



ETHEKWINI MUNICIPALITY

TARIFF POLICY 2017/2018

Table of Contents

CHAPTER 1	3
1. Preamble.....	3
2. Purpose	4
3. Problem Statement.....	4
3.1 Harmonisation and Standardisation of setting and determination of eThekweni Municipality Tariff Policy.....	4
3.2 Ensuring Financial Sustainability of Service Delivery.....	5
3.3 Redistribution / Cross Subsidisation	5
3.4 Imposition of Tariffs.....	6
3.5 The “Consumer must pay principle” and Provision for the Indigent.....	6
4. Definitions.....	7
5. Policy Rules and Provisions.....	11
CHAPTER 2	14
CLASSIFICATION AND TARIFF STRATEGIES FOR SERVICES AND CROSS-SUBSIDISATION	14
6. DIFFERENTIATION FOR TARIFF PURPOSES.....	14
7. CATEGORIES OF SERVICES	14
8. Categories of users	14
9. Tariff strategies for services.....	15
10. Review of Tariffs.....	19
11. Cross Subsidisation	19
12. Promotion of local Economic Development	21
13. Special Tariffs.....	21
14. Special Events	21
CHAPTER 3	22
15. PROCEDURE FOR THE INTRODUCTION OF NEW OR REVISED TARIFFS.....	22
16. TARIFF REPORTS.....	24

17. PUBLIC PARTICIPATION DURING THE BUDGET PROCESS	25
18. ENFORCEMENT AND OVERSIGHT	25
19. POLICY EVALUATION AND REVIEW	26
20. INTERPRETATION OF THIS POLICY	26
21. CONSULTATION	26
22. REFERENCES.....	27

CHAPTER 1

PREAMBLE, PURPOSE, PROBLEM STATEMENT, DEFINITIONS AND POLICY RULES AND PROVISIONS

1. *Preamble*

- 1.1 One of the primary functions of a Municipality is to provide services to the local community within its area of jurisdiction. The funding of these services is made possible by the levying of property taxes and charging of fees for services, imposing surcharges on fees, and, to the extent authorised by national legislation, other taxes, levies and duties.
- 1.2 Section 4(2) (d) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000 as amended) (**ACT**) prescribes that a Municipality has the duty to strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner. Accordingly, Tariffs may be set in a manner so as to recover the full cost of the service being provided or to recover part of the costs or bring about a surplus that can be utilized to subsidise non-economic services.
- 1.3 In terms of Section 74 (1) of the **ACT**, the Municipal Council must adopt and implement a Tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements.
- 1.4 Section 62 (1) of the Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003 as amended) (MFMA) stipulates that the Accounting Officer of a Municipality is responsible for managing the financial administration of the Municipality and, in terms of S62 (1) (f) (i), must for this purpose take all reasonable steps to ensure – “that the Municipality has and implements a Tariff policy referred to in Section 74 of the **ACT**”.
- 1.5 Section 75 of the **ACT** prescribes that the Municipal Council must adopt Bylaws to give effect to the implementation and enforcement of its tariff policy. The eThekweni Municipality: Tariff Bylaw, 2013 was promulgated in the Extraordinary Provincial Gazette of KwaZulu-Natal under Municipal Notice No 94 dated 15 August 2013.

2. Purpose

The purpose of this Policy is to ensure that:

- 2.1 All Tariffs of the Municipality comply with legislation prevailing at the time of implementation.
- 2.2 All Tariffs approved by the Municipal Council, to fund Municipal services, are consistent with this Policy.
- 2.3 Municipal services are financially sustainable, affordable and equitable.
- 2.4 The needs of the indigent are taken into account in line with national government policy, taking into consideration, the affordability constraints of the Municipality.
- 2.5 There is consistency in how the Tariffs are determined and applied throughout the Municipality.
- 2.6 All Tariffs of the Municipality are determined in line with the principles as outlined in section 74(2) of the **ACT**. (see 5.10 below)
- 2.7 Surcharges on fees payable for municipal services are levied in terms of section 75A of the **ACT** and in accordance with Chapter 3 of the Municipal Fiscal Powers and Functions Act, Act 12 of 2007.
- 2.8 Where municipal services are provided through a service delivery agreement in terms of section 81(3) of the **ACT**, the Municipality remains responsible for controlling the setting and adjustment of Tariffs by the service provider for the municipal service in question.

