THABAZIMBI LOCAL MUNICIPALITY

TARIFF POLICY 2026/27

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TARIFF POLICY

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1. Preamble

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), 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 Municipal Systems Act" (MSA).

In giving effect to S74(1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy, within which the municipal council must adopt various policies.

PART 1: GENERAL INTRODUCTION AND OBJECTIVE

Introduction

One of the primary functions of a local authority is to provide services to residents within its municipal area. The funding of these services is made possible by levying property taxes, charging municipal services rendered, and collecting levies through business levies. Tariffs are the charges levied by the Council on consumers for the utilisation of services provided by the Municipality. These are calculated depending on the nature of the service being provided. They may be set to recover the full cost of the service provided, recover part of the costs, or generate a surplus that can be utilised to subsidise other non-economic services.

Objective

The objective of the tariff policy is to ensure that:

4.1 The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.

4.2 The Municipal services are financially sustainable, affordable and equitable.

4.3 The needs of the indigent, aged and disabled are taken into consideration.

4.4 There is consistency in how the tariffs are applied throughout the municipality and

4.5 The policy is drawn in line with the principles outlined in the MSA

In setting its annual tariffs the council shall always take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

PART 2: GENERAL PRINCIPLES

A tariff policy may differentiate between different categories of users, debtors, and services. Provide services, service standards, geographical areas and other matters if the differentiation does not amount to unfair discrimination. Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region. Users of Municipal services should always be treated equally in the application of tariffs.

Thabazimbi Local Municipality will open and maintain only one municipal account per property, registered in the property owner's name. This account will include all applicable property rates, taxes, and municipal service charges.

The property owner remains responsible for the settlement of all charges billed to the account, irrespective of any leasing arrangements. It is therefore the property owner's responsibility to recover any outstanding amounts owed by tenants occupying the property.

Tariffs for the four major services rendered by the municipality, namely:

* Electricity
* Water
* Sewerage (wastewater)
* refuse removal (solid waste),

Shall, as far as possible, recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services generate an operating surplus each financial year. Such surpluses shall be applied to relieve property rates and to partially finance general services or to fund the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

The municipality shall develop, approve, and at least annually review an indigent management policy for a support programme for the municipal area. This programme shall clearly set out the municipality's cost recovery policy with respect to the tariffs it levies on registered indigents, and the implications of that policy for the tariffs it imposes on other users and consumers in the municipal region.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between categories of users and consumers in relation to the tariffs it levies. Such differentiation shall, however, always be reasonable and shall be fully disclosed in each annual budget.

The municipality's tariff policy shall be transparent, and the extent of cross-subsidisation between consumer or user categories shall be evident to all consumers or users of the service in question.

The municipality further undertakes to ensure that its tariffs are readily understandable to all consumers and users affected by the tariff policy in question.

The municipality also undertakes to render its services cost effectively to ensure the best possible cost of service delivery.

In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, monthly. The charges levied on consumers shall be proportionate to the quantity of the service consumed.

In addition, the municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each property type in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to consumption and is levied because of the availability of the service concerned; and another, directly related to consumption of the service in question.

In considering the costing of its water, electricity and sewerage services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully to ensure that both current and reasonably expected future demands are adequately met, and that demand levels that fluctuate significantly over short periods are also met. This may mean that the services operate at less than full capacity at various times, and the costs of such surplus capacity must also be covered in the tariffs levied annually.

In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a consumption-based charge (IBT), the municipality believes it is properly addressing the demands that future expansion, variable demand cycles, and other fluctuations will place on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the municipality incurring the associated demand charges from Eskom, will bear the costs of these charges. To this end, the municipality shall install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall pay the relevant demand charge, as well as a service charge directly related to their actual electricity consumption during the relevant metering period.

PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

To determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

* Cost of bulk purchases in the case of water and electricity.
* Distribution costs.
* Distribution losses in the case of electricity and water.
* Depreciation expenses.
* Maintenance of infrastructure and other fixed assets.
* Administration and service costs, including:
  - service charges levied by other departments such as finance, human resources and legal services;
  - reasonable general overheads, such as the costs associated with the office of the municipal manager;
  - adequate contributions to the provisions for bad debts and obsolescence of stock;
  - 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 office bearers of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).

  The intended surplus to be generated for the financial year, such surplus to be applied:

  - As an appropriation to capital reserves; and/or
  - Generally, in relief of rates and general services.

- Servicing of creditors and liabilities

Tariffs for prepaid meters shall be based on a single charge levied on all categories of consumers, but no availability charge shall be levied on properties where prepaid meters have been installed. This distinction is made in recognition of the financial advantages which prepaid metering entails for the services in question.

PART 4: ELECTRICITY

(a) Electricity tariffs are approved by Council five months prior to implementation, for the National Electricity Regulator of South Africa to finally approve implementation thereof.

(b) The various categories of electricity consumers, as set out in sub-section (d) below, shall be charged at the applicable tariffs, as approved by the Council in each annual budget.

