rates as determined by the Minister of Finance annually.

5.3 Poverty alleviation

The effect of rates on the poor should be linked to the Municipality's Indigent and credit control policy. All residential properties with a value below an amount to be determined during the budget process, are exempted from assessment rates which amount should not be less than R15000.

5.4 Limitation of rates increases

The transformation from a land and improvement rating system to a system where the total market value (land and buildings) is rated will cause major shifts in the rates burden on owners of certain properties.

Guidelines from Central Government are that the implementation of the MPRA should not lead to an increase in income from assessment rates and it should also not result in major shocks to ratepayers. To give effect to these guidelines it is necessary to set limits on the increase in rates for the financial years in which the first valuation roll prepared in terms of the MPRA is implemented.

5.5 Community participation

Community participation in accordance with the provisions of chapter 4 of the Local Government: Municipal Systems Act, No 32 of 2000.

6. AMOUNT DUE FOR RATES

The Greater Letaba Municipality will, as part of each annual operating budget process, determine a rate in the rand for every category of properties; during which process, community participation will take place.

The municipality may however grant different categories of properties relieve in a form of exemptions and rebates to be determined by the council.

7. LIABILITY FOR RATES

Rates levied by the Municipality on a property must be paid by the owner of the property. Rates will be levied monthly or annually in certain categories. Agriculture may choose to pay monthly or annually.

- If an amount due for rates is unpaid by the owner of the property, the Municipality may recover the amount from the tenant or occupier of the property. The amount due for rates may be recovered from the agent of the owner.

- Where the rates levied on a property are based on a supplementary valuation made in terms of section 78(1) of the MPRA, the rates are payable from one of the dates contemplated in section 78(4) of the MPRA.

- The recovery of rates by the Municipality will be in accordance with the Municipality's debt collection policy (credit and debt control policy). The municipality shall furnish ratepayers with rates accounts on a monthly basis for the payment of rates specifying:
  the amount due for rates payable
  the date on or before witch the amount is payable
  how the amount was calculated
  the market value of the property
  the category of the property
  the exemptions, rebates and special rating

- The ratepayers is liable for payment of rates whether or not that person has received a account, if a person has not received a account, that person must make necessary inquiries from the municipality.

- The municipality may furnish a consolidated account to the ratepayers in terms of the municipality's Credit Control and Debt Collection By-Law.

8. VALUATION OF RATEABLE PROPERTIES

- The Municipality will undertake a general valuation of all rateable properties as defined in the MPRA and prepare a valuation roll every four years.

- Supplementary valuations will be undertaken on an ongoing basis and supplementary valuation rolls will be prepared once a year.

- Amendments to the valuation roll to reflect changes to the owner, address, category, extent, description or other prescribed particulars will be made annually in accordance with section 79 of the MPRA, and only the electronic copy of the valuation roll will be updated.

9. LEVYING OF RATES

9.1 Impermissible Rates

The rates impermissible in terms of sections 16 and 17 of the MPRA.
Section 16:

- National economic policies.
- Economic activities across its borders.
- The national mobility of goods, services, capital or labour.

Section 17:

- On the first 30% of public service infrastructure.
- On those parts of a special nature reserve, national park or a national botanical garden within the meaning of the Protected areas act and/or the national Environmental Management: Biodiversity Act, 2004
- On Mineral rights.
- On property belonging to a land reform beneficiary, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds.
- On the first R15 000 of a property zoned for single residential purposes.
- A place of public worship by a religious community, including an official residence, registered in the name of that community which is occupied by an office-bearer of that community.

9.2 Categories

The category of property is determined by the zoning and actual use of the property. The municipal valuer is responsible for categorising properties and maintaining the categories, as any change in the use of a property may result in a change in category.

The Municipality has determined the following categories in terms of section 8(1) of the MPRA:

(a) Residential (single and multiple)
(b) Business
(c) Industrial
(d) Education
(e) Institution
(f) Municipal

(g) Government
(h) Private open space
(i) Public open space
(j) Agricultural property including Agricultural smallholdings and forestry);
(k) Service infrastructure (roads, railway lines and communication systems)
(l) Communal land
(o) Properties for Public benefit use

9.3 Relief mechanisms (rebates, exemptions and reductions)

In compliance with the MPRA certain categories of properties shall be exempt and rebated from levying of full rates, the relief mechanisms shall be determined in accordance with a budget-related policy on an annual basis;

a) The different categories of properties to be exempted from full rates shall be determined in terms of section 15,16 and 17 of MPRA and by the municipal Council on an annual basis

b) Phasing in rebates shall be granted on all properties when the new rating system is introduce in order to ensure that there is no major increase on the rates and shall be determined by the municipal council.
c) Phasing in rebates on newly rateable properties shall be determined by the municipal council in terms of section 21 of the MPRA.

d) The need to accommodate indigent and disabled residents.

e) The services provided for the community by public service organisations or private sector.

f) The value of agricultural activities to the local economy.

g) The need to preserve the cultural heritage of the local community.

h) To encourage economic development and investment.

i) The different categories of properties.