3. Problem Statement

3.1 Harmonization and Standardisation of setting and determination of eThekweni Municipality Tariff Policy.

- 3.1.1 During the annual Budget process the eThekweni Municipal Council approves Tariffs for services to be rendered or provided to the local community by each relevant Municipal Department or Unit, so that the cost of such services can be recovered from the customers to whom the services are rendered or provided.
- 3.1.2 This policy is therefore required to provide greater harmonization and effective control and accountability for the setting of tariffs within the Municipality in line with National Treasury's Methodology Costing for Local Government*¹

3.2 Ensuring Financial Sustainability of Service Delivery

3.2.1 The Constitution and the **ACT** require that the Municipality must ensure that the services that it provides, are sustainable.

3.2.2 In terms of section 73(1) of the **ACT**, the Municipality must give effect to the provisions of the Constitution and give priority to the basic needs of the local community, promote the development of the local community and ensure that all members of the local community, have access to at least minimum level of basic municipal services.

3.2.3 Section 73 (2) of the **ACT**, further provides that the municipal services must be equitable and accessible, and be provided in a manner that is conducive to the prudent, economical, efficient and effective use of available resources and improvement of standards of quality over time, be financially and environmentally sustainable and be regularly reviewed with a view to upgrading, extension and improvement.

3.2.4 The Tariffs 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 maintenance, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include and cover all the relevant cost elements, it also means that charges to be levied must be affordable, collected and recovered.

3.3 Redistribution / Cross Subsidisation

3.3.1 EThekwini Municipality has a wide range of customers, thus finding a proper funding model to arrive at appropriate Tariffs and cross-subsidisation mechanisms to meet the needs of the various customer groupings, is paramount.

3.3.2 The budget of the Municipality is important in ensuring the distribution of services in all communities. Monies collected from property rates are used to subsidise those services where the cost of the Tariff levied is insufficient to cover the cost of the service. The Municipality may take into account trading surpluses realised to facilitate the cross subsidisation of services.

- 3.3.3 The Municipality faces a challenge in maintaining a balance between investments made in a productive capacity versus investment made in social services.

In order to effectively implement redistribution and cross subsidisation, the Municipality should endeavour to be transparent.

- 3.3.4 There is also an inherent cross subsidy between residential users of services and non-residential users of services. This subsidy is derived by applying certain ratio's between residential users and non-residential users.

3.4 Imposition of Tariffs

- 3.4.1 Section 160(2)(c) of the Constitution states that the Municipal Council may not delegate the imposition of rates and other taxes, levies and duties.

- 3.4.2 Section 59 of the **ACT** further prohibits the Municipal Council from delegating its power to set Tariffs.

3.5 The “Consumer must pay principle” and Provision for the Indigent

- 3.5.1 The Municipality is responsible for ensuring access to the minimum level of basic services to the local communities within its municipal area. However, the Municipal Council has resolved that consumers of services **must pay** for the services that they use. This is in line with Section 5(2) of the **ACT** which imposes a duty on members of the local community, 'where applicable, and subject to section 97(1)(c) of the **ACT**, to pay promptly service fees, surcharges on fees, rates on property and other taxes, levies and duties imposed by the municipality.' Having regard to this, it is critical for the Municipality to then set up Tariff structures which are realistic, cost reflective and also accommodate the Indigent as defined in this Policy.

4. **Definitions**

In this policy, unless the context indicates otherwise—

“ACT” means the Local Government Municipal Systems Act, Act 32 of 2000 as amended;

"Agricultural users" means a category of users where tariff structures may be imposed for any activity in respect of which there is currently an agricultural certificate issued by the Municipal Valuer;

“Business and Commercial users” means a category of users where tariff structures may be imposed:

- (a) For the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity;
- (b) On activities for which the administration of the business of private or public entities takes place;
- (c) For the provision of commercial activities;
- (d) For education purposes;
- (e) On activities used by the State or any organ of State; or
- (f) On any related activities not mentioned above

“By-law” means eThekweni Municipality: Tariff By-Law, as amended;

“City Hall” means the main administrative office of the municipality, situated on Dr Pixley KaSeme Street, Durban;

"Customer" means any person or their agent with whom the Municipality or an Authorised Official has entered into an agreement for the provision of any municipal service to the premises;

“Disconnection fee” means a fee charged to a Customer upon termination or restriction of a municipal service supplied to a meter;

