



MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Draft Refuse Tariff Policy

2025/2026

Issued in terms of Section 17(3)(e) and 24(1)(v) of the MFMA No. 56 of 2003, and Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

The policy will take effect from 01 July 2025

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1. **PREAMBLE**

Whereas section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles contained in section 74(2) of the Act; thus giving effect to the By-Law required in terms of section 75 of the Act;

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;

Now therefore the Municipal Council of Maluti-a-Phofung Local Municipality adopts the following Tariff Policy, which will be implemented with effect from 1 July 2025 and be reviewed as and when required.

2. **APPLICATION**

This Policy shall be applicable to the services provided or delivered by the Municipality and shall also be applied by an agent, contractor or other form of municipal service provider acting on behalf of the Municipality in terms of an agreement.

3. **DEFINITIONS**

"Account" means an account rendered specifying charges for municipal services provided by the Municipality, or any authorized 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.

"Annually" – means once every financial year;

"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.

"Arrears" means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

"Authorized Representative" means a person or instance legally appointed by the Municipality to act or to fulfil a duty on its behalf.

"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.

"Billing Date" means the date upon which the monthly statement is generated and debited to the customer's account.

"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 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.

"Calendar year" shall mean 12 consecutive months of a financial year(s).

"Category" –

- a)) in relation to a property, means a category of properties determined in terms of section 8(2) of the Municipal Property Rates Act;
- b)) in relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Municipal Property Rates Act.

"Chief Financial Officer" means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.

"Council" means the Council of the Maluti-A-Phofung Municipality.

"Councilor" shall mean a member of the Council of the Municipality.

"Credit Control" means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

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"Customer" means the occupier of any premises to which the Municipality has agreed to supply or is actually supplying municipal services, or if no occupier can be identified or located, then the owner of the premises and includes any customer of the Municipality

"Day/Days" - means calendar days, inclusive of Saturdays, Sundays and public holidays.

"Debt Collectors" means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein.

"Defaulter" means any person who owes arrears to the Municipality

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

"Immovable Property" also includes –

- a) an undivided share in immovable property, and
- b) Any right in immovable property.

"Implementing Authority" means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

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

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

"Indigent Policy" means the Indigent Policy adopted by the Council of the Municipality

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

"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 construction, repair, 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;

"Interest" means the charge levied on arrears, calculated as the prime rate, charged by the bank which holds the Municipality's primary bank account, plus one percent or such other percentage as may be determined by Council from time to time.

“Local 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 organizations and non-governmental, private sector or labour organizations 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. **“Market Value”** – in relation to a property, means the value of the property determined in accordance with section 46 of the Municipal Property Rates Act;

“Month” means one of twelve months of a calendar year.

“Multiple Purposes” – in relation to a property, means the use of a property for more than one purpose as intended in section 9 of the Municipal Property Rates Act.

“The Municipality” means Maluti-A-Phofung Municipality.

“Municipal Manager” means the Municipal Manager of the Maluti-A-Phofung Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with the concurrence of the Council.

“Municipal Services” means services provided either by the Municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement.

“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” 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.

“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;

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- 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.

“Property” – means immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

“Reduction” - in respect of a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of that property at that lower amount.

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

"Registered Owner" means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937.

“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.

"Service Charges" means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

"Tariff" means the scale of rates, taxes, duties, levies or other fees which may be imposed by the Municipality in respect of immovable property and/ or for municipal services provided.

"Tariff Policy" means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

"User" means the owner or occupier of a property in respect of which municipal services are being rendered.