9.3.1 Rebates

When a specific category of owners of properties or the owners of a specific category of properties qualify for more than one rebate at a given time, the rebate is calculated on the previous rates amount payable. The order in which the rebates are calculated is as follows:

(a) Rebate For Indigent Debtors:
The rebate is as determined by the Municipality's Indigent and Credit Control Policy.

(b) Rebate To Limit The Increase In Rates:
The rebate to limit the increase in rates when moving from a land rating system to the system of rating the total market value of a property, applies only to the 2008/09, 2009/10 and 2010/2011 financial years.

- for the 2008/2009 financial year -75% phasing in rebate
- for the 2009/2010 financial year -50% phasing in rebate
- for the 2010/2011 financial year -25% phasing in rebate
- for the 2011/2012 financial year - full rates payable

Agricultural property will be phased in at 75% during the 2009/2010 financial year.
This rebate does not apply to an increase in rates owing to a supplementary valuation made in terms of section 78(1) of the MPRA.

9.3.2 Rebates Applicable To Agricultural Land

The rebate in the rates applicable to agricultural land and is calculated as follows:

a) The extent of municipal services provided to agricultural properties:
- 7,5% rebate, if there are no municipal roads next to the property.
- 7,5% rebate, if there is no municipal sewerage to the property.
- 7,5% rebate, if there is no municipal electricity to the property.
- 20% rebate, if water is not supplied by the municipality.
- 7,5% rebate, if there is no refuse removal by the municipality.

b) The contribution of agriculture to the local economy:
A rebate of 5% will be granted to agricultural property where the salaries/wages of farm workers are reasonable and meet the minimum standards set by the government or if they are in line with the sector's average.

c) The following rebates be granted to the extent to which agriculture contribute to the social and economic welfare of farm workers:
- 5% rebate, if the owner is providing housing to the farm workers.
- 7,5% rebate, if potable water is provided.
- 7,5% rebate, if electricity is provided.
- 10% rebate, if the farmer is availing his land for education, funeral and recreational purposes.

e) If the farm property is impacted by the Extension of Security of Tenure Act 62 of 1997 the value of the identified property impacted by the Act will be excluded from the total valuation for rating purposes. The benefits, rights and privileges associated with the identified property must also be valued in order to obtain the true market related valuation.

f) A standard application process and form must be applicable and in place for land owners to apply for the above rebates.

9.3.3 Rebate Applicable To Private Owned Towns

Private owned towns with municipal services	- 30% rebate
Private owned towns with own services	- 50% rebate

9.3.4 Rebate Applicable To Communal Land

As defined in the MPRA.

9.3.5 Exemptions

The Municipality grants an exemption from the payment of rates in respect of the following:

(a) Any rateable property registered in the name of a welfare organisation registered in terms of the National Welfare Act, 1978 (Act 100 of 1978);

(b) Any hospital, clinic or institution that is operated not with the intention to make profit;

(c) Any rateable property registered in the name of a public benefit organisation that carries out specified public benefit.

(d) Any cemetery or crematorium that is registered in the name of a private person and that is used exclusively for burials or cremations, as the case may be;

(e) Any museum, art gallery, library or botanical garden including ancillary business activity that is registered in the name of a private person and that is open to the public, whether admission is charged or not;

(f) Any national monument, including any ancillary business activity conducted at a national monument;

(g) Any rateable property registered in the name of a trustee or trustees or any organisation that is being maintained for the welfare of war veterans as defined in section 1 of the Social Aid Act (House of Assembly), 1989 (Act 37 of 1989), and their families;

(h) Any sports grounds used for the purposes of amateur sport or any social activity connected with such sport;

(i) Any rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organisation that is, in the opinion of the Municipality, similar or any rateable property let by the Municipality to any such organisation;

(j) Any rateable property registered in the name of a declared institution as defined in section 1 of the Cultural Institutions Act, 1969 (Act 29 of 1969), or the Cultural Institutions Act (House of Assembly), 1989 (Act 66 of 1989);

(k) On a rateable property registered in the name of a church, and used primarily as a place of public worship by the church including an official residence of the church.