“EXCO” means the eThekweni Executive Committee established in terms of section 43 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998 as amended);

“External service provider” means an external mechanism referred to in section 76(b) of the **ACT** which provides a Municipal service for a municipality;

“Financial Sustainability” in relation to the provision of a Municipal service, means the provision of the Municipal service in a manner aimed at ensuring that the financing of that service from internal and external services, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of –

- a) The initial capital expenditure required for the service;
- b) Operating the service; and
- c) Maintaining, repairing and replacing the physical asset used in the provision of the service;

“Financial year” means a year as described in the MFMA;

“IDP” means the Integrated Development Plan envisaged in section 25 of the **ACT**;

“Indigent” means a Customer or any household or category of households, including a child headed household, who or which qualifies for Tariff assistance as laid down in **Annexure A** to the Municipality’s Credit Control and Debt Collection Policy and or as determined by the Municipal Council annually, during the budget process;

“Industrial users” means a category of users where tariff structures may be imposed for any activity used for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw material or fabricated parts in respect of which capital and labour are involved, and includes–

- (a) The processing of raw products on the property;
- (b) The storage and warehousing of products; and
- (c) Any activities of which the use is incidental to such activity listed above;

“MEC for local government” means the member of the Executive Council of the province of KwaZulu-Natal who is responsible for local government in such province;

“Municipal Council” means the eThekweni Municipal Council; a council composed and elected in terms of section 157 of the Constitution;

“MFMA” means Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003 as amended);

“Mining users” means a category of users where tariff structures may be imposed for any activity relating to mining operations as defined in the Mineral and Petroleum Resources Development Act,2002 (Act 28 of 2002);

“Municipal Manager” means a person appointed in terms of section 54A of the ACT as the head of administration of the Municipal Council or his or her delegate;

“Municipality” means the eThekweni Municipality, a Category A municipality envisaged in section 155(1)(a) of the Constitution;

“Municipal service” means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community;

“Public Benefit Organisation users” means a category of users where tariff structures may be imposed for any activity of a public benefit organisation as defined in section 30(1) of the Income Tax Act No. 58 of 1962;

“Public Service Infrastructure users” means a category of users where tariff structures may be imposed for any activity relating to Public Service Infrastructure as defined in the Local Government: Municipal Property Rates Act,2004 (Act 6 of 2004);

“Re-Connection fee” means fee charge to a Customer upon reconnection of Municipal services;

“Residential property users” means a category of users where tariff structures may be imposed for any activity relating to a dwelling, in any building, premises, structure, or any other place, or any part thereof, used predominantly as a place of residence or abode of any natural person **excluding** a dwelling where the dominant use is for any purpose other than residential, or where it is used in the supply of commercial purposes;

“Service delivery agreement” means an agreement as envisaged in section 81 of the **ACT**;

Special Tariff: means a charge as more fully referred to in 9.3.9, read together with 13 of this Policy;

“Sundry Tariff” means a charge as more fully referred to in paragraph 9.3.8 of this Policy;

“Surcharge” means a charge raised on and above a normal Tariff based either on a percentage and or a fixed amount;

“Tariff” means fees, levy , charges or a surcharge levied by the Municipality in respect of any function or service provided by the Municipality to the local community, and includes a surcharge on such Tariff but excludes the levying of rates by the Municipality in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

“Tariff Book” refers to the Tariff Tables that accompany the annual budget which is tabled before the Municipal Council in terms of section 17(3) of the MFMA;

“This Policy” means this Tariff Policy; and

“Trading Service” means a service where:

- (a) the objective is to generate a surplus to re-invest in the service and so ensure its sustainability; and
- (b) the consumption of the service is measurable and can be accurately apportioned to an individual consumer. The Tariffs for these services are

budgeted for in such a way that at least a breakeven situation for the Municipality will be realized.

