

FRANCES BAARD DISTRICT MUNICIPALITY



TARIFF POLICY

DATE OF ADOPTION: 23 June 2020

DATE OF IMPLEMENTATION: 1 July 2020

SIGNATURE OF SPEAKER: C. Rode

DATE: 17 SEPTEMBER 2020

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1. INTRODUCTION

A tariff policy is compiled, adopted and implemented in terms of the current applicable legislation. This policy is a guide for the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements. In setting its annual tariffs, the municipality must 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. This tariff policy is an attempt to provide a framework within which the municipality can implement fair, transparent and affordable charges for the provision of services.

2. LEGISLATION

For the purposes of this policy, the Municipal Finance Management Act No. 53 of 2003 and the Local Government Municipal Systems Act No. 32 of 2000 has been used as a governing legislation.

3. OBJECTIVES

The objective of this policy is to set out how Frances Baard District Municipality will determine tariffs for trading and other services.

This tariff policy will ensure that:

- The tariffs of the municipality conform to acceptable policy principles;
- There is certainty in the municipality on how the tariffs will be determined;
- Tariffs of the municipality comply with the applicable legislation; and
- Outline the tariff determination process.

4. POLICY PRINCIPLES

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

a) Social

- Tariffs should be equitable and affordable.
- The amount individual users pay for services should generally be in proportion to their use of that service.
- Tariffs must provide access to basic services for everyone.

Tariff structures and processes should be simple and easy to implement.

b) Economic

- Tariffs should encourage relative competitiveness.
- Tariffs should compete well; relative to other tariffs in the same industry, i.e they must be relatively cheaper or at the same level with tariffs in other municipalities.
- The tariff setting should support the macroeconomic policies of the country.
- Tariffs should incorporate the visions, strategies, and economic policies of the country.

c) Financial

- Whenever feasible, the tariffs should be cost effective and cost reflective.
 - They must reflect the cost reasonably associated with the rendering of services, including capital, operating, maintenance, administration and replacement costs, and interest charges.
 - Tariffs should be linked to medium term financial framework.
 - Tariffs must be linked to unit costing and efficiency improvements.
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- Tariffs should promote sustainability of service provision
 - Tariffs should ensure the ability to extend new services and the cost of extending new services must be recovered in the tariffs.

5. NEED FOR A TARIFF POLICY

a) 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.

b) Sustainability

- Financial sustainability requires the municipality to ensure that its budget balances. This means that the municipality must ensure that it is able to cover costs for service delivery:
 - i. Services are provided at affordable levels; and
 - ii. It is able to recover the costs of service delivery.

c) 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 the expenditure of the municipality and explain how the revenue is raised.

d) Development and Investment

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

6. IMPLEMENTATION OF POLICY

a) 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 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 non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contribute 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 municipality is by law required to provide such a service.

To increase affordability for indigent persons, the Council will ensure that its equitable share of revenue raised nationally, will be used to subsidise a certain level of basic services for them.

b) Tariff Determination

Tariffs represent the charges levied by Council on the utilization of the municipality's lecture rooms and hiring of the graders. 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 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 subsidise other non-economical services.

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;
- The date on which the notice is displayed;
- 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 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 will come into operation. After the Council has considered the objections; it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the council.

7. RECOVERY OF COST

Resource management expenditure is those activities that are required to regulate, manage and maintain the service and capital assets.

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 and maintenance of the capital assets.

Maintenance costs

These are normal running costs to maintain the service at the established level of service provision.

Usage of capital assets

In the case of measurable usage of the capital assets, the actual cost of usage of the capital assets is easily determined.

8. CATEGORIES OF USERS

The tariff structure of the municipality will make provision for the following categories of users:

- (a) municipal assets (lecture halls); and
- (b) Graders (situated at local municipalities).

9. TARIFF APPLICATION

Tariff adjustments will be effected only from 1 July each financial year, the increase as adopted by Council in the annual budget.

10. RENTAL

Lecture Rooms

Any organs of state renting lecture rooms (including a projector, if needed) must agree to the terms and conditions and fees payable pursuant to the Rental Agreement. The Accounting Officer has delegated authority to establish conditions of rent that must be adhered to.

A refundable breakage deposit of 20% of total rent amount. All the enquiries must be directed to the main reception area of the municipality.

Plant and Equipment (Grader)

The municipal grader may be rented for an approved amount by Council adjusted annually. All the enquiries at the main reception area of the municipality.

11. RESPONSIBILITY/ACCOUNTABILITY

The Municipal Finance Management Act defines the responsibility of the Accounting Officer as ensuring that the Tariff Policy is in place and that it is effectively implemented.

12. IMPLEMENTATION OF THE POLICY

The policy will be implemented upon approval of the amendments by Council. Approved tariffs will be effected on 01 July 2020 with the new budget cycle.

**FRANCES BAARD
DISTRICT MUNICIPALITY**

**NOTICE OF A COUNCIL MEETING TO BE HELD ON 23
SEPTEMBER 2020 AT 10:00 IN THE COUNCIL CHAMBERS,
DISTRICT MUNICIPALITY, KIMBERLEY**


.....
SPEAKER


.....
DATE

ITEM: PID 03 06/2020

DEPARTMENT OF FINANCE: *AMENDMENT OF TARIFF POLICY*

**(6/17/1) (OM) (POLICY AND INSTITUTIONAL DEVELOPMENT
COMMITTEE MEETING: 23 JUNE 2020)**

The Acting Director Finance reports as follows:

The purpose of this report is to request Council to consider and amend the Tariff Policy in order to comply with the National Treasury guidelines.

National Treasury through the yearly Municipal Finance Management Act (MFMA) circulars requires that the municipality update the budget related policies to align them to amendments to yearly budget processes.

The amendment of the budget related policies must be informed by changes in the guidelines and with the change of the operations of the municipality. The amendment of the tariffs is effected upon approval by Council. It will however be a tedious exercise to amend the tariff policy on annual basis especially if Council did not deem it necessary to amend the tariffs for a particular financial year.

Therefore, the amendments recommended is that the tariff amounts be removed from the policy and remain on the tariff schedule and will be amended by Council when the need arise.

It is in light of the above explanation that the amended policy which is attached as *Annexure 11 (Pg. 1 Pg. 7)* be submitted for approval by Council in order to comply with the requirements of National Treasury guidelines.

The Municipal Manager in consultation with the Assistant Director Finance recommends as follows:

RECOMMENDATIONS

- 1. The committee takes note of the report;**
- 2. The committee considers the contents of the amended tariff policy and make the necessary recommendations for implementation upon approval.**

Issues raised

- *The Acting CFO explained the need to amend the Tariff policy as the schedule will be removed from the policy and the amounts will be adjusted annually without the need for Council to review the policy annually.*

RECOMMENDATIONS TO MAYORAL COMMITTEE

1. **The Mayoral committee takes note of the report;**
2. **The Mayoral committee considers the contents of the amended tariff policy and make the necessary recommendations for implementation upon approval.**

RECOMMENDATIONS TO COUNCIL

1. **Council takes note the report;**
2. **Council approves the amendments to the Tariff Policy**

RESOLVED

1. **Council approved the amendments to the Tariff Policy**