

INKOSI LANGALIBALELE MUNICIPALITY



2023/2024 TARIFFS POLICY

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1. DEFINITIONS

“Basic municipal services” mean a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment.

“Council” means the Council of INKOSI LANGALIBALELE Local Municipality

“Municipality” means the INKOSI LANGALIBALELE Local Municipality

“Indigent” means any household as defined in the Municipality’s Indigent Support Policy.

“Municipal area” means the area in respect of which Municipality has executive and legislative authority as determined by the constitution and the National legislation and demarcated in terms of the Demarcation Act (Act 27 of 1998).

“Indigent Households” A family unit as defined in the Municipality’s Indigent Support Policy.

“Tariff policy” means a policy on, the levying of fees, rates or taxes for the Municipal services provided by the Municipality itself, which complies with the Municipal Systems Act, 2000.

2. GENERAL INTRODUCTION AND OBJECTIVE

- 2.1. 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 a Municipality itself or by way of service delivery agreements.
- 2.2. The Tariffs Policy has been compiled taking into account; where applicable the guidelines set out in section 74 of the local government: Municipal Systems act 2000.
- 2.3. In settings its annual tariffs the Council shall at all times take due awareness of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 2.4. The objective of this Policy is to ensure that:
 - i) The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
 - ii) The Municipal services are financially sustainable, affordable and equitable.
 - iii) The needs of the indigent, aged and disabled are taken into consideration.
 - iv) There is consistency in how the tariffs are applied throughout the Municipality and;
 - v) The Policy is drawn in line with the principles as outlined in the Municipal Systems Act

3. GENERAL PRINCIPLES

- 3.1. Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or users 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).
- 3.2. 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)
- 3.3. Tariffs charged by the Municipality, namely: property rates shall as far as possible recover the expenses associated with the rendering of each services 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.
- 3.4. 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 each financial year as the Council of Municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in a relief of property rates, and for the partial financing of general service 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.
- 3.5. The Municipality shall develop, approve and at least annually review an indigence support program for the Municipal area. This program shall set out clearly for Municipality's cost recovery 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.
- 3.6. 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 and shall be fully disclosed in each annual budget.
- 3.7. The Municipality's Tariff Policy shall be transparent, and the extent to which there is cross-subsidization between Municipality further undertakes to ensure that its tariffs be easily explainable and understood by all consumers and users affected

by the Tariff policy concerned.

- 3.8. The Municipality further undertakes that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.
- 3.9. 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 the directly measurable service, namely electricity, the consumption of such service 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 services 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 one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the services concerned and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the Municipality shall take due cognizance of the high capital costs of establishing and expanding such service, and the of the resultant high fixed costs, as opposed to variable costs of operating the service. The Municipality therefore undertakes to plan the management and expansion of the service 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 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 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 charge 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 a service charge directly related to their actual consumption of electricity during the relevant metering period.

3.10. In addition the Municipality shall levy monthly availability charges for services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below.

3.11. Separate tariff structures will be imposed on the following categories of property namely:

- a) Residential
- b) Business & Commercial
- c) Industrial consumers
- d) Public Service Infrastructure
- e) Public Services Purpose
- f) Agricultural
- g) Municipal Properties
- h) Vacant Land
- i) Properties used for any specific benefit activities listed in part 1 of the Ninth Schedule to the income Tax
- j) Consumers with whom special agreements were made
- k) Consumer in certain geographical areas
- l) Public Benefit Organisation
- m) Place of Worship

4. CALCULATION OF TARIFFS FOR MAJOR SERVICES

4.1. Levying of Rates

4.1.1. The Municipality shall levy rates on all rateable properties within its area of jurisdiction, provided that it may, by resolution, grant exemptions from, rebates on or reductions in, rates levied in terms of its applicable rates policy or in terms of a National Framework prescribed under the Act.

4.1.2. In levying rates on property the Municipality is not obliged to levy rates on properties of which it is the owner, or on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices.

4.1.3.

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 specially the following:

- Cost of the bulk purchases in the case of electricity
- Distribution costs, including distribution losses in the case of electricity
- Depreciation and finance charges
- 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 area (note: the costs of the democratic process in the Municipality that is all expenses associated with the political structures of the Municipality shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the Municipality).