4. PURPOSE OF THE TARIFF POLICY

- 4.1 Section 74 of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, contains clear guidelines regarding the compilation of and principles for a tariff policy.
- 4.2 The purpose of this tariff policy is to prescribe the accounting and administrative policies relating to the determining and levying tariffs by MAP Local Municipality, in order to ensure compliance with Local Government: Municipal Systems Act, Act 32 of 2000 and other, relevant legislation
- 4.3 To give guidance to the Mayor and Mayoral Committee regarding tariff proposals that must be submitted to Council annually during the budget process.
- 4.4 The Municipality shall 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 cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

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

- 5.1 Service tariffs imposed by the MAP Municipality shall be viewed as user charges and not as taxes, and therefore the financial standing 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 region in accordance with the various levels of services.
- 5.3 Tariffs for the services rendered by the municipality, namely: -
 - 5.3.1 Refuse Removal.
- 5.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

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- 5.5 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
The municipality shall annually review the indigent support programme. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.
- 5.6 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 in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- 5.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question.
- 5.8 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.
- 5.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 5.10 In the case of a directly measurable service such as electricity or water, the consumption of such service 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 which they consume
- 5.11 In addition, the municipality shall levy monthly availability (where the services are available but not connected)/ or basic charges for the services concerned and these charges shall be fixed for each type of property as determined in accordance with its appropriate policies.
- 5.12 Furthermore, the following principles will also apply:
- 5.12.1 Free basic services will only be possible if the National Government pays to the municipality an equitable share subsidy, in terms of the Division of Revenue (DORA) an equitable share allocation which covers the full costs of the free services.
- 5.12.2 The amount payable by consumers will be in proportion to usage of the service.

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- 5.12.3 Indigent households must at least have access to basic services through direct subsidization.
- 5.12.4 Tariffs must reflect the total cost of services.
- 5.12.5 Tariffs must be set at a level that facilitates the sustainability of services.
- 5.12.6 Sustainability will be achieved by ensuring that:
 - a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
 - b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
 - c) Service providers retain a fair rate of return on their investments
 - d) There is constant improvement on key financial ratios that are utilized to measure financial performance of the Municipality
- 5.12.7 The extent of subsidization of tariffs will be disclosed and such disclosure will include the extent of subsidization of the poor or incentives for local economic development
- 5.12.8 The MAP Local Municipality can introduce new tariffs or strategies thereof as part of the budget process, which must be subjected to due processes and final approval by Council
- 5.12.9 This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.
- 5.12.10 VAT is excluded from all tariffs and will be additional to these tariffs when applicable.
- 5.13 Notwithstanding any of the above principles, indigent households identified as such would qualify for relief in terms of the Municipality's Indigent Policy.

6. CATEGORIES OF CUSTOMERS

6.1 Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

6.2 Separate tariffs structure may be raised for the following categories of customers

- a) Residential properties;
- b) Industrial properties;
- c) Business properties;
- d) Agricultural properties;
- e) Mining properties
- f) State owned properties used for public service purposes
- g) Municipal properties;
- h) Public service infrastructure referred to in the Act;
- i) Properties owned by Public Benefit Organizations and used for specific public benefit activities;
- j) Properties used for multiple purposes
- k) Vacant Stand

6.3 Where there is a substantial difference between the infrastructure uses to provide a service to a specific group of users within a category and/or standard of services provided, the Council can, after considering a report by the Accounting Officer, determine differentiated tariffs for the different consumer within the specific category.

6.4 The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.

7. INVESTMENTS AND INCENTIVE POLICY

7.1 The Council may introduce different Tariffs in order to incentivize businesses that are being established in the municipal area of jurisdiction.

7.2 The incentive scheme as per the previous point may be implemented in terms of a separate policy that deals with such matters. The economic benefit for the municipal area must be quantified (including but not limited to job creation potential, contribution to the economic situation of the area, etc.).

- 7.3 The main objective of the investment and incentive policy must rather be to subsidise qualifying businesses in terms of their municipal accounts for services and not provide or exchanged for cash.
- 7.4 All such incentives will be reflected, accounted for and disclosed separately in invoices / account statements, budgets, annual financial statements or reports.
- 7.5 Such incentives must be reported to Council as and when they are approved and implemented.

8. INDIGENT RELIEF

- 8.1 Free basic municipal services refers to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.
- 8.2 In terms of the South African Constitution all customers should have access to basic services. Currently, the free basic services provided to the domestic customers within the Maluti-A-Phofung Municipality are as follows: -
 - 8.2.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.
 - 8.2.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount determined by Council at the beginning of every financial year and will be applied for the duration of that particular financial year.
 - 8.2.3 the Municipality recognizes the following rates and service charges for indigent support: -
 - a) Refuse Removal;
- 8.3 Tariffs will not reflect relief granted to poor households. Such incentives will be developed in separate policies (Credit Control and Debt Management, Indigent Policy and Property Rates Policy) and be subject to the discretion of Council in order to enhance sustainability.
- 8.4 As such, relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, annual financial statements or reports.

