

# MAMUSA LOCAL MUNICIPALITY



## TARIFF POLICY 2022 - 2023

## INDEX

PART 1: GENERAL INTRODUCTION AND OBJECTIVE	3
PART 2: STATUTORY FRAMEWORK AND LEGAL REQUIREMENTS	3
PART 3: GENERAL PRINCIPLES	4
PART 4: INSTITUTIONAL ARRANGEMENTS	5
PART 5: CALCULATION OF TARIFFS FOR MAJOR SERVICES	6
✓ WATER	7
✓ ELECTRICITY	8
✓ REFUSE REMOVAL	8
✓ SEWERAGE SERVICES	8
✓ MINOR TARIFFS	9
PART 6: APPROVAL OF POLICY AND DATE OF EFFECT	11

## **1. INTRODUCTION AND OBJECTIVES**

1.1 In terms of the White Paper on Local Government municipalities generally need to 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 subsidization 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 achieves the objectives set out in the White Paper.

## **2. STATUTORY FRAMEWORK**

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 or service 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 in resolution in this regard and the resolution must be made available for inspection.

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 subsidization 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 subsidization 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;

The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

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 and water, 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.

### 3. PRINCIPLES

3.1 In setting its annual 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

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

- (a) Tariffs for the four major services rendered by the municipality, namely:  
\* Electricity

- \* Water
- \* Sewerage (waste water)
- \* Refuse removal (solid waste),

3.3 Tariffs for the provision of-

- (a) Water, Sewerage, Electricity shall be set in such a manner that the Municipality realizes a net trading surplus of approximately 10% in each financial year; and
- (b) Refuse removal (solid waste) 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 water, electricity, sewerage and solid waste services shall therefore be directly related to the standard of service received and the quantity of the particular service consumed.

3.5 A trading surplus realized 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-subsidization 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 regardless of whether or the volume of service that is consumed and which is payable for the availability of the relevant service; and
- (b) A variable cost charge, which a charge is directly related to the volume of the service consumed.

#### 4. INSTITUTIONAL ARRANGEMENTS

4.1 Powers, duties and functions of the Council shall-

- (a) Annually, together with the consideration and adoption of the budget, determine the charges and tariffs for municipal services rendered by the

- municipality or on behalf of the Municipality; and
- (b) Annually, together with the consideration and adoption of the budget, review and consider changes to this policy.

#### 4.2 Powers, duties and functions of the Mayor

- (a) Monitor the implementation of this policy;
- (b) Submit recommendations to the Council regarding the charges and tariffs for municipal services to be rendered by the Municipality or on behalf of the Municipality; and
- (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 Mayor with regard to-
  - (i) the charges and tariffs for municipal services to be rendered by the municipality or on behalf of the Municipality; and
  - (ii) the review and amendment of this policy; and
- (c) Regularly report to the Mayor on the implementation of this policy.

#### 4.3.2 The Municipal Manager may, in the performance of her or his functions and the discharge of her or his duties in terms of this policy-

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

### 5. MANNER OF DETERMINING CHARGES AND TARIFFS

#### 5.1 The determination of tariffs for the provision of water, electricity, sewerage 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 of water and electricity;
- (b) Distribution costs;
- (c) Depreciation expenses
- (c) Distribution losses in the cases of electricity and water;
- (d) Maintenance of infrastructure and other fixed assets;
- (e) Administration and services 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 indigent relief measures.
- 5.2 The costs of the democratic governance process, i.e. expenses associated with the political structures of the Municipality, shall not be included in the costing of services.
- 5.3 The municipality shall provide the first 50kWh of electricity per month and the first 6 kl of water per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief programme. The municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.
- 5.4 The Municipality may consider further relief in respect of the tariffs for sewerage and solid waste services for registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget.

