

**“The City of Heritage”**



**Ulundi  
Local Municipality**

**Tariff Policy**

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## **1 POLICY OBJECTIVE**

- 1.1 In terms of Section 74 of the Local Government: Municipal Systems Act 2000, the Ulundi Local Municipality is required to compile, adopt and implement a Tariff Policy.
- 1.2 This policy shall cover, amongst others, the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreement.
- 1.3 In setting its annual tariffs, the Council shall at all times take due cognizance of the tariffs applicable elsewhere in the Economic Region, and assess the likely impact which its own tariffs may have on the local economic development (LED)

## **2 GLOSSARY OF TERMS**

For the purposes of this Policy, except where clearly indicated otherwise, the words and expressions set out below have the following meaning:

<b>“AO” or Accounting Officer</b>	The Municipal Manager as defined in the Municipal Finance Management Act, Act No 56 of 2003
<b>“Chief Financial Officer”</b>	The person appointed by the Council as Chief Financial Officer and includes any person acting in that position or to whom authority has been delegated.
<b>“Council”</b>	The Municipal Council, as referred to in Section 157 of the Constitution of the Republic of South Africa (Act 108 of 1996), of the Ulundi Local Municipality.
<b>“Councillor”</b>	Means the member of a Municipal Council.
<b>“The Act”</b>	Refers to the Local Government: Municipal Systems Act, 2000.
<b>“Services”</b>	Refers to major services rendered by the Municipality, namely: (a) Electricity (b) Refuse removal (solid waste)
<b>“Municipality”</b>	Means Ulundi Local Municipality.
<b>“Municipal Manager”</b>	The person appointed by the Council as Municipal Manager and includes any person acting in that position or to whom authority has been delegated.

### **3 GENERAL PRINCIPLES**

- 1.1 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 user or consumer to pay for such service shall not be considered as a criteria to measure affordability (with the exception of indigent relief measures approved by the Municipality)
- 1.2 The Municipality shall ensure that its tariffs are uniform and fairly applied throughout the municipal region.
- 1.3 Tariff for the major services rendered by the Municipality, namely:
  - (i) All Councillors of the Municipality
  - (ii) All officials of the Municipality

Shall as far as possible recover the expenses associated with the rendering of each service 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 a particular service consumed or received.
- 1.4 The Municipality shall, as far as permissible, ensure that the tariffs levied in respect of the foregoing services further generate a 10% operating surplus each financial year, or lesser percentage as the Council may approve.
- 1.5 Such surplus shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both.
- 1.6 The Municipality shall develop, approve and implement an Indigent support programme for the municipal area. This indigent support programme shall be reviewed at least once annually for relevance and applicability.
- 1.7 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 it levies.
- 1.8 Such differentiation shall, at all times, be reasonable and shall be fully disclosed in each annual budget.
- 1.9 The municipal Tariff Policy shall be transparent and to the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers.
- 1.10 All payments shall be rounded off to the nearest value.

### **4 CALCULATION OF TARIFFS FOR MAJOR SERVICES**

- 1.1 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 Municipality concerned, including:
  - (i) Cost of bulk purchases of electricity
  - (ii) Distribution costs
  - (iii) Distribution losses
  - (iv) Depreciation expenses
  - (v) Maintenance of infrastructure

- 1.2 Administration and service costs, including:
  - (i) Service charges levied by other departments such as Finance, Human Resources and Legal Services
  - (ii) Reasonable general overheads, such as costs associated with the Office of the Municipal Manager.
  - (iii) Adequate contributions to the provisions for bad debts and obsolete stock.
  - (iv) All other ordinary operating expenses associated with the service concerned including, in case of electricity, costs of providing street lighting in the municipal area.
- 1.3 The intended surplus to be generated for the financial year, shall be applied as follows:
  - (i) As an appropriation to capital reserves
  - (ii) Generally in relief of rates and general services
  - (iii) Costs of approved indigent relief measures.
- 1.4 The municipality shall provide the first 50kWh of electricity per month free of charge to the consumers who have registered as indigents in terms of the Municipal's Indigent Relief Programme.
- 1.5 The Municipality shall further consider relief in respect of refuse removal and rates for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget.
- 1.6 The indigent relief measures shall not be less than **50%** of monthly amount billed for the service concerned.
- 1.7 Tariffs for prepaid electricity meters shall be treated in the same manner as the ordinary consumption tariffs levied on the category of consumers concerned, but no availability charge shall be levied on properties where prepaid meters have been installed.

