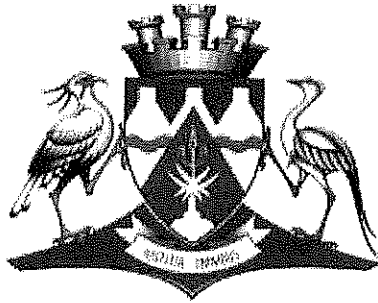


**PIXLEY KA SEME
DISTRICT MUNICIPALITY**



TARIFF POLICY

PIXLEY KA SEME DISTRICT MUNICIPAL TARIFF POLICY

Adoption : **New**
Review :

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1. INTRODUCTION

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

2. LEGISLATION

For the purpose of this Policy, the Municipal Finance Management Act No. 53 of 2003 and the Local Government Municipal Systems Act No.44 of 2003 has been issued as reference.

"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, the Municipal Finance Management Act and any other applicable legislation".

3. OBJECTIVES

The objective of the tariff policy is to ensure the following:

- The tariffs of the Municipality conform to acceptable principles;
- Municipal services are financially sustainable;
- There is certainty in the Council of how the tariffs will be determined;
- Tariffs of the Municipality comply with the applicable legislation; and
- Tariffs should take into consideration relief to the indigent.

4. POLICY PRINCIPLES

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

- Users of municipal services should be treated equitably in the application of tariffs;
- The amount individual users pay for services should generally be in proportion to their use of that service;
- Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;
- 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 its 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;
- Provision may be made in appropriate circumstances for a surcharge on the tariff for a service; and
- Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.

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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:

- Fully utilise the available sources of revenue to meet its development objectives; and
- Be reasonably certain of its revenue to allow for realistic planning.

5.2 Sustainability

Financial sustainability requires that the Municipality must ensure that its budget balances. This means that the Municipality must ensure that:

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

The Municipality realises that no aid will be provided to it if it exceeds its budget or fails to establish proper financial management controls. Councillors will set realistic budgets.

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. However, there are no mechanisms available to ensure that the Municipality's decisions will ensure effective allocation of resources. It is therefore important that the community provide the necessary checks and balances. They can do this by participating in the budget process. In addition, performance audits should be carried out by the Office of the Auditor-General or outsourced to a private auditing firm.

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:

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

Budgeting and the financial affairs of the Municipality 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. Community participation in budgeting should include those groups in the community, such as woman, who face particular constraints in participating. It must also include a capacity-building component to ensure that people understand the prioritisation process.

5.5 Equity and Redistribution

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

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5.6 Development and Investment

Meeting basic needs in the context of existing services backlogs will require increased investment in municipal infrastructure.

6. IMPLEMENTATION OF POLICY

6.1 Delivering of a Shared Service

Shared Services are delivered to the Local Municipalities within the Pixley Ka Seme District Municipal Area. Shared Services includes:

- Legal Services
- Internal Audit Services
- Emergency Disaster Management
- Project Management
- Performance Management
- Integrated Development Planning (IDP)

6.2 Affordable Tariffs

Council is aware of the financial situation of the Local Municipalities within the District Municipal Area, therefore the Council undertakes to keep tariffs at affordable levels.

In order to ensure that tariffs remain affordable, Council will ensure that:

- Services are delivered at an appropriate level;
- Efficiency improvements are actively pursued across the Municipality's operations;
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used;
- Any service that is provided for which there is little demand, that is priced under the actual cost of providing it and which requires the Municipality to maintain infrastructure and other facilities, are phased out, except where the Council is by law required to provide such a service.

6.3 Payment for services

Invoices will be sent to the different municipalities on an annual basis. Debtors will be established for each municipality billed. Outstanding amounts at 30 June will be part of the Trade Receivables from Non-exchange transactions on the Statement of Financial Position.

6.4 Service Delivery Sustainability

The Municipality must ensure that the service 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. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that

the charges to be levied must be collected. Council will therefore adopt and apply a Credit Control and Debt Collection Policy to ensure that all charges are recovered.

6.5 Tariff Determination

Tariffs represent the charges levied by Council for the utilisation 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.

7. SOURCE OF REVENUE

The Municipality may impose:

- Surcharges on fees for services provided by or on behalf of the Municipality;
- 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.

The power of a Municipality to impose surcharges on fees for services provided by or on behalf of the Municipality:

- 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:

- Charging fees for services; and
- Imposing surcharges on fees to the extent authorised by national legislation, levies and duties.

The Municipality will establish appropriate mechanisms, procedures and processes to ensure community participation in, amongst other things, the preparation of its budget.

No interest will be charged on:

- Outstanding accounts of services rendered to other Local Municipalities; and
- Outstanding amounts on Ex-gratia Medical accounts.

8. TARIFF STRATEGY

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

- The starting point to recover cost is the determination of service levels;
- The second point will be to ensure a sustainable service delivery based on the set service level; and
- 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. SERVICE CLASSIFICATION

9.1 Shared Services

Shared Services are services rendered by the Municipality to the Local Municipalities in the area. Tariffs are determined by Council and agreed upon in a Service Level Agreement.

9.2 Medical Ex-gratia

30% contribution by ex gratia pensioners on their medical aid contribution to the medical fund. The contribution is determined by the medical aid fund and normally increases from 1 January each year. Tariffs are determined by the medical aid fund.

10. CATEGORIES OF USERS

The tariff structure of the Pixley Ka Seme District Municipality will make provision for the following categories of users:

- (a) Municipal Services; and
- (b) Special agreements for users not falling under (a).

11. TARRIF CHARGES

- (a) Levies for Shared Services; and
- (b) Levies for medical ex-gratia contribution.

12. RESPONSIBILITY/ACCOUNTIBILITY

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.

13. COMMENCEMENT

This Policy takes effect on **30 May 2017**.

MTK

EXECUTIVE MAYOR :



DATE POLICY APPROVED :

28 March 2014

RESOLUTION :

R 2014 – 03 – 28 (9.9)

DATE POLICY REVIEWED :

30 May 2017

RESOLUTION :

R 2017 – 05 – 30 (9.10.13)