- 8.5 During implementation of these policies, cognizance will be taken of the fact that existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments may be phased in over a period of time.
- 8.6 Assistance and management of indigent households is contained in the Indigent Policy approved by Council. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction of services if the account of an assisted household falls into arrears, or should additional water be required over and above the approved volume of 6 kl of free water

9. TARIFF STRUCTURES FOR VARIOUS SERVICES

- 9.1 It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -
- 9.1.1 The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
 - 9.1.2 The need to ensure equality and fairness between user groups;
 - 9.1.3 The need for a practically implementable tariff;
 - 9.1.4 The need for an understandable tariff; and
 - 9.1.5 The user's ability to pay.
- 9.2 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:
- Service rendering cost
 - 9.2.1 Depreciation expenses.
 - 9.2.2 Maintenance of infrastructure and other fixed assets.
 - 9.2.3 Administration and service costs, including: service charges levied by other departments such as finance, human resources and legal services; reasonable general overheads, such as the costs associated with the office of the municipal manager; adequate contributions to the provisions for bad debts and obsolescence of stock; (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the

expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).

- 9.3 The cost of approved indigent relief measures.
- 9.4 The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

10. ECONOMIC SERVICE - REFUSE REMOVAL

- 10.1 A separate fixed monthly refuse removal charge shall apply to each category of users based on the costs of the service concerned and the applicable level of service that can vary from once a week up to 7 times a week, or two times a week, etc.
- 10.2 The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.
- 10.3 Tariff adjustments shall be effective from 1 July each year.
- 10.4 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:
 - 10.4.1 Domestic and other users (once weekly removal)
 - 10.4.2 Business and other users (twice weekly removal)
 - 10.4.3 Business and other users (thrice weekly removal)
 - 10.4.4 Business and other (bulk consumers).
- 10.5 Registered indigents may receive such rebate on this charge as the council deems affordable when approving each annual budget, but on the understanding that such rebate shall be in accordance with the approved Indigent Policy and at the annual tariffs of the monthly amount billed as a refuse removal charge.
- 10.6 Normal tariffs shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

- 10.7 The municipality may introduce tariffs such as environmental charge in order to deal with environmental matters pertaining to rendering the refuse removal and or cleansing service and the income / revenue raised from this tariff will be used to finance same operations

11. **EXPENDITURE**

11.1 Expenditure categories will be classified in accordance with Generally Recognized Accounting Practice (GRAP) and also the Municipal Standard Chart of Accounts (MSCOA).

11.2 Cost Elements

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

a) Fixed Costs:

Fixed costs consist of:

- i) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level
- ii) Capital costs (interest and depreciation) on external loans; depreciation on assets obtained through grants; as well as depreciation on assets obtained through own funds, whichever Tariff Policy –Maluti –A-Phofung Local Municipality are applicable to the service
- iii) Any other costs of a permanent nature as determined by the Council from time to time.

b) Variable Cost:

- i) This includes all other variable costs that have reference to the service.

c) Total Cost:

- i) This is equal to the fixed cost plus variable cost.

12. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 12.1 After a draft budget as required by the Local Government: Municipal Finance Management Act (MFMA) has been tabled, the Accounting Officer must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.
- 12.2 After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of the Act of all tariffs approved at the annual budget meeting and the Municipal Manager shall without delay conspicuously display a copy of the resolution 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.
- 12.3 A notice stating the purpose of the Council Resolution, date on which the new tariffs shall become operational and invitation for objections, will be advertised by the Municipality in terms of section 75A(3)(b) of the Act.
- 12.4 All tariffs approved must have been considered at the annual budget meeting.

13. REGULAR REVIEW PROCESS

The tariff Policy must be reviewed on an annual basis to ensure that it complies with the strategic objectives of the Municipality, as stipulated in the Integrated Development Plan and other applicable legislation.