5. Policy Rules and Provisions

- 5.1 This Policy applies to all tariffs levied by the Municipality such Tariffs must be consistent with the principles contained in this Policy, By-law, the National Treasury's Costing Methodology for Local Government Guideline*¹ and other applicable legislation.
- 5.2 All Tariffs must be approved by resolution of the Municipal Council.
- 5.3 Details pertaining to specific levels and applications of the various Tariffs must be published in the Tariff Book tabled on an annual basis together with the Municipal Budget.
- 5.4 While full cost recovery is the optimum pricing outcome, the Municipality may adjust pricing to take into consideration socio- economic issues such as the Indigent by using a redistribution mechanism (cross subsidisation) as envisaged in this Policy.
- 5.5 Subject to 5.4 above, where a service is provided primarily for an individual user and actual service or consumption can be accurately measured, the cost of providing the service should be covered from the individual through the levying of a tariff.
- 5.6 If a Municipal service is provided through a Service delivery agreement in terms of section 76(b) of the **ACT**, the Municipality remains responsible for ensuring that the service is provided to the local community in terms of the provisions of the **ACT** and accordingly, must :
 - 5.6.1 Control the setting, review and adjustment of the tariffs by the service provider for the Municipal Service in question.
 - 5.6.2 Ensure that the Service delivery agreement contains a provision for tariffs to be adjusted by the service provider within the threshold determined by the Municipality.

- 5.7 Some services, although provided primarily for the benefit of individual users have important community benefits and, particularly where these services cannot be accurately measured, the cost of the service should be recovered by a combination of tariffs and rates. The provision of solid waste collection is such a service.
- 5.8 The Indigent should have access to basic services in line with the ACT and national government policy, taking into consideration the affordability constraints for the Municipality.
- 5.9 The Municipal Council may determine rebates applicable to different categories of users or the circumstances in which a Tariff may be waived at the time of adopting Tariffs.
- 5.10 All Tariffs imposed by the Municipality must comply with the following principles as set out in section 74(2) of the **ACT** and these principles must be applied when Tariffs are determined for approval by the Municipal Council:
- 5.10.1 All users of a municipal service should be treated equitably in the application of the Tariff; and shall be categorised as per the Municipality's Rates Policy;
- 5.10.2 The amount charged on individual users for services should be in proportion to their use of that service;
- 5.10.3 Provision may be made for the promotion of local economic development through special Tariffs for categories of commercial and industrial users;
- 5.10.4 The Tariff item must be supplied in a sustainable manner and the costs reasonably associated with the provision of such Tariff item, including capital, operating, maintenance, administration, replacement costs and interest charges must be reflected in the Tariff;
- 5.10.5 The Tariff must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- 5.10.6 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
- 5.10.7 The Indigent must have access to at least basic services through:
- 5.10.7.1 Tariffs that cover only operating and maintenance costs;
- 5.10.7.2 Special Tariffs for low levels of use or consumption of service or for basic levels of service; or
- 5.10.7.3 any other direct or indirect method of subsidisation of Tariffs for the Indigent ;
- 5.10.8 The extent of subsidisation of Tariffs for the Indigent and other categories of users must be fully disclosed;

- 5.10.9 Correct cost allocations and measurement of historical costs should take place to ensure that no inappropriate subsidisation occurs.
- 5.11 The Municipal Council may, in appropriate circumstances, impose a surcharge on a Tariff for a service in accordance with the Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007). A Tariff may not be increased during a financial year as stipulated in section 28(6) of the MFMA.
- 5.12 A Tariff may differentiate between different categories of users as contained in the Tariff Book, and other matters as long as the differentiation does not amount to unfair discrimination.
- 5.13 Where the Municipality provides a Municipal service (e.g. water or electricity) up to the cadastral boundary of a property, the Municipality has the right to control the setting, review and adjustment of Tariffs by the relevant authority supplying the service to the end user, within the boundaries of such property.
- 5.14 In addition to the provisions of the **ACT**, Tariffs for water services must comply with the Regulations under the Water Services Act, 1997(Act 108 of 1997), and Tariffs for Electricity must comply with the provisions of the Electricity Regulation Act, 2006 (4 of 2006) .
- 5.15 The following charges and tariffs shall be considered as regulatory or punitive:
- a. Fines for lost or overdue library books.
 - b. Advertising sign fees.
 - c. Pound fees.
 - d. Electricity, water: disconnection and reconnection fees.
 - e. Penalty and other charges imposed in terms of the approved Credit Control and debt collection Policy.
 - f. Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.
 - g. Industrial Effluent.
 - h. All tariffs as approve in terms of the drought relief program.
 - i. Fines- All relevant fines to be implemented by Council.

CHAPTER 2

CLASSIFICATION AND TARIFF STRATEGIES FOR SERVICES AND CROSS-SUBSIDISATION

6. DIFFERENTIATION FOR TARIFF PURPOSES

- 6.1 Section 74(3) of the ACT permits the Municipality to differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination.
- 6.2 Each Municipal Service is not compelled to differentiate for tariff purposes, but where it does, the differentiation must be consistent with this Policy and provision must be made in the Tariff Book for a separate Tariff for each category.

