

Annexure 7

CHAPTER 1:

APPROVED GENERAL TARIFF POLICY 2011/2010

POLICY STATEMENT

Mogale City Local Municipality believes that a uniform tariff policy should be adopted to promote social and economic development and to provide services to communities in an efficient and sustainable manner.

AIM

The aim of this policy is to establish clear guidelines regarding the role of councillors and the administration in the compilation and implementation of tariffs.

This policy will further lay down the broad principles which will result in the adoption of a by-law for the implementation and enforcement of tariffs to be implemented by internal and external mechanisms for the provision of municipal services.

OBJECTIVES

1. To classify the users of services rendered by council or by an external provider according to their use and the level of the service;
2. To institute criteria to be followed in determining tariffs for the rendering of the following services, subject to section 74(2) of the Municipal Systems Act, Act 32 of 2000:
 - Electricity;
 - Water;
 - Sewerage;
 - Refuse;
3. To determine tariffs for indigent household as identified in terms of the Mogale City Local Municipality Indigent Policy;
4. To lay down general requirements for external service providers in terms of section 81 of the Municipal Systems Act, 32 of 2000;
5. To lay down principles for the charging of surcharges on tariffs of services;
6. To determine the level of cross subsidisation between tariffs for the rendering of services to the poorest of the poor.
7. To differentiate between categories of users, debtors, service providers, services, service standards and geographical areas;
8. To make provision for the promotion of local economic development through the different tariff structures;

DELEGATION

In terms of section 160 (2)(c) of The Constitution of the Republic of South Africa (Act No 108 of 1996) Council may not delegate the imposition of rates and other taxes, levies and duties.

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The implementation of the policy, however, is delegated to the Municipal Manager and sub-delegation is permissible in terms of section 59(2) of the Municipal Systems Act, Act 32 of 2000.

ROLES OF COUNCIL AND THE ADMINISTRATION

It is accepted that there is a clear distinction between the responsibilities of Council and the Municipal Manager in the imposition, administration and implementation of tariffs.

Responsibility of Council

The adoption of a Tariff Policy and the adoption of tariffs is the sole responsibility of Council.

Council will consider main tariffs once a year during the budget process, provided that the comment and recommendations from the following are included.

- Comments from the Finance Portfolio Committee
- Comments from the Mayoral Committee
- Comments from various other stakeholders including the communities

Responsibility of Municipal Manager

It is the responsibility of the Municipal Manager to ensure that:

- The stipulations in chapter 8 of the Municipal systems Act, Act 32 of 2000 has been complied with;
- The tariffs adopted in terms of this Policy will ensure that the rendering of services are sustainable;
- All cost in the rendering of services are being recovered;
- Provision is made for indigent households in the determination of tariffs;

TERMS OF REFERENCE

The Constitution of the Republic of South Africa, Act 108 of 1996

Section 152 (1) (a-e)

The objects of Local Government are to:-

- Provide democratic and accountable government for local communities;*
- Ensure the provision of services to communities in a sustainable manner;*
- Promote social and economic development;*
- Promote a safe and healthy environment;*

Encourage the involvement of communities and community organisations in the matters of the Municipality

Municipal Systems Act (No 32 of 2000)

Chapter 8 Part 1-5: Provision of Services

The act makes provision for council to decide whether they are going to provide services through an internal or external mechanism.

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Mogale City Local Municipality currently provides services in conjunction with external service providers. An agreement with Eskom has been signed to deliver electricity services to the Kagiso, Rietvallei, Lusaka and Magaliesburg within Mogale City Local Municipality's area of jurisdiction.

Chapter 8, Part 5 of the Act provides the means for council to allow cross-subsidisation to poor households and council agrees in principle that tariffs will be calculated to allow for this requirement in the act. It is also required that Council consider incentive schemes for ratepayers and consumers who pay regularly. The Credit control and Debt Collection Policy of Council includes an incentive scheme in order to encourage individuals to bring their rates and service accounts up to date

IMPLEMENTATION PROCEDURES

The following procedures should be implemented to ensure that the aim and objectives of the policy are realized.

1) Improvement on levels of services

To ensure continuous improvement on the levels of service delivery it is imperative that not only actual cost to render the service is recovered but also a portion for future enhancements to service levels. It is essential in the future to ensure that tariffs take into account the need to finance the future development and upgrade of existing services in order to reduce the external borrowing required to fund such expenditure

2) Non payment of accounts

Council would like to reiterate the obligations of ratepayers and service users to pay for assessment rates and direct usage of services provided. Where this does not occur and individuals have not registered for indigent status, services will be discontinued and property will be attached to recover any outstanding amount.

3) Calculation of tariffs

A comprehensive Policy for Tariff Determination for Engineering Services is attached as Annexure A. Tariffs for services will be calculated based on the anticipated expenditure to deliver the services plus a recovery portion for reinvestment into infrastructure of the service. In order to achieve the above aim, the Chief Financial Officer must ensure that full ring-fencing exercises are carried out for all trading and economic directorates in order to ascertain the true cost of services and to ensure transparent cross subsidisation of services. . Where profit of a trading directorate is utilised for the cross subsidisation of other services, this will be disclosed in the future in terms of the budget format. Current and previous years' consumption statistics, as well as anticipated future growth in the area, will be used as a basis for the compilation of tariffs and revenue projections.

4) Indigent Households

Council acknowledges its responsibility towards poor households; this is reflected through the provision of free basic water and electricity to approved indigent households as well as sliding

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scales for usage of services. The Equitable Share, Free Basic Services and Free Basic Electricity/Energy Grant received from national government will be used to subsidise the provision of these free basic services by way of a direct payment into the Income account as prescribed by GAMAP.

Indigent registration and approval will be managed according to council's **Indigent Policy** which is reviewed annually by Council.

RESPONSIBILITY

It is the responsibility of the Municipal Manager to see that this policy is executed, managed and adhered to at all time.

PROPOSED KEY AMENDMENT

- 1. Policy for determination for engineering services incorporated into the Tariff Policy as Annexure 7.1 .***