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RAYMOND MHLABA MUNICIPALITY

TARIFF POLICY

2022/2023

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1. FOREWORD

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – "that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act" (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

2. DEFINITIONS

In this policy:

"Municipal area" means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

"Municipal council" means a municipal council referred to in section 157 of the Constitution and for this policy includes a municipal local council and a municipal district council, as the case maybe;

"Poor households" means that household in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it;

"Tariff policy" means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

"The Act" means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).

3. INTRODUCTION

One of the primary functions of a local authority is to provide services to the people resident within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidize other non-economical services.

4. 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 7 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.

5. 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 indigence 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 two 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, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus instead of a loss.

If a surplus is realized, such surplus 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.

The municipality shall develop, approve and at least annually review an indigence support program for the municipal area. This program 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.

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.

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.

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 services 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.

In addition, the municipality shall 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 detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity, 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.

In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

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.

6. CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs, which must be charged for the supply of the two 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
- Depreciation expenses
- 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, in the case of the electricity service, the cost of providing street lighting in the municipal

The intended possible surplus to be generated for the financial year, such surplus to be applied:

- generally in relief of rates and general services
- The cost of approved indigent relief measures.

The municipality shall provide the first 50 kWh of electricity per month free of charge to consumers who have registered as indigents in terms of the municipality's indigence relief programme.

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.

Tariffs for pre-paid meters shall not be the same as the ordinary consumption tariffs levied on the category of consumer concerned as availability charge shall be incorporated into the tariff for properties where pre-paid meters have been installed.

7. 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 effective from 1 July each year. 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 tariff as approved by Council in the tariff structure.

All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed

All commercial, industrial and other non-domestic properties 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 Municipality's departmental electricity consumption shall be charged at cost

8. 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 effective from 1 July each year.

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)

Businesses may be further categorised according to the bags of refuse and times of week collected

9. MINOR TARIFFS

All minor tariffs shall be standardised 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 at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

The following services shall be considered as subsidised services and tariffs shall be levied to recover part of the expenditure.

burials and cemeteries

rentals for the use of municipal sports facilities and community halls

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

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:

housing rentals

building plan fees

electricity: new re-connection fees

clearance certificates

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

advertising sign fees

pound fees

electricity: 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.

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

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; be environmentally sustainable; and be 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.

APPROVAL OF TARIFF POLICY



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MUNICIPAL MANAGER

31st May 2002
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DATE