

TARIFF POLICY



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TARIFF POLICY

1. Introduction

- 1.1 In terms of the White Paper on Local Government municipalities must have access to adequate sources of revenue - either own resources or intergovernmental transfers - to enable them to carry out the functions that have been assigned to them. Municipalities should be encouraged to fully exploit these sources of revenue to meet their developmental objectives. Financial sustainability requires that municipalities ensure that their budgets are balanced (income should cover expenditure). Given revenue constraints, this involves ensuring that services are provided at levels which are affordable and that municipalities are able to recover the costs of service delivery. No bailout will be provided to a municipality that overspends its budget and/or fails to put in place proper financial management controls. It is the responsibility of the political leaders to ensure that they set realistic budgets. However, there is a need for subsidisation to ensure that poor households, who are unable to pay even a proportion of service costs, have access to basic services.
- 1.2 The Municipality adopts this policy in order to ensure that it achieve the objectives set out in the White Paper.

2. Statutory framework

- 2.1 In terms of section 75A of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000) the Municipality may levy and recover fees, charges or tariffs in respect of any function performed or service rendered by or on behalf of the Municipality and recover collection charges and interest on any outstanding amount. Once the Council has levied a fee, charge or tariff, notice must be given that the Council has passed a resolution in this regard and the resolution must be made available for inspection.

2.2 In terms of section 74 of the Systems Act the Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by or on behalf of the Municipality. Such a tariff policy must reflect at least the following principles, namely that-

- (a) consumers of municipal services should be treated equitably in the application of tariffs;
- (b) the amount individual consumers pay for services should generally be in proportion to their consumption of the service concerned;
- (c) poor households must have access to at least basic services through tariffs that cover only operating and maintenance costs, special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service or any other direct or indirect method of subsidisation of tariffs for poor households;
- (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- (e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- (f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- (i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

3. Principles

3.1 In setting tariffs the Council shall take into account –

- (a) the tariffs applicable for the same or comparable standard of service elsewhere in the economic region; and
- (b) the impact the Municipality's tariffs may have on local economic development.

3.2 The Municipality shall ensure that its tariffs are fairly applied throughout the Municipality.

3.3 Tariffs for the provision of –

- (a) electricity and water shall be set in such a manner that the Municipality realises a net trading surplus of approximately 10% in each financial year; and
- (b) refuse removal (solid waste) and sewage services shall be set in such a manner that the Municipality, as far as possible, covers the cost of rendering the service.

3.4 The tariff which a particular consumer pays in respect of electricity, water and solid waste services shall be directly related to the standard of service received and the quantity of the particular service consumed.

3.5 A trading surplus realised in respect of any service shall be applied –

- (a) in relief of property rates; and
- (b) for the partial financing of general services; or
- (c) for the future capital expansion of the service concerned; or

- (d) both the partial financing of general services and future capital expansion of the service concerned.
- 3.6 The extent to which there is cross-subsidisation between categories of consumers shall be evident to all consumers of the service in question.
- 3.7 The tariff structure for services shall, in appropriate cases, consist of two parts, namely –
- (a) a fixed cost charge, which is an availability levy that is payable which is payable for the availability of the relevant service regardless of whether or the volume of service that is consumed; and
 - (b) a variable cost charge, which is a charge that is directly related to the volume of the service consumed.

4. Institutional arrangements

4.1 Powers, duties and functions of the Council

The Council shall annually, together with the consideration and adoption of the budget, –

- (a) determine the charges and tariffs for municipal services rendered by or on behalf of the Municipality; and
- (b) review and consider changes to this policy.

4.2 Powers, duties and functions of the Executive Committee

The Executive Committee shall –

- (a) monitor the implementation of this policy;
- (b) submit recommendations to the Council regarding the charges and tariffs for municipal services rendered by or on behalf of the Municipality;
- (c) submit recommendations to the Council regarding the review and amendment of this policy; and
- (d) regularly report to the Council regarding the implementation of this policy.

4.3 Powers, duties and functions of the Municipal Manager

4.3.1 The Municipal Manager shall be responsible and accountable for –

- (a) the implementation of this policy;
- (b) advising the Executive Committee with regard to –
 - (i) the charges and tariffs for municipal services rendered by or on behalf of the Municipality; and
 - (ii) the review and amendment of this policy; and
- (c) regularly report to the Executive Committee on the implementation of this policy.

4.3.2 The Municipal Manager may, in the performance of her/his functions and the discharge of her/his duties in terms of this policy –

- (a) delegate any of her/his functions, powers or duties to the Chief Financial Officer; and
- (b) perform such function and discharge such duty through an official under her/his control.

5. Manner of determining charges and tariffs

5.1 The determination of tariffs for the provision of electricity, water, sewage and solid waste services shall be based on an analysis of the relevant cost drivers. Such cost drivers include (but is not limited to) –

- (a) Cost of bulk purchases in the case electricity and water;

- (b) Distribution costs;
- (c) Distribution losses in the case of electricity and water;
- (d) Maintenance of infrastructure and other fixed assets;
- (e) Administration and service costs, including –
 - (i) service charges levied by departments of the Municipality;
 - (ii) reasonable general overhead, such as the costs associated with the office of the Municipal Manager;
 - (iii) adequate contributions to the provisions for bad debts and obsolescence of stock; and
 - (iv) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area;
- (f) The intended surplus to be generated for the financial year; and
- (g) The cost of approved indigency relief measures.

