

MORETELE LOCAL MUNICIPALITY



TARIFF POLICY

1. PREAMBLE

The Moretele Local Municipality in terms of Section 75(1) of the Local Government Municipal Systems Act, Act 32 of 2000, must adopt a Tariff Policy which is regarded as a budget-related policy in terms of Chapter 1 (Definitions) of the Local Government Municipal Finance Management Act, Act 56 of 2003.

The Tariff Policy annually has to undergo revision and be tabled with the Multi-Year Annual Tabled Budget to the Council of the municipality for consideration and approval for public scrutiny and comments annually before 31 March.

The adopted Tariff Policy applies to the Multi-Year Annual Budget of a related year during which the income is based on the principles contained in the Tariff Policy.

Should any of the principles contained in the Tariff Policy by resolution of the Council be changed, an Adjustment Budget has to be prepared to reflect the consequent effect.

PART 2 PURPOSE OF THE POLICY

The Moretele Local Municipality wishes to achieve the following objectives by adopting a Tariff Policy:

- To comply with the provisions of Section 74 of the Local Government Municipal Systems Act, Act 32 of 2000.
- To prescribe procedures for calculating tariffs where the Moretele Local Municipality wishes to appoint service providers in terms of Section 76(b) of the Local Government Municipal Systems Act, Act 32 of 2000.
- To give guidance to the councilor responsible for Finance and Auditing regarding tariff proposals that must be submitted to Council annually during the budget process.

PART 3 GENERAL PRINCIPLES

3.1 Service tariffs imposed by the Moretele Local Municipality 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 relevant criterion.

3.2 Indigent households will have access to basic services through indigency relief approved by the Council in accordance with the Integrated Development Plan and Section 74(2)(c)(i) and (ii) of the Municipal Systems Act from time to time and shall be funded from the annual Equitable Shares Grant granted to the Council and is subject to the availability of funds from the Grant.

3.3 To treat all users of municipal services equitably, uniform tariff structures for services apply to all areas under control of the municipality and where the municipality operates as service provider, subject to sliding scales in order to distinguish among categories of customers as allowed by the principles embodied in the Constitution and Section 74(2) of the Local Government Municipal Systems Act, Act 32 of 2000.

3.4 Services are to be rendered cost effectively to ensure the best possible cost of service delivery which requires that directly measurable services, namely water, shall be properly metered by the municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. All tariffs will reflect the cost of service as per Section 72(2) of the Municipal Systems Act.

3.5 Charges levied on customers shall be proportionate to the quantity of the service which they consume, but in addition monthly availability charges, for services concerned, shall be levied on a fixed basis for each type of property as determined in accordance with detailed policies mentioned further on.

3.6 Tariffs are to be set at levels that facilitate the sustainability of services (Section 74(2)(c) of the Municipal Systems Act). 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.

3.7 Provision will be made in appropriate circumstances for surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required (Section 74(2)(l) of the Municipal Systems Act).

3.8 Providing for penalties or measures of discouraging service demand or prohibit exorbitant use as well as to encourage efficient and effective use of resources.

3.9 The extent of any cross-subsidization internally or subsidization from external sources will be disclosed in the annual setting/determination of tariffs and clearly be disclosed in the Annual Budget, Annual Financial Statements and Annual Report. This will be achieved by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

PART 4 DEFINITIONS

All material technical terms are defined in each appropriate section of MFMA and MSA.

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PART 5 CATEGORIES OF CUSTOMERS AS PER PROPERTY RATES

The tariff structure of the Moretele Local Municipality makes provision for the following categories of customers (Section 8(2))

- Agricultural
- Businesses and commercial
- Industrial
- Mining
- Public services purpose
- Public service infrastructure
- Public services organization
- Multipurpose
- Residential
- Vacant land
- In addition to the rates that are applicable to the above-mentioned categories, there will be a “flat rate” or “one rate for all” that will be introduced and applied prospectively. This rate is to alleviate the burden to all people with unpaid accounts at the Moretele Local Municipality.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between various categories of users and customers in regard to the tariffs that it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each Annual Budget.

PART 6 PROPORTIONING OF COSTS

The Moretele Local Municipality undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery. It is further undertaken to ensure the its tariffs shall be easily explainable and understood by all customers affected by the Tariff Policy concerned.