7. CATEGORIES OF SERVICES

Separate tariff structures may be imposed for the following categories of services (which the Municipal Council may change):

- 7.1. Trading services
- 7.1.1. Water and Sanitation;
- 7.1.2. Electricity;
- 7.1.3. Fresh Produce Markets, and
- 7.1.4. Cleansing And Solid Waste
- 7.2. Rates and General Services
- 7.2.1. All other services not listed in 7.1 above. See Annexure **A** to this Policy.

8. Categories of users

Separate tariff structures may be imposed for the following categories of users (which the Municipal Council may change):

- 8.1. Residential
- 8.2. Business & Commercial
- 8.3. Industrial
- 8.4. Agricultural
- 8.5. Public Service Infrastructure

- 8.6. Mining
- 8.7. Public Benefit Organisations

9. Tariff strategies for services

9.1. COST ELEMENTS

9.1.1 The following cost elements will be used as a **basis of Calculation** to calculate the tariffs of the different services:

9.1.1.1. **Fixed costs:** which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service, and any other costs of a permanent nature, as determined by the Municipal Council /National Treasury from time to time.

9.1.1.2. **Variable cost:** This includes all other variable costs that have reference to the service.

9.1.1.3. **Overheads:** Consist of interdepartmental charges charged out to a service, based on an agreed methodology.

9.1.1.4. **Total cost:** consist of the fixed cost, variable cost and overhead cost.

9.2 NATIONAL ELECTRICITY REGULATOR (NERSA) GUIDELINES

9.2.1. Guidelines issued from time to time by the National Electricity Regulator will be taken into account in calculating tariffs for electricity.

9.3 TARIFF TYPES

In determining the type of Tariff, the Municipal Council shall make use of the following options or a combination of the same:

9.3.1 **Single tariff:** this Tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer, the Municipal Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the Tariffs.

- 9.3.2 Cost related: two to three part Tariff:** this Tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part Tariffs will be used to calculate the Tariff for electricity and to provide for maximum demand and usage during limited demand.
- 9.3.3. Inclining block tariff:** this Tariff is based on consumption levels being categorised into blocks, the Tariff being determined and increased as consumption levels increase. The first step in the Tariffs will be calculated at operating and maintenance costs, the second at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
- 9.3.4. Declining block tariff:** this Tariff is the opposite of the inclining block Tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit determined by the Municipal Council from time to time by the volume consumed. This Tariff will only be used for special agreements as contemplated in the applicable Bylaws/legislation.
- 9.3.5. Regulating tariff:** this Tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service. eg advertising sign fees, fleamarket or informal trading stands etc.
- 9.3.6. Time-of-use tariff:** this Tariff is based on fixed charges, seasonal usage and time differentiated energy and demand charges.
- 9.3.7. Basic, Availability or Fixed Tariff:** this Tariff is a fixed charge, the calculation of which is based on the fixed cost of a service by dividing the cost into the Unit of Measure plus the application of any cross subsidy.

- 9.3.8. Sundry Tariff:** this Tariff is in respect of services and facilities other than the Tariffs referred to in above, and shall, when deemed appropriate by the Municipal Council in each annual budget, be subsidised by property rates and general revenues, particularly when the Tariffs will prove uneconomical when charged, to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the Tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- 9.3.9 Special Tariff:** is a charge approved by the Municipal Council and imposed by way of an Agreement as contemplated in 13.1.1 and 13.1.2 of this Policy.
- 9.3.10 Punitive tariff:** this tariff is punitive in nature and may entail the imposition of a penalty and other charges, or a charge to discourage excessive consumption of a particular service/supply.