(l) Any residential property that is occupied by the owner of the property and has a value below an amount to be determined during the budget process witch amount should not be less than R15000.

(m) Any property on or under a public service infrastructure

(n) Property zoned for private road purposes and incidental thereto

(o) Any person who as defined in the indigent policy of the council

(p) Any public school; and

(q) Any independent school.

(r) Any property or portion thereof, used as a pre-primary school or day care centre.

The exemption in (n) to (r) will be granted after an application has been considered and by the municipal valuer and approved by the PED Manager and the CFO.

Should the use or ownership or circumstances used to approve exemption from payment of assessment rates change, such exemptions will immediately lapse from date of change.

APPENDIX: SUMMARY OF THE LEGAL POSITION RELATING TO THE SETTING AND COLLECTION OF RATES

LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT, 2004 (ACT 6 OF 2004) ("MPRA")
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 53 OF 2003) ("MFMA")

This is a summary of the legal position and is not intended to cover the full content of either the MPRA or the MFMA. The summary focuses on those requirements that are immediately relevant to a municipality's rates policy.

A municipality may levy rates in its municipal area. It must exercise its power to levy rates subject to section 229 and any other applicable provisions of the Constitution, the provisions of the MPRA, and its rates policy.

In terms of section 46 of the MPRA, the basis of valuation is market value. Property must be valued by a valuer engaged or employed by the municipality in terms of section 33 of the MPRA. Anyone may lodge an objection to an entry in the valuation roll that is prepared by the municipal valuer.

Rates are based on the market value of a property, multiplied by a rate in the rand set each year by the municipality in question in terms of section 7 of the MPRA. The owner of the land (unless the municipality is advised otherwise) is the principal ratepayer, and rates may be recovered as a debt against the principal ratepayer. In certain cases the occupier of the land may be classed as the principal ratepayer in terms of sections 24 and 25 of the MPRA.

Section 26 of the MPRA provides that rates may be paid either monthly or annually, but section 64 of the MFMA currently requires that accounts for municipal tax be prepared on a monthly basis or less often as may be prescribed. A municipality may also make payment arrangements with ratepayers if an instalment of rates is not paid by the due date. A municipality's credit control and debt collection by-laws must prescribe the process for recovering rates in the case of non-payment.

In terms of section 3 of the MPRA, the council of a municipality must adopt a policy consistent with the MPRA on the levying of rates on rateable property in the municipality. The rates policy must take effect on the effective date of the first valuation roll prepared by the municipality in terms of the MPRA, and the policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the MFMA.

The rates policy must treat persons liable for rates equitably and determine the criteria for levying different rates for different categories of property and granting exemptions, rebates or reductions. The effect of rates on poor residents and organisations conducting specified public benefit activities must also be considered.
Any exemptions, rebates or reductions granted under and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with local government.

No municipality may grant relief in respect of the payment of rates to the owners of properties on an individual basis.

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). The draft policy must be displayed for a period of at least 30 days at the municipality's head office, satellite offices and libraries and on the official website of the municipality. An advertisement informing the community of this must be placed in the media.

The rates policy must be reviewed annually and by-laws must be adopted to give effect to the policy.

The MPRA provides for the exclusion of certain properties from the payment of rates. The first R15 000 of the value of residential properties is excluded and land belonging to land reform beneficiaries is excluded for the first ten years of ownership.

A municipality may not levy different rates on residential properties.

The Minister of Provincial and Local Government may set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased.

Rates levied on newly rateable property and on property owned by a land reform beneficiary must, after the exclusion period has lapsed, be phased in over a period of three financial years.

A register in respect of all properties situated within a municipality must be maintained. Part A of the register is the current valuation roll and supplementary valuation rolls and Part B contains those properties that are exempted, receive a rebate or reduction, are subject to phasing or are excluded from rates.

Written accounts must be issued by the municipality and a ratepayer is obliged to make enquiries if an account is not received.

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant, occupier or agent of the owner, despite any contractual obligation to the contrary. The amount recovered is limited to the amount of the rent or other money due.

10. SHORT TITLE

This policy is the Municipal Property Rates Policy of the Greater Letaba Local Municipality.

11. ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolution No. A769 dated 31 May 2009 and comes into effect when promulgated in the Provincial Gazette in terms of section 6 of the MPRA.

LOCAL AUTHORITY NOTICE 234

The Greater Letaba Municipality hereby publish the tariff policy in terms of Section 75 (1) of the Municipal Systems Act no.32 of 2000.