In case of directly measurable services, namely water, the municipality shall properly meter the consumption of such services, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on customers shall be proportionate to the quantity of the services that 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 principles for fixed availability charges.

Generally, consumers of water shall a basic charge to be determined by the municipality.

PART 7 PRINCIPLES FOR FIXED AVAILABILITY CHARGES

In considering the costing of its Water, and Sewerage Services, the Moretele Local Municipality shall take due cognizance of the high capital cost of establishing and expanding such services, and 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 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 service operate at less than full capacity at various periods, and the cost of such surplus capacity must also be covered in the tariffs which are annually established to be levied monthly. Vacant stands will have to bear these costs and is subjected to such levy.

PART 8 EXPENDITURE CLASSIFICATION AND COST ELEMENTS

The Chief Financial Officer shall, subject to the guidelines of the National Treasury and Mayoral Committee of the Council, make provision for the following classification of services.

PART 8.1 TRADING SERVICES

- (i) Water
- (ii) Sewerage

PART 8.2 ECONOMIC SERVICES

- (i) Refuse removal
- (ii) Recreation resorts
- (iii) Billboards advertising

PART 8.3 COMMUNITY SERVICES

- (i) Building control
- (ii) Cemeteries
- (iii) Childcare facilities
- (iv) Control of public nuisances
- (v) Local amenities
- (vi) Local sport facilities
- (vii) Local tourism
- (viii) Municipal parks and recreation
- (ix) Municipal planning
- (x) Municipal roads
- (xi) Public places
- (xii) Storm water management system in built-up areas
- (xiii) Trading regulations

PART 8.4 SUBSIDIZED SERVICES

- (i) Health and clinics
- (ii) Libraries

PART 8.5 EXPENDITURE CLASSIFICATION

8.5.1 Subjective classification into various expenditure groups is as follows:

- (i) Salaries, wages, and allowances
- (ii) Bulk purchases
- (iii) General expenditure

- (iv) Collection cost
- (v) Contracted services
- (vi) Grants and subsidies paid
- (vii) Repairs and maintenance
- (viii) Depreciation on assets and interest expense
- (ix) Contribution to provision for bad debts
- (x) Contribution to reserves

8.5.2 Gross expenditure = total (i) to (xi) above

8.5.3 Net expenditure = gross less internal charges

8.5.4 Surplus/deficit = income less net expenditure

PART 8.6 COST ELEMENTS

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

- (i) Fixed costs that consist of the capital cost (depreciation on assets and capital redemption on external loans only) and any other costs of a permanent nature as determined by the council from time to time.
- (ii) Variable costs. This includes all other expenditure that has reference to the services.
- (iii) Total cost is equal to the fixed costs plus variable cost.

PART 9 CALCULATIONS OF MAJOR TARIFFS FOR MAJOR SERVICES

To determine the tariffs that must be charged for supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- (i) Cost of bulk purchases in the case of water.
- (ii) Distribution costs, including distribution losses in case of water.
- (iii) Depreciation and finance charges.
- (iv) Maintenance of infrastructure and other fixed assets.
- (v) Administration and service costs, including:
 - service charges levied by other departments delivering support services, such as: finance, human resources, and legal services.
 - reasonable general overheads, such as the costs associated with the office of the Municipal Manager, and Managers directly responsible to the Municipal Manager for certain services.
 - adequate contributions to the provisions for bad debts and obsolescence of stock.
 - All other ordinary operating expenses associated with the service concerned, shall be financed from a portion of the Equitable Share allocated to the municipality, and shall not be included in the costing of the major services of the municipality.
- (vi) the intended surplus to be generated for the financial year to be applied:
 - as an appropriation to capital reserves; and/or
 - in relief of rates and general services.

PART 9.1 WATER

- (i) Because water is a scarce national source, Moretele Local Municipality is committed to prudent conservation of such sources, the tariff for domestic consumption of water shall escalate according to the volume of water consumed. The tariff for domestic consumption shall be based on monthly consumption of up to 6 kiloliters for all domestic households free of charge. The cost of consumption in this bracket will be recovered from the Equitable Share apportioned for indigent support.
- (ii) Tariffs for non-domestic consumption shall be based on a single charge per kilolitres consumed, irrespective of volume of consumption concerned.
- (iii) A fixed availability charge according to the principles contained in paragraph 7 above shall be levied to all undeveloped plot with access to the reticulation network.