9.4 UNIT OF MEASURE

- 9.4.1. Property Value:** this measurement is used to determine property rates as envisaged in the Local Government: Municipal Property rates Act, 2004 (Act 6 of 2004) and payment for a revenue clearance certificate;
- 9.4.2 Kilolitre:** this measurement is used to determine the consumption charge for water and sanitation;
- 9.4.3 Kilowatt hour:** this measurement is used to determine the consumption charge for electricity;
- 9.4.4 Kilovolt Ampere:** this measurement is used to determine the demand charge for electricity;
- 9.4.5 Cubic metre:** this measurement is used to calculate the tariff for refuse charges;
- 9.4.6 Kilometre (km):** this measurement is used to calculate all vehicles that measure distance in kilometers;

- 9.4.7 Hour:** this measurement is used for the calculation of tariffs for plant and machinery and to charge tariffs for man hours performing certain functions;
- 9.4.8 Number of (Stands, Consumers, Bins, skips and Bags):** this measurement is used to calculate fixed, basic and availability Tariffs, see 9.3.7 above;
- 9.4.9 Percentage (%):** this measurement is used to calculate a rate, number, ratio expressed as a fraction of 100 or amount in each hundred;
- 9.4.10 Kilogram (kg):** this measurement is used to calculate a unit of mass equal to 1000 grams, the basic unit of mass in the International System of Units (SI);
- 9.4.11 Ton:** this measurement is used to determine the unit of weight.
- 9.4.12 Size:** a unit of measurement to determine the extent of something; a thing's overall **dimensions** or magnitude; how big something is, e.g. paper size (A4, A3 etc.),
- 9.4.13 Byte:** this is a unit of digital information e.g. kilobyte, megabyte, gigabyte.

9.5 CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the Tariff which must be charged for the supply of the four major Municipal services (water, electricity, refuse removal and sewerage) the municipality shall identify all the operational costs of the undertakings concerned, including specifically the following:

- 9.5.1. Cost of bulk purchases in the case of water and electricity;
- 9.5.2. Purification costs (water and sewer);
- 9.5.3. Distribution costs;
- 9.5.4. Distribution losses in the case of electricity and water;
- 9.5.5. Depreciation expenses;
- 9.5.6. Maintenance of infrastructure and other fixed assets;
- 9.5.7. Administration and service costs, including:
 - 9.5.7.1. service charges levied by other departments such as finance, human resources and legal services;
 - 9.5.7.2. reasonable general overheads, such as the costs associated with the office of the Municipal Manager;

- 9.5.7.3. adequate contributions to the provisions for bad debts and obsolescence of stock;
- 9.5.7.4. all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from the costing of the major services of the municipality).
- 9.5.8. The intended surplus to be generated for the financial year, such surplus to be applied:
 - 9.5.8.1. as an appropriation to capital reserves; and/or
 - 9.5.8.2. generally in relief of rates and general services.

9.6. ACCESS TO BASIC SERVICES - INDIGENT

- 9.6.1. Tariffs should seek to ensure that a minimum basic level of service is affordable for all households, ensuring all households (formal and informal) have access to basic services.
- 9.6.2. The Municipality shall consider relief in respect of a Tariff, for the Indigent to the extent that the Municipal Council deems such relief affordable in terms of each annual budget.
- 9.6.3. The Assistance to the Indigent Scheme as contained in the Municipality's Credit Control and Debt Collection Policy, should be taken into consideration when determining a Tariff in relation to basic services.

10. REVIEW OF TARIFFS

- 10.1 All Tariffs shall be reviewed annually.

11. CROSS-SUBSIDISATION

- 11.1. The Municipality realizes that in order to achieve its goal of the provision of access to basic services, cross subsidization must occur. This will result in

increases in certain Tariffs, which are necessary to make good any shortfall resulting from the provision of subsidized basic services and to ensure a balanced budget on the trading account.

11.2. The Municipality subscribes to the policy that indigent households are entitled to access to at least 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. These basic services include:

11.2.1. Domestic refuse removal;

11.2.2. Electricity;

11.2.3. Water;

11.2.4. Domestic Sewage disposal,

as contemplated in the Municipality's Credit Control and Debt Collection Policy.

11.3 In relation to domestic refuse services, cross subsidization may be achieved through a stepped tariff or Inclining Block tariff based on the property market value.

11.4. Unless otherwise determined by National or Provincial legislation, or by the Municipal Council or the actual cost of supply, the following ratios may be applicable to cross subsidise between categories of users;

<u>Category of User</u>	<u>Ratio</u>
Residential	1:1
Business & Commercial	1:2.5
Industrial	1:3
Agricultural	1:1
Public Service Infrastructure	1:2.5
Mining	1:3
Public Benefit Organisations	1:1

12. Promotion of Local Economic Development

The Municipal Council may, when it determines Tariffs, have regard to the following:

- (a) The promotion of local economic competitiveness; and
- (b) The promotion of local economic development and growth through an agreement approved by the Municipal Council or as contemplated in 13 below.

