



# TARRIF POLICY

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## AM AHLATHI MUNICIPALITY

### TARIFF POLICY

#### **[1] Objective of this Policy**

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 (see part 9 of this policy) of the Municipal Systems Act No. 32 of 2000.

In setting its annual tariffs the council shall at all times 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.

All tariffs will be indicated in a tariff schedule, which will be an Addendum to this policy and will be reviewed and amended by Council annually during its IDP and Budget process.

#### **[2] Definitions**

**“Accounting officer”** - Means in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act No. 56 of 2003; or in relation to a municipal entity, means the official of the entity referred to in section 93 of the Municipal Finance Management Act No. 56 of 2003 and includes a person acting as the accounting officer;

**“chief financial officer”** - means a person designated in terms of section 80(2) (a) of the Municipal Finance Management Act No.56 of 2003.

**“Consumer”** – means any end user who receives electricity refuse collection services from the municipality.

**“councilor”** - means a member of a municipal council

**“Indigent”** - means an indigent household whose total household income is less than such an amount as determined by Council annually during the budget process

**“local community”** has the meaning assigned to it in section 1 of the Municipal Systems Act

**“local municipality”** - means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality

**“mayor”** - a municipality with an executive committee, means the councilor elected as the mayor of the municipality in terms of section 48 of that Act

**“municipal council”** or **“council”** - means the council of a municipality referred to in section 18 of the Municipal Structures Act

**“municipality”**:

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

**“municipal manager”** - means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act

**“municipal service”** has the meaning assigned to it in section 1 of the Municipal Systems Act

**“Municipal Structures Act”** - means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)

**“Municipal Finance Management Act”** – means the Local Government: Municipal Finance Management Act, No. 56 of 2003

**“Municipal Systems Act”** - means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

**“municipal tariff”** - means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff

**“municipal tax”** - means property rates or other taxes, levies or duties that a Municipality may impose

**“official”**, in relation to a municipality or municipal entity, means:

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee.

### **[3] General Principles**

Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed 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 indigency relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region. Tariffs for the major services rendered by the municipality, namely:

- Electricity
- refuse removal (solid waste)

Shall as far as possible recover the expenses associated with the rendering of each service concerned. 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 develop, approve and at least annually review an indigency support programme for the municipal area. 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.

The municipality's tariff policy shall be transparent i.e. developed in consultation with ward committees, 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.

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

In the case of directly measurable services, namely electricity, the consumption of such service may be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis.

In addition, the municipality may levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the policy.

In considering the costing of electricity and refuse removal services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services.

The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges.

To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period

#### **[4] Calculation of Tariffs for Major Services**

In order to determine the tariffs, which must be charged for the supply of the major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- Cost of bulk purchases in the case of electricity
- Distribution costs
- Distribution losses in the case of electricity
- Capital Charges
- Maintenance of infrastructure and other fixed assets
- 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
  - all other ordinary operating expenses associated with the service concerned including the cost of providing street lighting in the municipal area (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).

If a surplus is generated for the financial year, such surplus must be applied to:

- generally in relief of rates and general services

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.

## **[5] Electricity**

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be amended from 1 July each year or as soon as possible thereafter.

Categories of consumption and charges shall be as follows:

- With the single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls
- The tariff for domestic consumption of electricity shall not exceed the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh
- All domestic electricity consumers of the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month free.
- All consumers except for in the case of prepaid meters shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charged a normal tariff which is equal to that of businesses.
- Tariff should reflect on customer account.

## **[7] Refuse Removal**

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. Tariff adjustments shall be amended from 1 July each year or as soon as possible thereafter.

Regardless of whether the service is being utilized or not, 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:

- Domestic and other users (once weekly removal)
- Business and other users (twice weekly removal)
- Commercial and industrial entities shall be charged per volume of refuse removed.



A fixed monthly charge shall be charged to the local municipality's departments equal to the business tariff. Registered indigents may receive such discount on this charge as the council deems affordable when approving the annual budget.

#### **[9] Minor Tariffs**

All minor tariffs shall be standardized within the municipal region. All minor tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

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.

The following services shall be considered as subsidised services and tariffs must be determined by Council annually:

- burials and cemeteries
- rentals for the use of municipal sports facilities

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

- disposal of garden refuse at the municipal tip site
- municipal lending library (except for fines set out below)
- municipal parks and open spaces

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

- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags

- sales of refuse bins
- cleaning of stands
- electricity, new re-connection fees
- photostat copies and fees
- clearance certificates
- town planning issues
- search fees

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

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- electricity, disconnection and re-connection fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection

Market-related rentals shall be levied for the lease of municipal properties. In addition the council may implement tariffs for any other service not included in the above mentioned. In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may reduce the applicable rental.

The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality's sustaining damages as a result of the use of the facilities concerned.

## **[10] Annexure: Legal Requirements**

### **SECTION 21: BY-LAW**

### **SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000**

## **SECTION 74: TARIFF POLICY**

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation. Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs
- that the amount individual users pay for services must generally be in proportion to the use of such services
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges
- that 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
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users
- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged
- that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

## **SECTION 73: General Duty**

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

## **SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY**

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner, which does not amount to unfair discrimination.

### **ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL**

This policy is adopted and approved by Amahlathi Local Municipality Council for implementation

Effective from (Date) \_\_\_\_\_

Approved by Resolution Number \_\_\_\_\_ on this the \_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

Signed this the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_. Signed this the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
**MUNICIPAL MANAGER**

\_\_\_\_\_  
**DATE**

\_\_\_\_\_  
**COUNCIL SPEAKER**

\_\_\_\_\_  
**DATE**