Mutshinyali I.P
Municipal Manager

TARIFF POLICY

1. Definitions

i) *Trading Services:* Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services.

ii) *Economic services:* Are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.

iii) *Community services:* Are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature.

iv) *Fixed costs:* Are costs which do not vary with consumption or volume produced.

v) *Variable costs:* These are costs that vary with consumption or volume produced.

vi) *Total cost:* Is the sum of all fixed and variable costs.

vii) *Flat rates:* Are the unit tariffs that are calculated by dividing the total costs by volume used.

viii) *Two-part tariffs:* Are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed.

ix) *Units consumed:* Are the number of units consumed of a particular service and are measured in terms of the units of measurement reflect in Section 6.

2. Purpose of this policy

The Greater Letaba Municipality wishes to achieve the following objectives by adopting this tariff policy.

2.1 To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

2.2 To prescribe procedures for calculating tariffs where the Greater Letaba Municipality wishes to appoint service providers in terms of section 76(b) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

2.3 To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

3. Tariff principles

The Greater Letaba Municipality wishes to record the following tariff principles.

3.1 All users of municipal services will be treated equitably. The various categories of customers will pay the same charges based on the same cost structure[1].

3.2 The amount payable will be in proportion to usage and based on the tariff structure adopted for the approved category of consumer.

3.3 Indigent households will have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)[2].

3.4 Tariffs will reflect the total cost of services[3].

3.5 Tariffs will be set at a level that facilitates the sustainability of services.[4]

Sustainability will be achieved by ensuring that:

1) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.

2) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital,

1 Section 74(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
2 Section 74(2)(c)(i) and (ii).
3 Section 74(2)(d)
4 Section 74(2)(e)

maintaining sufficient liquidity levels and making profits on trading services.

3.6 Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required[1].

3.7 Efficient and effective use of resources will be encouraged by providing for penalties to prohibit exorbitant use.

3.8 The extent of subsidisation of tariffs will be disclosed. This will be achieved by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of customers

The tariff structure of the Greater Letaba Municipality makes provision for the following categories of customers[2]

- domestic;
- commercial;
- industrial;
- agricultural;
- rural;
- Government (National, Provincial and District);
- municipal services; and
- special agreements.

Where there is a substantial difference between the standard of services provided within a specified category, the Council can, after the presentation of a report by the Municipal Manager or the relevant department, determine differentiated tariffs within the specified category.

[1] Section 74(2)(l)
[2] Section 74(3)

5. Expenditure classification and cost elements

The Chief Financial Officer shall, subject to the guidelines of the Department of Finance and Executive Committee of the Council, make provision for the following classification of services.

5.1 Trading services

(i) Water.

(ii) Electricity.

5.2 Economic services

(i) Refuse removal.

(ii) Sewerage disposal.

5.3 Community services

i) Air pollution.

ii) Child care facilities.

iii) Fire fighting services.

iv) Local tourism.

v) Municipal planning.

vi) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.

vii) Stormwater management system in built-up areas.

viii) Trading regulations.

ix) Fixed billboards and the display of advertisements in public places.

x) Cemeteries.

xi) Control of public nuisances.

xii) Control of undertakings that sell liquor to the public.

xiii) Facilities for accommodation, care and burial of animals.

xiv) Fencing and fences.

xv) Licensing of dogs.

xvi) Licensing and control of undertakings that sell food to the public.

xvii) Local amenities.

xviii) Local sport facilities.

xix) Municipal parks and recreation.

xx) Municipal roads.

xxi) Noise pollution.

xxii) Pounds.

xxiii) Public places.

xxiv) Street trading/street lighting.

xxv) Traffic and parking.

xxvi) Building control.

5.4 *Subsidised services*

(i) Health and ambulance.
(ii) Libraries and museums.

5.5 *Expenditure classification*

Subjective classification into various expenditure groups is as follows:

i) Salaries, wages and allowances;

ii) Bulk purchases;

iii) General expenditure;

iv) Repairs and maintenance;

v) Capital charges (interest and redemption)/depreciation[1];

vi) Contribution to fixed assets;

vii) Contribution to funds:

- Bad debts;
- Working capital; and
- Statutory funds.

viii) Contribution to reserves;

[1] Once capital accounting has been introduced depreciation will be the only acceptable costs against the operating budget.

ix) Gross expenditure;

x) Less charge-out;

xi) Net expenditure;

xii) Income; and

xiii) Surplus/Deficit.

5.6 Cost elements

The following cost elements will be used to calculate the tariffs of the different services:

(i) *Fixed costs* which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable on the service and any other costs of a permanent nature as determined by the Council from time to time.

(ii) *Variable cost:* This includes all other variable costs that have reference to the service.

(iii) *Total cost* is equal to the fixed cost plus variable cost.