13. Special Tariffs

13.1 Special Tariffs may be imposed, subject to approval by Municipal Council:-

13.1.1 In terms of an agreement entered into between the Municipality and any person or service provider, in line with applicable legislation. Such agreement must be approved by the Municipal Council; or

13.1.2 In terms of a service level agreement entered into between the Municipality and an external service provider as contemplated in section 76(b) of the **ACT**.

13.2 Special Tariffs are generally competitive, determined by the volumes and income generated.

14. Special Events

14.1 In the case of Special events, such as the Comrades, Ladies Spar Challenge, etc. where a combination of refuse services is required for a short period of time, such services for such events will be provided based on the actual costs incurred.

CHAPTER 3

15. PROCEDURE FOR THE INTRODUCTION OF NEW OR REVISED TARIFFS

- 15.1. Any introduction of new and or proposed changes to an existing Tariff must be submitted to the Municipal Council for approval prior to the tabling of the annual Budget in March and May of each year. The Tariff report must be authorised and signed by the Relevant Head of the municipal Unit which compiled the Tariff report, the Deputy City Manager for the relevant cluster concerned, the Deputy City Manager for Finance, Head Revenue, Head Legal Services and thereafter the City Manager;
- 15.2. Once all the signatures of the above officials have been obtained, the Tariff report must be submitted to the relevant standing committee which has oversight over such Tariff, for approval in principle. A copy of the proposed Tariff report should be submitted to the Budget Office;
- 15.3. If the Tariff is recommended for approval by the relevant committee or committees contemplated in 14.2 above, it must be forwarded to EXCO for consideration and approval in principle, and thereafter to the Municipal Council for final adoption;
- 15.4. All Tariffs are levied by a resolution passed by the Municipal Council with a supporting vote of a majority of its members;
- 15.5. Once the Tariffs contained in the Tariff report have been adopted by the Municipal Council, the respective line department which introduced the Tariffs must, upon becoming aware that the Tariffs have been approved—
 - 15.5.1. immediately forward a copy of the approved Tariffs to the Budget Office together with a copy of the resolution of the Municipal Council; and
 - 15.5.2. advise the Budget Office that the Tariffs, as approved, by the Municipal Council are the new set of Tariffs for the relevant financial year, in question.
- 15.6. After a resolution contemplated in 15.5 above, has been passed, the Municipal Manager must, without delay-
 - 15.6.1. conspicuously display a copy of the resolution for a period of at least 30 days at the City Hall, on the Municipality's Official website or the website

available to the Municipality as envisaged in section 21B of the ACT and at such other places within the Municipality to which the public has access as the Municipal Manager may determine;

15.6.2. publish in a newspaper of general circulation within the Municipality's jurisdiction a notice stating-

15.6.2.1. that a resolution as contemplated in 15.5 above, has been passed by the Municipal Council;

15.6.2.2. that a copy of the resolution is available for public inspection during office hours at the City Hall and at the other places specified in the notice; and

15.6.2.3. the date on which the determination will come into operation; and

15.6.3. seek to convey the information referred to in paragraph 15.6.2.1. to the local community by means of radio broadcasts covering the area of the Municipality.

15.7. The Municipal Manager must forthwith forward a copy of the notice referred to in paragraph 15.6.2.1 to the MEC for local government concerned.

15.8. The Budget Office must—

15.8.1. forward a copy of the resolution and accompanying Tariffs to the Revenue Unit – Master Data Team (Billing).

15.8.2. compile a collection of all approved Tariffs for the respective financial year in the Tariff Book; and

15.8.3. forward the approved Tariff Book for the respective financial year, to the Municipality's Communications Department.

15.9. Upon receipt of the approved Tariffs, the Communications Department must immediately post such Tariffs under an identifiable tab in the Municipality's intranet and internet. It is the responsibility of the Accounting Officer:-

- 15.9.1. To provide the Council with a consolidated Tariff Table in March and May each year when the Budget is tabled ,and
- 15.9.2. To issue such administrative directives to staff as may be necessary to ensure compliance.