### **WATER SERVICE**

- 5.5 The variable cost component of tariffs for water for all consumers using credit meters shall be determined according to the stepped tariff methodology as determined by Council.
- 5.6 The fixed cost component of the tariff for water shall consist of a basic charge per water meter, as determined by the Council from time to time. The basic charge shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- 5.7 Because water is a scarce national resource, and this municipality is committed to the prudent conservation of such resources, the tariff levied 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 kl (for indigents), more than 6 kl but not more than 15 kl.
- 5.8 Tariff adjustments shall be effective from 01 July each year.

- 5.9 The Municipality's departmental water consumption shall be charged at cost.
- 5.10 All vacant stands will be charged the availability charge as determined by Council.

### **ELECTRICITY**

- 5.11 All electricity consumers shall be billed for electricity consumption at the tariff applicable to the category in which the particular consumers' falls.
- 5.12 The electricity tariff shall consist of a basic charge plus consumption for business and domestic consumers, as approved by the National electricity regulator.
- 5.13 The Municipality's departmental electricity consumption shall be charged at cost.
- 5.14 All vacant stands will be charged the availability charge.
- 5.15 All domestic electricity consumers of the municipality who are registered as indigents with the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month.
- 5.16 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.

### **SOLID WASTE**

- 5.17 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) Domestic refuse removal (twice weekly)
  - (d) Businesses per refuse bin per month
  - (e) Bulk consumers
- 5.18 Registered indigents may receive such discount on this charge as the Council deems affordable when approving each annual budget.

### **SEWERAGE SERVICES**

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



5.20 Undeveloped properties

5.21 Domestic users (water borne sewerage)

5.22 Domestic users (septic tank);

5.23 Business enterprises, commercial undertakings, industries and institutional users;

5.24 Schools.

5.25 A fixed monthly charge based on the costs of the service shall be charged-

5.25.1 Emptying of septic tanks and waterborne sewerage services for domestic users;

5.25.2 Per toilet shall be charged to all domestic, businesses, commercial undertakings, industries and institutional users; and

5.25.3 Per toilet shall be charged to the Municipality's Departments equal to the domestic tariff.

#### **MINOR TARIFFS**

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

An monthly basic charge per meter installed and, where applicable, a demand charge

(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.

5.27 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 adjustments should not be effected.

5.28 The following services shall be considered as subsidized services:

(a) Funerals and cemeteries;

(b) Rentals for the use of municipal sports facilities;

(c) Municipal swimming pool.

5.29 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;
- (c) Public libraries managed and operated by the Municipality (excluding fines as set out below);
- (d) Parks and open spaces.

5.30 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 (crematoria);
- (b) Housing rentals to members of the public and officials shall be at the market related price.
- (c) 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 organization in connection with the provision of a service to the community, she or he may waive 50% of the rental (See also par 5.27 below)
- (d) Building plan fees;
- (e) Sales of refuse bins;
- (f) Cleaning of stands;
- (g) Electricity, water, sewerage connection fees;
- (h) Sales of gravel, plants and paving slabs;
- (i) Photocopies;
- (j) Rates clearance certificates; and
- (k) Valuation certificates.

5.31 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 loss of overdue library books;
- (b) Advertising signs fees;

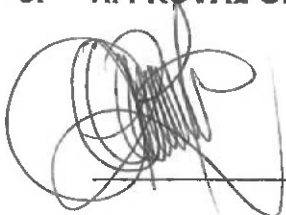
- (c) Pound fees and other fees related to the impoundment and keeping of animals in custody;
- (d) Electricity and water disconnection and reconnection fees;
- (e) Penalty and other charges (e.g. tampering fees) imposed in terms of approved debt collection policy;
- (f) Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.

5.32 Market-related rentals shall be levied for the lease of municipal properties.

5.33 The Municipal Manager shall, taking into account the likelihood of the Municipality sustaining damages as a result of the use of the facilities concerned, determined whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and posts fields, and shall determine the amount of such guarantee.

This policy shall come into force on 1 July 2022.

**6. APPROVAL OF POLICY AND DATE OF EFFECT**

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

2022/11  
\_\_\_\_\_  
**DATE**