PART 10 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 subsidized by property rates and general revenues, service concerned or when the tariffs will prove uneconomical when charged to cover the cost of the 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 shall annually be adjusted at least by 6%, unless there are compelling reasons why such adjustments should not be effected.

The under mentioned minor tariffs shall be determined by either of the following methods:

- Actual cost plus a surcharge
- Subsidizing from other services income
- Servicing as penalty/discouraging measure.

PART 10.1 SERVICE TYPES

- Cemetery fees
- Housing rental
- Library fees, being.
 - Membership fees
 - Fines
 - Lost books
 - Lost membership cards
- Rental for utilizing municipal premises and municipal sports grounds.
- Rental for utilizing municipal property.
- Lease of municipal property
- Building plan fees
- Advertisement sign fees
- Plastic bag sales
- Refuse bin sales.
- Cleaning of overgrown stands
- Connection fees for major municipal services

- Photostat copies and faxes
- Clearance certificate memoranda
- Cleansing of sewerage blockages
- Water disconnection and reconnection fees
- Penalty and other charges as per paragraph 22 of the Credit control and debt collection policy
- Garden refuse removal
- The provision of information from the Council's records.

PART 11 SERVICE DEPOSITS

The raising of deposits is permissible where certain levies are made in arrears and payable with application for relevant service:

a) Water

A deposit amount shall be equal to 12 kilolitres multiplied by the water tariff rate applicable in that particular period (starting from 1st July each year and ending 30th of June the following year).

Rate of deposit will be increased yearly, in line the approved tariffs.

b) Other services

As and when required or determined in terms of the municipality by-laws.

PART 12 BY-LAWS AND REVISION OF POLICY

The principle contained in this Policy will be reflected in the various service by-laws as promulgated and adjusted by Council from time to time and the sections in each of these by-laws relating to the determination of tariffs that are annually subjected to change when the Council approves the Annual Budget and the adjustment of tariffs.

ANNEXTURE: SERVICES THAT ARE STILL ON HOLD, THE POLICY WILL BE APPLICABLE WHEN THEY ARE OFFERED.

PART 9.2 REFUSE REMOVAL

A separate fixed monthly charge based on tariffs annually approved with the Annual Budget shall apply to each of the following category of users, and is derived on the cost of service for each of the categories:

9.2.1 Residential Plots

9.2.2 Offices & Business Waste

9.2.3 Departmental Tariffs

9.2.4 Temporary Users

9.2.5 Removal intervals:

- Domestic and other users (once weekly removal)
- Business and other users (twice weekly removal)
- Other (on demand)

PART 9.3 SEWERAGE

A separate fixed monthly charge based on tariffs annually approved with the Annual Budget shall apply to each of the following category of user, and is derived on the cost of service for each of the categories:

9.2.1 Residential Plots

9.2.2 Offices & Business Waste

9.2.3 Departmental Tariffs

9.2.4 Temporary Users

9.2.5 Removal intervals:

- Domestic and other users (once weekly removal)
- Business and other users (twice weekly removal)
- Other (on demand)

PART 9.3 SEWERAGE

A SEPARATE FIXED MONTHLY CHARGE BASED ON TARIFFS ANNUALLY APPROVED WITH THE Annual Budget shall apply to each of the following category of users, and is derived on the cost of service for each of the categories:

9.3.1 Departmental

9.3.2 Residential Plot

9.3.3 Flats and Town Houses

9.3.4 Church Plot

9.3.5 Business & Industries

9.3.6 Undeveloped plot in private possession with access to reticulation

9.3.7 agricultural Societies & Sport Clubs not accommodated to the central sport grounds.

9.3.8 Military Bases, Road Camps to other similar properties

9.3.9 Industries & Business where, in the opinion of the Council, a large percentage of the water consumption is taken up in the final product

9.3.10 Hospitals

9.3.11 School Hostels (including nursery and day schools)

9.3.12 Nursing & Maternity Homes & Welfare Organizations

9.3.13 No charge will be levied for undeveloped plots.

9.3.14 Indigent consumers will not be charged for sewerage and the cost of providing such services will be claimed from the Equitable Share.

9.3.15 Tariff adjustments will be effective from 1 July each year.