

EPHRAIM MOGALE LOCAL MUNICIPALITY



TARIFFS AND SUNDRY CHARGE POLICY

DOCUMENT APPROVAL

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Ephraim Mogale Local Municipality

2015/16 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

TARIFF POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

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Tariff Policy

1. Preamble

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.

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1. DEFINITIONS

In this policy, unless the context otherwise indicates: -

“Agreement” means the contractual relationship between the Municipality or an authorised agent and a consumer;

“Authorised agent” means -

- Any person authorised by the Municipality to perform any act, function or duty in terms of, or exercise any power under this policy or
- Any person to whom the Municipality has delegated the performance of certain rights, duties and obligations in respect of providing revenue services; and /or
- Any person appointed by the Municipality in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorised in such contract;

“Domestic purposes”, in relation to the supply of electricity and refuse, means electricity and refuse services supplied used predominantly for residential purposes;

“Flat” means a suite of rooms forming a complete unit exclusively used as a residence and contained in a building consisting of two such dwelling-units or more, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Home for the aged, retirement centre or home for the disabled” means dwelling-units occupied exclusively by the aged or disabled, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Household” means a traditional family unit consisting of persons related in some way;

“Industrial purposes”, in relation to the supply of electricity and refuse services, means electricity and refuse services supplied to any premises, which constitutes a factory, as defined in the General Administrative Regulations made under the Occupational Health and Safety Act, 1993 (Act 85 of 1993);

“Occupier” includes any person in actual occupation of the land or premises without regard to the title under which he occupies it and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

“Parks” means a public area where no access is charged and no business is run from.

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“Person” means any natural person, local government body, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association or trust;

“Premises” means any piece of land, the external surface boundaries of which are delineated on:

- a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No. 9 of 1927), or in terms of the Deeds Registries Act 1937, (Act No. 47 of 1937);
- a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986);
- a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority;

“Special Residential” is a stand zoned exclusively for one dwelling-house with one home undertaking, which means a suite of rooms forming a unit which is designed, intended or used for residential purposes by a single family

“Account” means any account rendered for municipal services provided;

“Actual consumption” means the consumption measured, of any consumer;

“Applicable tariff” means the rate, charge, tariff, flat rate, or subsidy determined by the Municipal Council;

“Approved” means approved by the Municipality or its authorised agent in writing;

“Average consumption” means a consumer's estimated average consumption of a municipal service during a specific period, which is calculated by dividing the consumer's total measured consumption of that municipal service for the preceding four months by four;

“Basic electricity supply” means the minimum standard of electricity supply services necessary for the reliable supply of electricity to households to support life and personal hygiene, prescribed in terms of the Act under regulation 3 of Government Notice R509 of 8 June 2001, as amended from time to time, or any substitution for that regulation;

“Connection” means the point at which a consumer is able to access municipal services;

“Consumer” means:

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(a) Any person who occupies premises to whom and in respect of which premises the Municipality-

- Has agreed to provide electricity and refuse services;
- Is actually providing electricity and refuse services;
- Has entered into an agreement with the Municipality for the provision of electricity and refuse services or on any premises;

(b) The owner or tenant of any premises to which the Municipality is providing electricity and refuse services;

(c) Where electricity services are provided through a single connection to a number of accommodation units or consumers or occupiers, means the person to whom the Municipality agreed to provide such electricity services; and

(d) Any end-user who receives electricity and refuse services from the Municipality.

“Container” means all types of containers owned by the Municipality including, plastic bags and bulk containers;

“Determined” means determined by the Municipality from time to time;

“Emergency situation” means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the Municipality or a specific municipal service;

“Meter” is defined as a device that measures the amount of electric energy consumed by a residence, business, industrial or electrically powered device.

“Municipality” means -

- Ephraim Mogale Local Municipality or;
- the Municipal Manager of the Ephraim Mogale Local Municipality in respect of the performance of any action or exercise of any right, duty, obligation or function in terms of this policy;
- an authorised agent of the Ephraim Mogale Local Municipality;

“Municipal Council” means the Municipal Council as referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);

“Municipal Manager” means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No.117 of 1998) and includes any person -

- acting in such position; and

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- to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;

“Municipal services” means for purposes of this policy, services provided by the Municipality, including refuse removal, electricity services and rates or any one of the trading or economic services;

“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);

“Public notice” means publication in an appropriate medium that may include one or more of the following –

- publication of a notice, in the official languages determined by the Municipal Council, –
 - (i.) in the local newspaper or newspapers in the area of the Municipality; or
 - (ii.) in the newspaper or newspapers circulating in the area of the Municipality determined by the municipal council as a newspaper of record; or
 - (iii.) by means of radio broadcasts covering the area of the Municipality; or
- displaying a notice at appropriate offices and pay-points of the Municipality; or
- communication with customers through public meetings and ward committee meetings;

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2. INTRODUCTION AND OBJECTIVE

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199 In order to give effect to the provisions of the Constitution, the Municipality must give priority to the basic needs of the local community, to promote the development of the local community and to ensure that all members of the local community have access to at least the minimum level of basic municipal services.