## **5 TARIFFS ON MAJOR SERVICES**

### **1.1 Electricity**

- (i) The various categories of electricity consumers, as set out below, shall be charged at an applicable tariffs, as approved by the council in each annual budget.
- (ii) Tariff adjustments shall be effective from 01 July each year or as soon as possible thereafter.
- (iii) Categories of consumption and charges shall be as follows:
  - (a) With the exception of registered indigent consumers, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
  - (b) 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.
  - (c) All domestic electricity consumers of the Municipality who are registered as indigents with the Municipality shall receive free of charge the first 50kWh of electricity consumed per month.
  - (d) All domestic electricity consumers other than registered indigents and other consumers using prepaid meters shall additionally be billed with a basic charge per month per meter installed.
  - (e) 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 applicable to their level of consumption.
  - (f) The municipality's departmental electricity consumption shall be charged at cost.

### **1.2 Refuse Removal**

- (i) The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget.

- (ii) A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:
  - (a) Domestic and other users (once weekly removal)
  - (b) Business and other users (twice weekly removal)
  - (c) Business and other users (thrice weekly removal)
  - (d) Business and other users (bulk consumers)
- (iii) Registered indigents may receive such relief on this charge as the Council may deem affordable when approving each annual budget, but on condition that such relief shall not be less than 50% of the monthly amount billed for refuse removal charge.
- (iv) Fixed monthly charge shall be levied to the Municipality's departments for their refuse removal service. This charge shall be equal to the **lowest** (domestic) tariff.

### 1.3 *Minor Tariffs*

- (i) All minor tariffs shall, as far as possible, be standardised within the municipal region.
- (ii) All minor tariffs shall be approved by the Council in each annual budget cycle, and shall, when deemed appropriate by the Council, be subsidised by property rates and general revenues.
- (iii) All minor tariffs over which the Municipality has full control, and which are not directly related to the cost of a particular service, shall be adjusted annually at least in line with the prevailing consumer price index (CPI), unless there are compelling reasons why such adjustment shall not be effected.
- (iv) The following services are considered subsidised services, and the tariffs levied shall cover 50% (or very close to) of the annual operating expenses budgeted for the service concerned:
  - (a) Burials and cemeteries
  - (b) Rentals for the use of municipal sports facilities

- (v) The following services shall be considered as community services, and no tariffs shall be levied for their use:
  - (a) Municipal swimming pool
  - (b) Municipal museum and other art galleries
  - (c) Disposal of garden refuse at the Municipal landfill site.
  - (d) Municipal reference library
  - (e) Municipal lending library
  - (f) Municipal parks and open spaces.
  
- (vi) The following services shall be considered as economic services, and the tariffs levied shall cover 100% (or close to) of the budgeted annual operating expenses of the service concerned:
  - (a) Maintenance of graves
  - (b) Housing rentals
  - (c) Rentals for use of municipal halls and other premises
  - (d) Building plan fees
  - (e) Sales of plastic refuse bags
  - (f) Sales of refuse bins
  - (g) Electricity, water, sewerage and new connection fees.
  - (h) Rates Clearance Certificates.
  
- (vii) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget cycle:
  - (a) Fines for lost or overdue library books
  - (b) Advertising sign fees
  - (c) Impound Fees
  - (d) Electricity and Water: Disconnection and re-connection fees
  - (e) Penalty charges for dishonored cheques, stale cheques etc.
  
- (viii) In the case of rentals for the use of municipal halls and premises, if the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive 50% of the applicable fees.

## **6 LEGAL REQUIREMENTS**

1.1 This policy is developed and guided by the following legal frameworks:

- (i) Local Government: Municipal Systems Act (Act No. 32 of 2000)
- (ii) Public Finance Management Act (No.29 of 1999)
- (iii) Income Tax Act (No. 58 of 1962)
- (iv) Budget Speech February 2010

## **7 BY LAWS TO GIVE EFFECT TO THE POLICY**

- 1.1 The Council of the Municipality must adopt by-laws necessary to give effect to the implementation and enforcement of the Tariff Policy.
- 1.2 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 a manner which does not amount to unfair discrimination.