



KARIBIB TOWN COUNCIL

TARIFF POLICY



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Policy Number: FIN-01/2020	Approval Date:
Compiled by: Manager- Finance	Compilation Date: 2020/02/06

Notwithstanding the review as may be determined, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

1. PREAMBLE

- 1.1. The Tariff Policy is compiled, adopted and implemented in terms of the Local Authorities Act, Act 23 of 1992 as amended, under section 11(5)(a) and 30(1)(u);
- 1.2. This policy intends to guide the levying of fees for services provided by the Town Council for efficient service delivery. In setting the annual tariffs, Council shall at all times take due consideration to supplier tariffs and applicable tariffs in the Local Authority sector and broadly in the economic region. It shall also take cognisance of the existing tariffs of Council;
- 1.3. Content appearing in clause 1.2 seeks to address the impact which the policy may have on Local Economic Development and sustainable growth;
- 1.4. It is imperative for Council to acknowledge that the Policy must be driven by the following provisions:
 - (i) Revenue adequacy and certainty;
 - (ii) Sustainability;
 - (iii) Effectiveness and efficiency;
 - (iv) Accountability, transparency and good governance;
 - (v) Equity and redress as well as for development and investment.

2. OBJECTIVES

- 2.1. The objectives of this Policy are to ensure that:
 - a) Council Tariffs conform to acceptable policy principles;
 - b) Council services are financially sustainable;
 - c) Consistency in determining tariffs;
 - d) Policy does not violate any existing legislation;
 - e) Economic changes in the broader economy is recognized.

3. PRINCIPLES

- 3.1. Council Tariff Policy will reflect the following principles:
 - a) Consumers of municipal services should be treated equitably;
 - b) Except for charges under section 30(1)(u)(i) and (iii)(aa), amounts payable for services shall generally be in proportion of usage;
 - c) Reduced tariff charge as may be determined by Council, for the indigent for basic service charges;
 - d) Tariff shall reflect at most the cost reasonably associated with rendering the service, including; capital, operating, maintenance, administration, replacement costs and interest charge;
 - e) Notwithstanding capital sources from elsewhere, tariffs must be set at levels that facilitate financial sustainability of the service;
 - f) Different tariff rates shall be applicable to various consumers;
 - g) Revenue shall be recovered from all the involved non-paying consumers.

4. DEFINITIONS

- 4.1. “**Act**”: shall refer to the Local Authorities Act, Act 23 of 1992 as amended.
- 4.2. “**Management Committee**”: shall refer to the Management Committee of a town council as per section 21 of the Act.
- 4.3. “**Local Authority Area**”: shall refer to the area declared under section 3 of the Local Authority Act, Act 23 of 1992 as amended, to be a municipality, town or village, as the case may be, or deemed to be so declared.
- 4.4. “**Local Authority Council**”: shall mean any municipal council, town council or village council.

- 4.5. **“Tariff Policy”**: shall mean a policy on levying of fees, rates or taxes for the municipal services rendered by Council.
- 4.6. **“Maintenance Costs”**: shall mean normal running costs to maintain the service at the established level of service provision.
- 4.7. **“Consumption/ Usage”**: in case of measurable services, the actual cost of usage of the services as metered.
- 4.8. **“Trading Services”**: shall refer to measurable municipal services, in this case, water and electricity which can be apportioned to an individual consumer.
- 4.9. **“Self- Sustaining service”**: services for which only an availability charge is levied, in this case, sewer and refuse services.
- 4.10. **“Non- Trading services”**: this are services supporting the provision of quality services administratively, in this case, it shall include Councillors and technocrats.
- 4.11. **“Accounting Officer”**: shall mean the head of the administration of Council as per section 27 of the Act.
- 4.12. **“Consumers”**: shall refer to individuals to whom council provides services in exchange of a specific tariff.
- 4.13. **“Municipal Services”**: shall refer to all municipal services rendered by Council in line with section 30 of the Act.

5. POLICY PROVISIONS

5.1. REDUCED BASIC SERVICES

- a) Council recognizes that indigent is entitled to a minimal charge for basic service;
- b) Basic services in this context refers to basic levies for:
- Water;
 - Sewer

5.2. AFFORDABLE TARIFFS

- a) Council undertakes to keep tariffs at affordable levels and will ensure that:
- Services are delivered at an appropriate level;
 - Efficiencies are built into all council operations;
 - A performance management system is in place to ensure that devised plans are implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used;
 - For Council to afford the indigent, Council to ensure cross subsidization by various consumers.

5.3. TARIFF EQUALITY FOR SERVICES

- a) Council holds that all consumers must pay the same tariff for the same level and quality of services, however, different categories of consumers shall have different tariffs.
- b) Council, like any other enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to execute its mandate. Consequently, it is the intention of Council that:
- Tariffs for services will be reviewed at least once during every Financial Year;
 - Tariff adjustment shall be aligned to increases in the price of goods, materials and other resources required for Council to perform its functions. It shall also be aligned to the ministerial budget circular, underlying inflation motivations; and

- Tariffs for services should ensure that all relevant costs are covered.

5.4. PAYMENT FOR SERVICE RENDERED

- a) Consumers shall be liable to pay for the services that they use.
- b) Where it is possible to measure the consumption of services, Council shall install a metering system as in the case of water usage

5.5. LOCAL ECONOMIC DEVELOPMENT

- a) The size of the service charge accounts presented to local businesses is a significant business overhead for any business within the Local Authority area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and survival.
- b) Notwithstanding the aspect of cross subsidization, Council may be sensitive that municipal accounts presented to local businesses are fair by amongst others, considering the desire:
 - To promote local economic competitiveness; and
 - To promote local economic development and growth.

