

# **OVERBERG DISTRICT MUNICIPALITY**

## **TARIFF POLICY**

Reviewed: 30 March 2017



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## **1. BACKGROUND**

1.1 A tariff policy must be compiled, adopted and implemented in terms current legislation. This Policy will the levying of fees for municipal services provided by the municipality itself or by way of services 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 of the impact which its own tariffs may have on local economic development.

## **1.2 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 utilize the available sources of revenue to meet its development objectives; and
- Be reasonably certain of its revenue to allow for realistic planning.

## **1.3 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.

## **1.4 EFFECTIVE AND EFFICIENT USE OF RESOURCES**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community. In addition to mechanisms available to ensure that the Municipality's decisions will ensure effective allocation of resources, it is important that the community provide the necessary checks and balances. They can do this by participating in the budget process. In addition, performance audits must be carried out by the office of the Auditor-General or outsourced to a private firm. Efficiencies in spending and resource allocation will ultimately increase the access of the poor to basic services.

## **1.5 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 women, who face particular constraints in participating. It must also include a capacity-building component to ensure that people understand the prioritisation process (why resources are allocated to one area rather than another).

## **2. PURPOSE OF THE POLICY**

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

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

## **3. DEFINITIONS**

“**IDP**” means Integrated Development Plan;

“**MFMA**” means the Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“**The Municipality**” means Overberg District Municipality.

## **4. LEGISLATION**

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

## **5. SCOPE FOR APPLICATION**

5.1 The policy shall apply to all the relevant parties within the Overberg District Municipality that are involved throughout the tariff setting process.

## **6. POLICY PRINCIPLES**

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

- 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 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;
- Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- Tariffs must encourage the economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives.

## **7. IMPLEMENTATION OF POLICY**

7.1 The Municipality subscribes to the policy that everybody is entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. The Overberg District Municipality, however do not provide basic services and therefore will only fulfil a liaising role to ensure that free basic services are provided within its region.

### **7.2 Affordable tariffs**

The Council is aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable

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

- Services are delivered at an appropriate level;
- Efficiency improvements are actively pursued across the Municipalities' operations;
- A performance management systems 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 non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in our area; and
- 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 significant infrastructure and other facilities, are phased out, except where the Council is by law required to provide such a service.

### **7.3 Tariff Equality for Services and Property Rates.**

The Council believes that all residents and ratepayers 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:

- That tariffs for service will be reviewed at least once during every financial year;
- That tariff increases be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its functions including National Treasury Circulars.

### **7.4 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:

- To promote local economic competitiveness; and
- 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. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, 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. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that all monies due are recovered.

## **7.5 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 provide or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services.

In special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Council's consultations about the budget. Immediately after the Council has determined or amended a tariff, the municipal manager must clearly display it at all the offices of the Municipality as well as at such other places within the municipal area as she/he may determine, a notice.

The notice must state:

- The general purpose of the resolution;
- The date on which the determination or amendment comes into operation;
- That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed; and
- That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice will assist that person to transcribe her/his objection.
- If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council Where an objection is lodged, the Municipality will consider every objection. The

Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or amendment or date as determined above and will also publish it as determined by the Council.

## **8. SOURCES OF REVENUE**

8.1 The Municipality collect revenue from:

- Surcharges on fees for services provided by or on behalf of the Municipality; and
- If authorised by National legislation, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax or customs duty.

8.2 The power of a Municipality to impose, levies or duties:

- 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.

8.3 The Council may finance the affairs of the Municipality by:

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

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

- The revenue of the Municipality consist of the, fees, charges, and other sums imposed or recoverable by or payable to the Council under law;
- Interest charged on accrual basis, must be paid to the Municipality within thirty days from the date on which such account become due. The interest rate charged should be higher than the rate payable by the Council to its bank in respect of an overdraft, for the period during which such rates remain unpaid after the expiry of the period of thirty days;
- 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 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.
  
- 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
  
- Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw by the Council, must be paid to the Municipality.

## 9. 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:

- The starting point to recover cost is the determination of service levels;
  
- The second point will be able 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.
  
- Recovery of Cost:
  - **Resource management expenditure:** Those activities that are required to regulate, manage and maintain the service.
  
  - **Capital Costs (Depreciation).**
  
  - **Capital cost expenditure** is the Council's obligation to meet the repayments on loans negotiated to finance the provision of the service.
  
  - **Maintenance Costs:** These are normal running costs to maintain the services at the established level of service provision.

- Cost of Immeasurable Services:

These services are normally community and subsidised services and the cost will be recoverable through a rating policy as determined from time to time. Recovery of costs will therefore be equalised over the total area of jurisdiction of the Council and the principle of collective payment will apply.

## **10. SERVICES CLASSIFICATION**

Traditionally, municipal services have been classified into groups based how they are financed. The groups are as follows:

### **10.1 Subsidised Services**

Subsidised services include firefighting, approving building plans and the construction of buildings, leasing of municipal facilities.

### **10.2 Community Services**

Community services are those services the consumption of which cannot be determined nor apportioned to individual consumers. These services are typically financed through finance rates. Examples are the establishment, operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of landfill sites etc.

The Municipality also provides services in support of the above-mentioned services. These are called staff functions and include committee services, records and archives, financial management accounting and stores, occupational health and human resources management.

## **11. TARIFF CHARGES**

### **11.1 Environmental health**

Environmental health services will be provided by environmental practitioners and will be charged per professional service.

### **11.2 Land use**

Land use services will be provided by qualified professionals and these services will be charged per application.

### 11.3 Rescue and safety services

Rescue and safety services will be provided by qualified professionals and these services will be charged per call-out.

### 11.4 Landfill users

Tariffs for landfill usage will be charged as set out in the tariff list as approved within the budget of each year.

### 11.5 Resorts and amenities, halls

Tariffs for resort, amenities and halls' consumers will be charged as set out in the tariff list as approved within the budget of each year.

### 11.6 Reprographic services

Tariffs for reprographic services will be charged as set out in the tariff list as approved within the budget of each year.

### 11.7 Regulatory- and other charges

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

## **12. 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.

## **13. RELATED POLICIES**

The following documents are related to this policy:

### 13.1 Credit control and debt collection policy

#### **14. REVIEW**

14.1 This policy will be reviewed at least annually and updated if needed.

#### **15. EFFECTIVE DATE**

15.1 This policy shall come into effect on 1 July 2017.