

FRANCES BAARD DISTRICT MUNICIPALITY

TARIFF POLICY



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

4. POLICY PRINCIPLES

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

4.1 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.

4.2 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.

4.3 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.
- 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

5.1 Revenue adequacy and certainty

The district municipality must have access to adequate sources of revenue to enable it to carry out its functions. The district 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.

5.2 Sustainability

Financial sustainability requires the district municipality to ensure that its budget balances. This means that the district municipality must ensure that it is able to cover costs for service delivery:

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

5.3 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 district municipality and explain how the revenue is raised.

5.4 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 Affordable tariffs

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

In order to ensure that tariffs remain affordable, the district municipality 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 district 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 district municipality will ensure that its equitable share of revenue raised nationally, will be used to subsidise a certain level of basic services for them.

6.2 Tariff Determination

Tariffs represent the charges levied by district municipality 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 so as 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 district municipality 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 district 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 district municipality. Where an objection is lodged, the district municipality will consider every objection. The district municipality 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 district municipality 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 district municipality.

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 district municipality'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 district municipality will make provision for the following categories of users:

- municipal assets
- lecture halls; and
- grader.

9. TARIFF APPLICATION

Tariff adjustments will be effected only from 1 July each year, the increase allowed for by the district municipality in its budget.

10. RENT

10.1 Lecture Rooms

Any organs of state renting lecture rooms must agree to the terms and conditions and fees payable pursuant to the rental agreement and district municipality's tariff policy.

The Accounting Officer has delegated authority to establish conditions of rent that must be adhered to.

Rate

- Lecture rooms R900 per day per room, excluding VAT
- If both 1 & 2 utilised R1 500 per day, excluding VAT
- Projector required R300 per day, excluding VAT

A refundable breakage deposit of 20% of total rent amount, refer to the district municipality lecture room usage policy. Enquiries at main reception area.

10.2 Plant and Equipment

Grader

The municipal grader may be rented for R950.00 per hour, excluding VAT. Enquiries at main reception area.

Interest charged, as per directive of Minister of Finance, as per the district municipality's construction equipment usage policy.

11. RESPONSIBILITY/ACCOUNTABILITY

The district municipality have the overall responsibility of laying down the tariff policy. The Municipal Finance Management Act defines the responsibility of the Accounting Officer as ensuring that the tariff policy be in place and that it is effectively implemented.

12. EFFECTIVE DATE

This policy will take effect upon approval by district municipality.