TARIFF POLICY

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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MUNICIPAL MANAGER

SPEAKER

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SPEAKER

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TARIFF POLICY

2024-2025

FINAL

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TABLE OF CONTENTS PAGE

1. Definitions and Abbreviations 4
2. Purpose of the Tariff Policy 5
3. Scope of Application 6
4. Basic Principles to be Considered in Determination of a Tariff Structure 6
5. Factors to be Considered in the Determination of a Tariff Structure 7
   - 5.1. Financial Factors 7
   - 5.2. Multi-Year Budgets 7
   - 5.3. Credit Control 7
   - 5.4. Principles in terms of the Local Government: Municipal Systems Act 8
6. Basic Services 9
7. Proposed Tariff Structures for Minor Tariffs 10
8. Tariff Structure 11
9. Review of the Policy 11

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1. DEFINITIONS AND ABBREVIATIONS

"Accounting officer" means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

"Annual budget" shall mean the budget approved by the municipal council for any particular financial year and shall include any adjustments to such budget.

"Basic municipal services" shall mean a municipal service necessary to ensure and acceptable and reasonable quality of life, which service — if not provided — would endanger public health or safety or the environment.

"By-law" shall mean legislation passed by the council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

"Consumer price index" shall mean the CPIX as determined and gazette from time to time by the South Bureau of Statistics.

"Chief Financial Officer" means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act.

"Councilor" shall mean a member of the council of the municipality.

"Financial year" shall mean the period starting from 1 July in any year and ending on 30 June of the following year.

"Integrated development plan" shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended.

"Local community" or **"community"**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations and non-governmental, private sector or labour organisations bodies involved in local affairs within the municipality, and visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality.

MR. I.E AISENG
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DISTRICT MUNICIPALITY
SPEAKER

"Month" means one of twelve months of a calendar year.

"Municipality" or **"municipal area"** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

"The municipality" means John Taolo Gaetsewe District Municipality.

"Municipal council" or **"council"** shall mean the municipal council of John Taolo Gaetsewe District Municipality as referred to in Section 157(1) of the Constitution.

"Municipal entity" shall mean (a) a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation, and which operates under the ownership control of one or more municipalities; or (b) a service utility.

"Municipal manager" shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

"Multiple purposes" in relation to a property, shall mean the use of a property for more than one purpose.

"Municipal service" has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

"Municipal tariff" shall mean a tariff for services which the municipality may set for the provision of a service to the local community

"Tariff" means a tariff for services which the Municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

2. PURPOSE OF THE POLICY

The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying of tariffs by John Taolo Gaetsewe District Municipality.

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DISTRICT MUNICIPALITY
SPEAKER

The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. 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.

This policy must be read with the Property Rates Policy, and where there are any differences, the Property Rates Policy will prevail.

3. SCOPE OF APPLICATION

This policy applies to all tariffs charged within the defined boundaries of John Taolo Gaetsewe District Municipality.

4. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE

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

(b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region in accordance with the various levels of services.

(c) Tariffs for services rendered by the municipality, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied for future capital expansion of services.

(d) The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the

FINAL

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

tariff policy concerned.

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

5. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE

5.1 Financial Factors

The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service. If a service is rendered at a loss, cross subsidisation of such loss by another service will be necessary. This will place a burden on the tariff structure of the other service.

In order to determine the tariffs which must be charged for services, the municipality shall identify all the costs of operation of the undertakings concerned.

5.2 Multi-year Budgets

In terms of the Municipal Finance Management Act and guidelines from National Treasury, Municipalities are required to compile multi-year budgets. Such a. change also necessitates that proposed tariffs would form part of this process. An increase in tariffs should not simply be implemented annually without considering the affordability thereof by the user. The effect of resolutions that impact on the financial situation of the Council must be observable over a longer period in respect of tariffs and sensible planning of cost structures must be done to keep tariffs within affordable levels.

5.3 Credit Control

It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

continuously ensure that users indeed pay punctually. However, it is also a fact that there are users who are unable to pay.

5.4 Principles in terms of the Local Government: Municipal Systems Act

Section 74 of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, contains clear guidelines regarding the compilation of and principles for a tariff policy. An extract reads as follows:

74. (1) A Municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements^ and which complies with the provisions of this Act and with any other applicable legislation.

(2) A tariff policy must reflect at least the following principles, namely that-

(a) Users of municipal services should be treated equally in the application of tariffs,

(b) The amount individual users pay for services should generally be in proportion to their use of that service;

(c) Poor households must have access to at least basic services through-

(i) Tariffs that cover only operating and maintenance costs;

(ii) Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service, or

(iii) Any other direct or Indirect method of subsidisation 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 subsidisation from sources other than the service concerned;

(f) Provision may be made in appropriate circumstances fora surcharge on the tariff for a service;

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MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

(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;

(i) The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

(3) A tariff policy may differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.'

6. MUNICIPAL SERVICES

Basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life, and which service, if not provided, could endanger public health or safety or the environment such as Municipal health services.

In terms of the South African Constitution all consumers should have access to basic Municipal services.

7. PROPOSED TARIFF STRUCTURE FOR VATIOUS SERVICES

It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
The need for a practically implementable tariff;

The need for an understandable tariff;

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

and

The user's ability to pay.

Taking into consideration the above-mentioned points the tariff structure for other services are as follows:

7.1 Other Services

- **Rental of Council Facilities**
- **Rental of commonage Farms**
- **Rental of investment properties**

All other services 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, 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 affected, photo copies and fees.

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

- 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.

7.2 Sundry Tariffs

All other services offered by the Council are charged at a tariff as determined by the Council from time to time.

8. TARIFF STRUCTURE

The tariff structure for each financial year will be determined during the budget process and based on this policy.

9. REVIEW OF THE POLICY

This policy will be reviewed annually.

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SPEAKER