6. Tariff types

In settings service charges the Council shall

- accurately reflect costs to achieve economic efficiency;
- ensure equity and fairness between different types of consumers;
- utilise appropriate metering and supporting technology; and
- be transparent.

In determining the type of tariff applicable to the type of service the Council shall make use of the following four options or a combination of the same.

(i) *Single tariff:* This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Profits on trading services may be allowed subject to Council approval.

(ii) *Cost related two to four part tariff:* This tariff shall consist of two to four parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.

(iii) *Inclining block tariff:* This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

(iv) *Declining block tariff:* This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be used during special agreements.

7. Unit of measurement

The following units of measurement will, where possible, be used to determine tariffs:

7.1 Water

(1) Cost per unit (kilolitres consumed).

(2) Basic cost plus cost per unit charge (kilolitres consumed).

(3) When consumption is not measured a flat rate will be applicable.

7.2 Electricity

(1) Maximum demand plus fixed costs plus kWh consumed.
(2) Fixed costs plus kWh consumed.
(3) KVA consumed.
(4) KWA.

7.3 Refuse removal

(1) Plastic bags per week (volume).
(2) Containers per week (volume).

7.4 Sewerage

(1) Percentage of water consumption.
(2) Percentage of water consumption plus costs for strength of disposal.
(3) Basic charge - based on the area of the property and fixed cost associated with the service.
(4) Additional charge – based on the area and variable costs of the service.
(5) When area of property is not available a flat rate based on the average consumption per categories of consumers will be applicable.

7.5 Social benefits

The Council in order to measure social benefits enjoyed by the community, has approved of the undermentioned standards to achieve cost recovery and to measure service delivery. These measures will be used to ensure that the service is affordable to both the Council and households. The measures will be used to determine whether the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed.

Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION	UNIT OF OUTPUT	CLASSIFICATION BY COUNCIL
Art Gallery and Museum	Number of attendance	Subsidised
Building Section	Number of plans submitted Value of buildings Municipal value of buildings	Subsidised
Caravan Park	Number of bookings Number of sites	Economic
Cemeteries	Number of burials Number of graves	Subsidised
City and other halls	Number of bookings Area per population	Subsidised
Cleansing, refuse removal and disposal	Number of cubic metes Number of tons Number of removals Number of living units Kilometres travelled Cost per m^3 removed Income per m^3 removed Cost per kilometres travelled Income per kilometres travelled	Economic
Street cleaning	Length of streets Areas of streets	Economic
Corporate Services	Number of municipal staff Percentage of total expenditure	Community
Council General	Population Percentage of total expenditure	Community
Estates	Number of properties	Economic
Properties held for future development	Area Number of properties	Community
Grant-in-aid	Percentage of rates income	Community
Health - Clinics - Other	Number of attendance	Community
Libraries	Number of issues Number of members Number of book in stock	Subsidised
Licensing	Number of licences	Community
Parks and recreation	Area of developed parks Number of living units	Community
Personnel administration	Number of municipal staff Number of appointments Percentage turnover rate	Community
Technical Services	Population Percentage of Municipal expenditure	Community

Road and Stormwater (including sidewalks)	Length of roads Area of roads	Community
Security and Civil Defence	Number of installations Area covered	Community
Sewerage reticulation (Disposal)	Number of connections Area served Length of mains Sewerage purified Cost per mega litre purified	Economic
Swimming pools	Number of attendance	Subsidised
Stores	Number of issues Number of stock items held Value of issue Value of stock Number of direct purchases Average percentage of turnover stock per annum	Economic (fully charge out)
Municipal Services	Number of municipal staff Percentage of municipal expenditure	Community
Town Planning	Number of properties in area of jurisdiction	Community
Traffic	Length of roads Number of registered vehicles Number of services issued Cost per service Recovery of service	Community
Chief Financial Officer	Number of municipal staff Percentage of municipal expenditure	Community
Valuations	Number of properties Percentage of municipal valuations	Community
Housing (Selling and letting schemes)	Number of dwellings	Economic
Electricity	Number of units purchased Number of units sold Percentage loss in distribution Purchases cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Length of mains	Trading
Street lighting	Number of street lighting	Trading
Water	Number of units purchased Number of units sold Percentage loss in distribution Purchase cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Income per connection Length of mains Kilolitres purified Cost per kiloliter purified	Trading

Marketing	Number of industrial properties Number of industries	Community
Fire	Number of call-outs Number of properties Costs per call-out Population Cost per head	Subsidised

8. By-laws

The principle contained in this policy will be reflected in the various service by-laws as promulgated and adjusted by Council from time to time.