



# TARIFF POLICY

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## Contents

1.	INTRODUCTION.....	2
2.	LEGISLATION .....	2
3.	OBJECTIVES.....	2
4.	POLICY PRINCIPLES .....	2
5.	NEED FOR A TARIFF POLICY .....	3
	5.1 Revenue Adequacy and Certainty .....	3
	5.2 Sustainability.....	3
	5.3 Effective and Efficient usage of Resources .....	3
	5.4 Accountability, Transparency and Good Governance .....	3
	5.5 Budgeting and the financial affairs.....	3
	5.6 Equity and Redistribution.....	3
6.	IMPLEMENTATION OF POLICY .....	4
	6.1 Affordable Tariffs.....	4
	6.2 Tariff Equality for Services .....	4
	6.3 Payment for services rendered .....	4
	6.4 Local Economic Development and Competitiveness .....	4
	6.5 Tariff Determination .....	5
7.	SOURCES OF REVENUE .....	5
8.	TARIFF STRATEGY.....	6
9.	CATEGORIES OF USERS .....	6
10.	TARIFF CHARGES .....	6
11.	RESPONSIBILITY / ACCOUNTABILITY.....	6

## **1. INTRODUCTION**

A tariff policy must be compiled, adopted and implemented in terms current legislation. This Policy will focus on the levying of fees and for municipal services provided by the Municipality itself or by way of service delivery agreements. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and also of the impact its own tariffs may have on local economic development.

## **2. LEGISLATION**

For the purposes of this Policy, the Municipal Finance Act No. 53 of 2003 and the Local Government Municipal Systems Amendment Act No. 44 of 2003 has been used as a reference.

## **3. OBJECTIVES**

The objectives of the tariff policy are to ensure the following:

- 3.1. The tariffs of the Municipality conform to acceptable policy principles;
- 3.2. Municipal services are financially sustainable;
- 3.3. That there is certainty in the Council, of how the tariffs will be determined;
- 3.4. Tariffs of the Municipality comply with the applicable legislation.

## **4. POLICY PRINCIPLES**

The Municipality's tariff policy will reflect the following principles:

- 4.1 Although users of municipal services should be treated equitably in the application of tariffs, tariffs may differentiate between different categories of consumers, municipal services and service standards as long as such differentiation does not amount to unfair discrimination.
- 4.2 The amount individual users pay for services should generally be in proportion of their use of that service;
- 4.3 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. A service is financially sustainable when it is provided in a manner that would ensure it's financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision and to cover the cost of rehabilitation where a statutory obligation to

do restoration exist.

- 4.4 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.

## **5. NEED FOR A TARIFF POLICY**

### **5.1 Revenue Adequacy and Certainty**

The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

- (a) Fully utilize the available sources of revenue to meet its development objectives; and
- (b) Be reasonably certain of its revenue to allow for realistic planning.

### **5.2 Sustainability**

Financial sustainability requires that the Municipality must ensure that:

- (a) Services are provided at affordable levels; and
- (b) It is able to recover the costs of service delivery.

### **5.3 Effective and Efficient usage of Resources.**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community.

### **5.4 Accountability, Transparency and Good Governance.**

The Municipality must be accountable to the community for the use of its resources, Councillors must be able to:

- (a) Justify their expenditure decisions; and
- (b) Explain why and how the revenue necessary to sustain expenditure, is raised.

### **5.5 Budgeting and the financial affairs**

Must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent.

### **5.6 Equity and Redistribution**

The Municipality must treat members of the community equitably with regard to the provision of services.

## **6. IMPLEMENTATION OF POLICY**

### **6.1 Affordable Tariffs**

The Council is aware of the financial situation of most residents within the municipal area and need to keep tariffs at affordable levels. In order to ensure that tariffs remain affordable, the Council will ensure that:

- (a) Services are delivered at an appropriate level; and
- (b) Efficiency improvements are actively pursued across the Municipalities' operations;

### **6.2 Tariff Equality for Services**

The Council believes that all residents and other receivers of services must pay the same tariff for the same level and quality of service.

The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions. Consequently it is the policy of the Council:

- (a) That tariffs for service and property rates will be reviewed at least once during every financial year;
- (b) That the tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its functions; and
- (c) Further the tariff for a particular service must be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision and to cover the cost of rehabilitation where a statutory obligation to do restoration exist.

### **6.3 Payment for services rendered**

Consumers of services must pay for the amount of services that they use.

### **6.4 Local Economic Development and Competitiveness**

The Council will take care that the service charges presented to consumers are fair. To ensure fairness toward consumers, the Council will, when it determines tariffs, take into account the desire:

- (a) To promote local economic competitiveness, and

(b) To promote local economic development and growth.

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.

### **6.5 Tariff Determination**

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidize other non-economical services or to result in a cash surplus which must be transferred to a reserve established for a particular service. Tariffs could also include administrative fees to be charge to recover cost as an additional cover charge to deliver a service on behalf of an other party. Proposed tariffs will be presented to the community and municipalities utilizing services, during the Council's consultations about the budget.

## **7. SOURCES OF REVENUE**

**The Municipality may impose:**

- 7.1 If authorised by National legislation, other taxes, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax or customs duty.
- 7.2 May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and may be regulated by national legislation.

The Council may finance the affairs of the Municipality by:

- (a) Charging fees for services; and
- (b) The revenue of the Municipality consists of the taxes, fees, charges, fines and other sums imposed or recoverable by or payable to the Council under any law;
- (c) The Council may charge interest on any other amount due to it that may not have been paid within thirty days from the date on which such amounts became due. The interest rate charged is one percent higher than the rate payable by the Council to its bank in respect of an overdraft for the period during which such amounts remain unpaid after the expiry of the period of thirty days. Interest may not be charged on: Fines imposed by a court and due to the Council; and

Monies due to the Council in terms of a law and in respect of which that law provides that a penalty on interest must be levied if such monies are not paid on the date when due or payable.

- (d) The interest rates referred to above must be amended on the first day of the month following on the month in which the Council's bank has amended the interest rate payable by the Council to its bank in respect of an overdraft; and
- (e) Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw made by the Council, must be paid to the Municipality.

## **8. TARIFF STRATEGY**

The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

- 8.1 The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;
- 8.2 The second point will be to ensure a sustainable service delivery based on the set service level; and
- 8.3 The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

## **9. CATEGORIES OF USERS**

The tariff structure of the Garden Route District Municipality will make provision for the following categories of users.

- Domestic;
- Commercial;
- Industrial
- Agricultural
- Rural
- Municipal Services; and
- Special agreements for users not falling in any of the above-mentioned categories.

## **10. TARIFF CHARGES**

All tariffs will be charged as set out in the tariff list as approved within the budget of each year.

## **11. RESPONSIBILITY / ACCOUNTABILITY**

The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal Manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.