5.6. SERVICE DELIVERY SUSTAINABILITY

- a) Council must ensure that the services that it renders must be sustainable. Financial sustainability of council will be achieved when it is financed in a manner that ensures that its financing is sufficient.
- b) The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required plus interest, managing and operating the service and maintaining, repairing and replacing the physical asset used in its provision.
- c) In this case, sustainability does not only mean that the price of services must include all relevant costs element, it also means that the charges to be levied must be collected;
- d) Council shall thus periodically review its Credit and Debt control policy to ensure that maximum charges are recovered.

5.7. TARIFF DETERMINATION

- a) Tariffs represent charges levied by Council on consumers for the utilization of services rendered by Council. Tariffs may be calculated in various ways, dependent upon the nature of service being provided.
- b) Tariffs shall be set in such a manner to cover the full cost of the service being rendered or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidize other non-trading services.
- c) In special circumstances, such as suppliers significantly increasing their prices, Council may be required to review and submit supplementary tariffs during a specific financial period.
- d) Council shall consult with the community regarding the tariffs using the current financial year tariffs as the baseline and get inputs on the tariffs as well as the development budget. The community inputs shall be presented by the Chairperson of the Management Committee at a budget retreat for discussion.

5.8. REVENUE SOURCES

- a) Council shall finance its affairs by:

- Charging Fees for services; and
 - Imposing surcharges on fees, taxes, fines and penalties as well as other levies authorized by relevant legal frameworks.
- b) The following provisions shall be applicable:
- Interest shall be charged on all overdue accounts;
 - Fines shall be affected and be paid to Council for any contraventions; and
 - Indigent shall qualify for interest charge on overdue accounts.

5.9. RECONNECTION FEES

Disconnection and Reconnection fess shall be charged on all disconnected services and shall be paid upfront prior to reconnection of such services.

5.10. CLASSIFICATION OF SERVICES

- a) Traditionally, municipal services are classified as Trading, self-sustaining and general services. The categorization is as follows:

5.10.1. Trading Services

The tariffs for trading services are determined in such a way that a net trading surplus is realized. The trading surplus is used to subsidise the tariffs of non-trading services.

5.10.2. Self-Sustaining Services

The consumption of such service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. The tariffs shall be determined in such a way that the costs for providing such service are recovered.

5.10.3. Non-Trading or General services

Ad-hoc levies that randomly are collected by Council but are naturally way lower than the real cost of providing such service.

6. TARIFF CHARGES

6.1. WATER

- a) The categories of water consumers and consumption ranges as set out below shall be charged the applicable tariffs, as approved by Council and gazette for each financial year.
- Raw water and Prepaid water consumers shall pay a fixed tariff irrespective of the volume of water consumed;
 - All other consumers including residential, businesses, industrial etc shall pay different tariff for each cubic range of water consumed as appearing in the tariffs;
 - A deposit and connection fee shall be charged on all water consumers, as well as a basic charge, except for consumers using prepaid water meters.
 - Council's water consumption shall be charged at applicable tariff rates.

6.2. SEWARAGE

- a) The categories of sewerage users as set out below shall be charged per month at the applicable tariffs as approved by council and gazette during each financial year.
- A reduced basic or availability charge for the indigent;
 - Different tariff rates for various consumers as per their grouping;
 - A connection charge for any connection;
 - Varying charges for various consumers per toilet for each additional toilet in excess of two (2).

6.3. REFUSE

- a) The categories of refuse users as set out below shall be charged per month at the applicable tariffs as approved by council and gazette during each financial year.
- A reduced basic charge for the indigent;
 - A fixed basic charge for garden refuse charges for all consumers;
 - Different consumer categories shall have different basic charges.

6.4. ASSESSMENT RATES

- a) The categories of property owners as set out below shall be charged per month applicable tariffs as approved by council and gazette during the financial year:
- Varying levies for different property owner groupings shall be applied on both **land/site** and improvement value.
 - Council may resolve for a reduced rate for institutions appearing under section 75 of the Act or exempt part of the levies but not entirely for the interest of financial sustainability.

6.5. SUNDRIES

- a) The following services shall be considered economic services and the tariffs levied shall cover 100% or as near as possible:
- Building plan fees;
 - Photocopy fees;
 - Bid documents fees
- b) The following charges and tariffs shall be considered as regulatory or punitive and shall be determined as appropriate and in line with the specific provisions in each regulatory framework:
- Advertising sign fees;
 - Dis/Reconnection fees;
 - Any other charges imposed in line with the Credit Policy;
 - All penalties

7. IMPLEMENTATION AND MONITORING

- 7.1. The Chief Executive Officer shall be responsible for the implementation of this policy;
- 7.2. Should this policy conflict with any Council resolution during that specific financial period, the Council resolution shall supersede the specific clause of this policy in conflict;
- 7.3. The policy shall be reviewed annually or periodically as the merits of each situation may permit.

8. APPROVAL

This Tariff policy was tabled, discussed and approved as follow:

Council Resolution Number: _____

Date: _____

Signatures,

CHIEF EXECUTIVE OFFICER

CHAIRPERSON OF COUNCIL