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201 The services provided by the Municipality must be:

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- Equitable and accessible;

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- 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;

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- Financially sustainable;

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- Environmentally sustainable; and

- Regularly reviewed with a view to the upgrading, extension and improvement of services

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Various statutes enable authorities rendering certain services to impose tariffs. To ensure that the cost of services rendered is recovered as far as possible, tariffs have to be revised on an annual basis.

This policy has been compiled to address tariffs for services and comply with the requirements and guidelines as set by following acts and other documents:

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- SALGA – Local Government Financial Best Practise Manual

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- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996

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- The Municipal Systems Act, Act 32 of 2000

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- The Municipality's Indigent Policy

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- Municipal Finance Management Act, Act No. 56 of 2003

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- Property Rates Act, Act No. 6 of 2004

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- 214
3. The purpose of this policy is therefore to:
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- set clear guidelines in the identification of responsibility for the setting and implementation of a tariff policy for the Municipality;
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- set guidelines for the identification of different categories of users;
- 217
- Set guidelines for the determination of tariffs for the different categories of users and services rendered.
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219 The policy will further lay down the broad principles, which will result in the adoption of a By-Law for the implementation and enforcement of the Tariff Policy.

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221 Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes.

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4. Principles 223

In terms of S74 (2) of the Municipal Systems Act of the following principles should at least be taken into account when formulating a Tariff Policy,

- The users of municipal services should be treated equitably in the application of tariffs.
- As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have access to at least a minimum level of basic services through:
 - Tariffs that cover the operating and maintenance costs,
 - Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
 - Any other direct or indirect method of subsidization of tariff for poor households.
- Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
- Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidisation from sources other than the service concerned.
- Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.
- Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.
- The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.

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- The extent of subsidisation of the poor households and other categories of users should be fully disclosed.

In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt bylaws.

5. Classification and Pricing Strategies of Services

There are basically three categories of municipal services (i.e. trading, rate and general and housing services) which are discussed as follows:

5.1. Trading Services

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services includes electricity and water.

5.1.1. Electricity

Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless is rendered through a pre-payment device:

- (a) Maximum Demand plus kWh consumed; or
- (b) Fixed cost plus kWh consumed; or
- (c) Cost per unit kWh consumed.
- (d) Basic charge per customer category.

The Council have introduced inclining block tariff structure for electricity in line with National Electricity Regulation of South Africa which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

- Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- Depreciation / capital charges based on usage, life of buildings, plant and equipment and infrastructure used.

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- Financing outlays which includes loan service costs.
- Allocated costs that include costs allocated through support services.

5.2. Economic Services

This service include refuse removal, sewerage Disposal and recreational resorts/facilities.

The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the service.
- The rate per unit is based on projected usage.

5.2.1 Waste management (Refuse Removal) tariff

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by Council in each annual budget. Tariff adjustments shall be effective from 1 July of each year.

- A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned:
 - Domestic and other users (once weekly removal)
 - Business and other users (once weekly removal)
 - Business and other (bulk consumers)
- The Municipality reserves the right to determine the type of service, the minimum number of containers and the frequency of services.
- Only the Municipality or its authorised agent may service or remove containers owned by the Municipality.
- The Municipality or its authorised agent shall service only containers provided by the Municipality and marked as such. All other containers shall be confiscated if the private operator/owner is not registered with the Municipality.

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- Dwelling units must pay the applicable tariff per household irrespective of the number of containers put out for removal.
- The Municipal Manager will determine the service per residential area or user for the removal of waste.
- Smallholdings not serviced by the Municipality may dispose their waste at the Municipality's dumping site at the tariff approved by Council.
- Domestic, business and garden waste will be removed by means of containers or waste bags in all jurisdiction of the Municipality. Tariff per container per month or part of a month will depend on the size of the container.
- A daily service is compulsory in terms of the Health Act for each and every business generating food residues.
- Handling fee for lost containers to be replaced, as well as the cost of the container at the same price as the contract price of the Municipality.
- Casual waste-removal service will be available for use of temporary venues and the charges must be paid in cash in advance.
- Provincial Government hospitals within the jurisdiction area of the Municipality will be charged for waste removal only.
- Registered indigents may receive such discount on this charge as Council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge
- Hospitals and medical practitioners may not dispose of any medical toxic waste as part of the Municipal waste management system. Such waste must be dispose of by the parties mentioned on own cost and own arrangements.

5.3. Subsidised Services

These services include library, building plans, leasing of municipal facilities and other town planning services.

These are services for which tariffs are fixed in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be

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able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons. Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include approval of building plans, leasing of municipal facilities and certain town planning functions:

5.3.1. Library charges

The Municipality may raise library charges. The library charges are at a fixed tariff for all residents.

Refer to annually council Sundry approved tariff structure

5.3.2. Town planning charges

Charges are payable to local authorities in terms of the provisions of the town planning and township ordinance 1986 (no. 15 of 1986). These charges are based on the service supplied.