16. TARIFF REPORTS

- 16.1. Any municipal department wishing to introduce a new Tariff or propose a change to an existing Tariff must compile a Tariff report for consideration by the Municipal Council;
- 16.2. The Tariff report must, where applicable, provide details of the following:
 - 16.2.1. a statement of the current income from the Tariff concerned and, if a surcharge is imposed, a statement of the Tariff income from such surcharge;
 - 16.2.2. a statement of any income from subsidies from the tax revenue of the municipality;
 - 16.2.3. a statement of any current subsidies from any provincial or national government source;
 - 16.2.4. a statement of the current costs reasonably associated with the provision of the Tariff item concerned which shall be broken down into the following sub-items—
 - 16.2.4.1. capital costs;
 - 16.2.4.2. operating costs;
 - 16.2.4.3. overhead costs;
 - 16.2.4.4. bulk purchasing costs in respect of water and electricity reticulation services and other municipal services;
 - 16.2.4.5. maintenance costs;
 - 16.2.4.6. administration and regulatory costs;
 - 16.2.4.7. replacement costs;
 - 16.2.4.8. provision for bad debts;
 - 16.2.4.9. interest charges;
 - 16.2.4.10. cash requirement for the repayment of any borrowing; and
 - 16.2.4.11. surplus (if any).
 - 16.2.5. a statement of the anticipated costs for the next three financial years divided into the same sub-items mentioned above and, if those costs have changed or should change during the next three year period, a brief summary of the reasons for the change;

- 16.2.6. a statement of the proposed increase or decrease in the Tariff and the anticipated revenue from such increased or decreased Tariff fee for the next financial year;
- 16.2.7. a statement of whether a subsidy is needed for the sustainability of the Tariff item concerned and, if so, whether funding is expected from the provincial or nation government or whether it is proposed that the subsidy be provided from the municipality's own sources;
- 16.2.8. a statement of the justification for any differentiation proposed in the fee for the same Tariff items; and
- 16.2.9. a statement of any justification for , a special Tariff, a fixed Tariff or a minimum charge.
- 16.2.10. a statement indicating the cross subsidy in the Tariff; and
- 16.2.11. in the case of Tariffs for Water, Electricity, Sewer and Refuse a statement of the anticipated usage of the services per different category expressed in kl, kWh, kVa, and m³, whichever is applicable. The statement should also contain the number of users per category.

17. PUBLIC PARTICIPATION DURING THE BUDGET PROCESS

- 17.1. The Municipal Manager shall arrange for a series of local meetings with the ward committees and the public of each ward to ensure proper participation by the local community in the affairs of Municipality. Such meetings shall be conducted during the budget participation process.

18. ENFORCEMENT AND OVERSIGHT

- 18.1. Any departmental Tariff policy must be adopted by Municipal Council and be consistent with the principles contained in this Policy, the Tariff By-law and the National Treasury's Costing Methodology for Local Government Guideline and any other applicable legislation. Such departmental Tariff Policy, once adopted by Council, shall be incorporated by reference into this Policy.
- 18.2. The Head of Revenue will have an oversight responsibility over all Tariffs submitted for approval to confirm that it complies with the principles stipulated in this Policy.

18.3. Any deviations from this Policy and National Treasury's Costing Methodology for Local Government Guideline shall be fully disclosed and reported to the Municipal Council.

19. POLICY EVALUATION AND REVIEW

19.1 This Policy must be reviewed by the Treasury Unit, assisted by the Legal Services Unit on an annual basis, prior to the commencement of the new financial year, and amendments made to strengthen the Policy, where applicable, for consideration during the annual Budget process.

20. INTERPRETATION OF THIS POLICY

20.1 If there is a conflict of interpretation between the English version and a translated version, the English version prevails.

20.2 Unless the context indicates the contrary, any reference to an official or a designated post in this Policy, shall include the duly authorised nominees/delegates of such official or of the incumbent of such post.

20.3 This Policy must be read in conjunction with specific legislation applicable to each service and the following policies:

- The Municipality's Credit Control and Debt Collection Policy
- The Municipality's Rates Policy

21. CONSULTATION

21.1 Various Municipal internal stakeholders were consulted on the drafting of this Policy, and include Water, Electricity, Durban Solid Waste, Finance, Legal Services, and relevant Sundry Services Departments.

22. REFERENCES

- MFMA
- the ACT
- eThekwini Municipality IDP
- eThekwini Municipality Credit Control and Debt Collection
- eThekwini Municipality Rates Policy
- Tariff Policy for each relevant Unit of Department within the eThekwini Municipality
- City of Cape Town Tariff Policies
- The Constitution of The Republic of South Africa 1996, as amended

* Methodology Costing for Local Government Guideline published on www.treasury.gov.za