5.2 The costs of the democratic governance process, i.e. 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 services.

5.3 The Municipality shall provide –

- (a) 50 kWh of electricity per month free to all registered Indigent Households; and
- (b) 10 kl of water per month free to all registered Indigent households.

5.4 The Municipality shall consider further relief in respect of the tariffs for solid waste services, sewer services, basic charges and rates for registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget.

5.5 Electricity services

5.5.1 All electricity consumers shall be billed for electricity consumption at the tariff applicable to the category in which the particular consumer falls.

5.5.2 The electricity tariff shall consist of a basic charge plus consumption, taking into consideration guidelines by the National Electricity Regulator. A basic charge shall also be payable in respect of vacant/undeveloped land where electricity is available.

5.5.3 The Municipality's departmental electricity consumption shall be equal to the domestic tariff.

5.6 Water services

5.6.1 The consumption component of tariffs for water for all consumers shall be determined according to the cost of providing the service subject to paragraph 3.3(a).

5.6.2 The fixed cost component of the tariff for water shall consist of a basic charge per water meter, as determined by Council from time to time. The basic charge shall be charged on all water consumers. A basic charge shall also be payable in respect of vacant/undeveloped land where water is available.

5.6.3 The Municipality's departmental water consumption tariff shall be equal to the domestic tariff.

5.7 Sewage services

5.7.1 All sewerage consumers shall be billed for sewerage basic and/or consumption at the tariff applicable to the category in which the particular consumer falls.

5.7.2 The sewage tariff shall consist of a basic charge plus consumption as determined by council from time to time, based on the costs of the service concerned:

5.7.2 A basic charge will be payable on vacant/undeveloped properties that have access to water borne sewage system.

5.7.3 A fixed monthly charge based on the costs of the service shall be charged in respect of consumers who have access to other forms of sanitation other than water borne sewer

5.7.4 The Municipality's departmental consumption tariff shall be equal to the domestic tariff.

5.8 Solid waste

A fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

- (a) Vacant / undeveloped properties
- (b) Domestic refuse removal (once weekly removal)
- (c) Other users (once weekly removal)
- (d) Other users (twice weekly removal)
- (e) Other users (three times weekly removal)
- (f) Other users (four times weekly removal)

- (g) Other users (five times weekly removal)
- (h) Other users (six times weekly removal)
- (i) Other users (daily removal)
- (j) Bulk consumers.

Minor tariffs

5.9 All minor tariffs shall be approved by the Council in each annual budget. The Council may decide that the service concerned be subsidised by property rates and general revenues when -

- (a) the tariff will prove uneconomical when charged to cover the cost of the service concerned; or
- (b) the cost of providing the relevant service cannot accurately be determined; or
- (c) the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

5.10 All minor tariffs over which the Municipality has full control and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected

5.11 The following services shall be considered as subsidised services:

- (a) funerals and cemeteries;
- (b) rentals for the use of municipal sports facilities;
- (c) renting of chalets, flats, conference centres and halls and caravan stands;
- (d) consideration and approval of building plans and inspection of construction works.

5.12 The following services shall be considered as community services and no tariffs shall be levied for their use:

- (a) municipal museum and art gallery;
- (b) disposal of garden refuse and building rubble at municipal landfill sites;
- (c) public libraries managed and operated by the Municipality (excluding fines as set out below);
- (d) parks and open spaces.

5.13 The following services shall be considered as economic services. The tariffs levied shall cover as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- (a) maintenance of graves and garden of remembrance;
- (b) rentals for the use of municipal halls and other premises, provided that if the Municipal Manager is satisfied that the hall or premises concerned are required by non-profit organisation in connection with the provision of a service to the community, she/he may waive 50% of the rental;
- (c) sales of refuse bins;
- (d) cleaning of stands;
- (e) electricity connection fees;
- (f) testing of electricity consumption meters;
- (g) sales of gravel, plants and paving slabs;
- (h) photocopies and sending and receiving facsimile messages;

- (i) rates clearance certificates;
- (j) performing work for third parties (jobbings), e.g. moving of motor entrances;
- (k) renting of municipal equipment, e.g. grader, front-end loader, cherry-picker etc., which rentals shall be determined consistent with the tariffs prescribed by the Department of Public Works; and
- (l) valuation certificates.
- (m) Applications for clearance
- (n) Duplicate accounts

5.14 The following charges and tariffs shall be considered as regulatory or punitive and shall be determined as appropriate in each annual budget:

- (a) fines for lost or overdue library books;
- (b) advertising sign fees;
- (c) pound fees and other fees related to the impoundment and keeping of animals in custody;
- (d) electricity disconnection and reconnection fees;
- (e) penalty and other charges (e.g. tampering fees) imposed in terms of the approved debt collection policy;
- (f) encroachments; and
- (g) penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.
- (h) Clearance certificates

- 5.15 Market-related rentals shall be levied for the lease of municipal properties and municipal houses.
- 5.16 The Municipal Manager shall, taking into account the likelihood of the Municipality sustaining damages as a result of the use of the facilities concerned, determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and shall determine the amount of such guarantee.
- 5.17 **Tariff adjustments shall be effective from 1 July each year or implemented at a later date effective retrospectively from July of each year, subject to an exemption from the provision of section 28 of the MFMA being granted by the Minister of Finance.**

Mr. E.N. Maseko
Municipal Manager

Date

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