Refer to annually council Sundry approved tariff structure

5.3.3. Charges for the approval of building plans

Fees are payable to the Municipality for the approval of building plans. These charges are based on the total square meters of the property.

Refer to annually council Sundry approved tariff structure

5.3.4. Housing rentals

Market-related rentals shall be charged for the lease of the Municipal houses and in case of renting to municipal employees, the rental shall be 6% of the said employee's basic salary.

Refer to annually council Sundry approved tariff structure

5.4. Community Services

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates. These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and the establishment, management and maintenance of cemeteries and traffic regulation. In addition to the above services domestic refuse removal is

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also a community service provided directly to all the residents and businesses and for which costs form part of a balanced budget:

5.4.1. Burial services

The Municipality may charge fees for the burial services, based on the residential status of the deceased.

Refer to annually council Sundry approved tariff structure

5.4.2. Rental of Municipal halls, Sports Fields and premises

When the Municipal Manager is satisfied that the halls, Sports Fields or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive 25% of the applicable rental or deposit.

The Municipal Manager shall determine whether an indemnity or guarantee must be lodged in each instance, 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.

Rental agreements should be completed and signed for each individual rental transaction.

Refer to annually council Sundry approved tariff structure

5.5. Sundry charges

Users shall be charged, as set out below, at the applicable tariff as approved by Council in each annual budget. Tariff adjustments will be effective from 1 July each year.

All sundry tariffs shall be standardised within the Municipal region.

All sundry tariffs, when deemed appropriate by Council, will 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 sundry tariffs over which the Municipality has full control and which are not directly related to the cost of a particular service, shall be adjusted

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annually to be at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be affected.

Fees will be charged for the following sundry services supplied by the Municipality to consumers:

- Unpaid debit orders (per account)
- Supply of information (faxes) per page
- Supply of information (statements)
 - Monthly account
 - Furnishing of valuation certificates
- Furnishing of clearance certificate
- Duplicate of clearance certificate
- Final meter reading levy
- Sales of plastic refuse bags
- Sales of refuse bins
- Photostat copies and fees
- Advertising sign fees or banners
- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonoured, post-dated or otherwise unacceptable cheques
- Removal of garden refuse
- Posters
- Removal of building rubble
- Cleaning of stands
- A fine may be imposed on the owner of a stand, if the owner fails to fence in the stand within three months of signing of the purchase agreement.

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Refer to annually council approved tariff structure

5.6. Assessment rate tariff

- Assessment rates must be levied in accordance with the Municipal Property Rates Act, Act No 6 of 2004.
- Assessment rates are based on a fee that is calculated as “cent in the Rand”. The municipality may in terms of the criteria set out in its policy and Municipal Property Rates Act, levy different rates for the different categories of ratable property. Rates are levied as an annual amount which are payable either on monthly basis or annual basis.
- In applying its rates policy the council shall adhere to all the requirements of the Property Rates Act, 2004, including any regulations promulgated in terms of that Act.
- A general valuation should be made on all properties that fall within the Municipal in terms of the Municipal Property Rates Act

Refer to annually council approved Rates tariff structure

5.7. Deposits

The municipality reserves the right to require the consumer to deposit a sum of money as security in payment of any charges which are due or may become due to the municipality.

Refer to annually approved council sundry tariff and credit control and debt collection policy.

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6. Keeping Tariffs Affordable

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The Council is also aware that due to historical reasons many residents receive services at a level higher than what they can afford. In order to remain affordable the Council will ensure that:

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipalities' operations,
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities.

7. Redistribution/ Cross Subsidisation

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others are. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidise those who pay less tax. Also, the Council where practical uses the trading surplus it realises on the trading account to bring relief with regard to property tax rates. Likewise the Council will ensure that the cross-subsidisation occurs between and within services to further contribute to its redistribution objectives.

8. Ensuring Financial Sustainability of Service Delivery

The Constitution, Local Government Municipal Systems Act, 2000 requires that the Municipality must ensure that the services that it provides must be sustainable.

Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

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9. Tariff Determination Process

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may,

Levy and recover fees, charges or tariffs in respect of any function or service of the municipality that such fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members. The proposed tariffs will be presented to the community during Council's consultations process about the budget. Except in special circumstances, such as significant increase in the wholesale price of goods and services, the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during Council's consultations process about the budget.

Immediately after the Council has determined or amended a tariff, the municipal manager must cause to be conspicuously displayed at a place installed for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice. The notice must state:

- The general purpose of the resolution,
- The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment,
- The date on which the notice is displayed,
- That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed, and
- That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe her / his objection.

If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council. Where an objection is lodged, the Municipality will consider every objection. The Council may after it has considered all objections, confirm amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or amendment will come into operation. After the Council has considered the objections it will again give notice of the

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determination, amendment or date as determined above and will also publish it as determined by the Council.

10. Conclusion

The terms of the above policy is that once it is adopted, it would in respect of S 75 (1) (b) of the MFMA, be placed on the website referred to. In addition to Section 21 A of the MSA, this policy will be reviewed annually and adopted by Council before the Budgets are finalised. This policy shall be effective from the 1st of July.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.