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

- ✓ As an appropriation to capital reserves; and

- ✓ Generally in relief of rates and general expenses.

The Municipality shall provide the first 50kWh (fifty) of electricity per month free of charge to consumers who are on a 60 amp pre-paid meter.

5) 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 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 75% per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers shall pay the same tariff per kWh.
- All prepaid consumers of the Municipality who are registered as indigents with the Municipality and are on a 60 amp meter shall receive free the first 50kWh (fifty) of electricity consumed per month.
- All domestic electricity consumers other than the 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 local Municipality's departmental electricity consumption shall be charged at cost.

6) REFUSE REMOVAL

All residential properties will be charged a basic fee for refuse removal to be reviewed annually during the budget process.

The monthly refuse removal charge will be charged against the owner's account.

7) OTHER TARIFFS, LEVIES AND CHARGES

All other tariffs shall be standardized within the Municipal region.

All other tariffs shall be approved by the Council in each annual budget, and may, when deemed appropriate by the Council, be subsidized by property rates and general revenues inter alia, 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 other tariffs over which the municipality has full control 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.

Other tariffs shall include inter-alia the following:

- Cemetery Fees
- Housing rentals
- Library fees (membership fees, fines, lost books, lost membership cards)
- Rentals for the use of municipal premises
- Rentals for the lease of municipal property
- Building plan fees
- Advertising sign fees
- Plastic bag sales
- Refuse bin sales
- Cleaning of Stands
- Sewerage connection fees
- Photostat copies and faxes
- Clearance Certificates
- Electricity : disconnection and reconnection fees
- Electricity: new connection fees
- Penalty and other charges in terms of the Credit Control and Debt Collection policy
- Supply of information
- Garden Refuse Removal
- Licence fees (drivers, learner licence and roadworthy)
- Valuation Certificates
- Pound Fees
- Rentals for the use of MPCC offices

- Cleaning of vacant plots.
- Photostat copies and fees.
- Clearance certificate.
- Duplicate account statements
- Encroachment Fees
- Business licenses
- Penalty charges for the submission of dishonored, stale, postdated cheques.
- Letter of rates exemption

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

- a) Municipal reference library.
- b) Municipal lending library.
- c) Community outreach programs

7.2 In the case of rentals for the use of municipal halls and premises, the Council may by resolution determine categories of users of such halls and premises which are entitled to discounts that they are required for non-profit purposes or provision of the service for the community. If the Accounting officer is satisfied that a prospective user falls within such a category and a hall or premises are required by such user for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.

7.3 The Accounting Officer shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports field, and in so determining shall be guided by the likelihood of the Municipality sustaining damages as a result of the use of the facilities concerned.

8 BY LAWS

In order to implement different categories of service tariffs mentioned above, the Municipality must adopt bylaws that are in line with this Policy and any other applicable Policies of the Municipality.

9 COMPLIANCE ENFORCEMENT

- a) Violation of or non-compliance with this Policy will give a just cause of disciplinary steps to be taken as per the Municipality’s disciplinary code of conduct.
- b) It will be the responsibility of Chief Financial Officer to enforce compliance with this Policy.

10 EFFECTIVE DATE

The Policy shall come to effect upon approval by Council of the Municipality.

11 POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF THE INKOSI LANGALIBALELE LOCAL MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

ANNEXURE A: 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:

- a) that users of municipal services must be treated equitably in the application of the Municipality's tariffs;
- b) That the amount individual users pay for services must generally be in proportion to the use of such services;
- c) That Indigent 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 Indigent households;
- d) That tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- e) 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;
- f) That provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- g) That provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- h) That the economic, efficient and effective use of resources, the recycling of

- waste and other appropriate environmental objectives must be encouraged;
- i) That the extent of subsidisation of tariffs for Indigent 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; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY LAWS TO GIVE EFFECT ON THIS POLICY

The Council of the Municipality must adopt by laws in respect of services to give effect the implementation and enforcement of the 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 manner which does not amount to unfair discrimination.