(c) Tariff adjustments are effective as from the date on which the water meters are read during a specific month as resolved by Council:

(d) Categories of consumption and charges shall be as follows:

1. Except for registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
2. All domestic electricity consumers of the municipality who are registered as indigents with the municipality shall receive the first 50kWh (fifty) of electricity consumed per month free.
3. All commercial, industrial and other non-domestic properties shall be billed according to the size of the circuit breaker installed.
4. All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption (IBTs).
5. A surcharge will be levied on all businesses and mining companies receiving water and/ or electricity directly from either Magalies or Eskom within the municipal licensed area.

PART 5: WATER

(a) The categories of water consumers as set out in sub-section (c) below shall be charged at the applicable tariffs, as approved by the Council in each annual budget.

(b) Tariff adjustments shall be effective as from the date on which the water meters are read during a specific month as resolved by Council.

(c) Categories of consumption and charges shall be:

1. All domestic water consumers shall receive the first 0 (zero) kl of water free, and those registered with the municipality as indigents shall receive the first 6 (six) kl of water per month free. Thereafter, a stepped tariff per kl, as determined by the Council from time to time, shall apply to metered water consumption.
2. All other domestic consumers shall be charged for actual water consumption at a stepped tariff per kl, as determined by the Council from time to time.
3. The Municipality will implement the new tariff for surcharges in areas where water is directly provided by the Water Board within the Municipal jurisdiction, as the Municipality is the Water Service Provider (WSP) and Water Service Authority.
4. A basic charge per water meter, as determined by the Council from time to time, shall be charged on all businesses, industries and institutional consumers.

PART 6: REFUSE REMOVAL

(a) (a) The categories of refuse removal users set out in sub-section (c) below shall be charged at the applicable tariffs, as approved by the Council each year.

(b) (b) Tariff adjustments shall take effect on 1 July each year.

(c) (c) A fixed monthly removal charge shall apply to each of the following categories of users, based on the costs of the relevant service:

a) Domestic and other users
b) Business and other users

(d) (d) Registered indigents may receive such discount on this charge as the Council deems affordable when approving each annual budget, but on the understanding that the discount shall be as determined by Council in the indigent policy.

PART 7: SEWERAGE

(a) The categories of sewerage users set out in sub-section (c) below shall be charged per month at the applicable tariff approved by the Council in each annual budget.

(1) (1) A sewage volume charge will be levied on all users connected to the municipal sewerage infrastructure; this charge shall be a function of water consumption.

(b) Tariff adjustments will be effective from 1 July each year.

(c) Categories of usage and charges shall be:

1. A basic (availability) charge per month shall be levied for undeveloped erven, irrespective of their permitted or intended use.
2. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, provided that such discount shall not be less than 50% of the monthly amount billed for this service.
3. A fixed monthly charge, based on the costs of the service, shall be charged to domestic users.
4. A fixed monthly charge, based on the service costs per sewer point/toilet, shall be charged to all businesses, industries and institutional users.

5. An effluent fee shall also be payable by factories and other industrial users where the wastewater emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the wastewater in question and the costs of purification.

PART 8: SUNDRY TARIFFS

According to the Municipal Fiscal Powers and Functions Bill 2007, "municipal surcharge" means a charge more than the municipal base tariff that a municipality may impose on fees for a municipal service provided by or on behalf of a municipality, in terms of section 229(1)(a) of the Constitution. The Bill aims to regulate the exercise by municipalities of their power to impose surcharges on fees for services under section 229(1)(a) and to provide for the authorisation of taxes, levies and duties that municipalities may impose under section 229(1)(b) of the Constitution of the Republic of South Africa, 1996, and to provide for matters connected therewith. The municipality will impose a surcharge on mines for water consumption. Currently, the municipality is determining the appropriate methodology and following the correct procedure to implement the surcharge.

All sundry tariffs shall be approved by the council in each annual budget and, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs would prove uneconomical if charged to cover the cost of the service concerned, or when the cost cannot be accurately determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All sundry tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be affected.

The following services shall be considered subsidised services, and the tariffs levied shall cover 50% or as near as possible 50% of the annual operating expenses budgeted for the service concerned:

- burials and cemeteries
- rentals for the use of municipal sports facilities

The following services shall be considered as community services, and no tariffs shall be levied for their use:

- municipal lending library (except for fines set out below)

The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- housing rentals
- town planning and building plan approvals
- fire brigade services
- rental of vehicles and equipment
- rentals for the use of municipal halls and other premises (subject to the provisions as set out below)
- sales of refuse bins
- cleaning of stands
- electricity, water, sewerage: new connection fees
- photocopies and fees
- Clearance certificates.

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

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- electricity, water: disconnection and reconnection fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonored, stale, post-dated or otherwise

unacceptable cheques.

Market-related rentals shall be levied for the lease of municipal properties; the proposal on the hostels is a fixed charge of R1 000.00 monthly excluding water and electricity.

The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determination shall be guided by the likelihood of the municipality's sustaining damages as a result of the use of the facilities concerned.

Conclusion

The terms of the above policy are that once it is adopted, it will be in respect of S 75 (1) (b) of the MFMA, be placed on the website referred to. In addition to Section 21A of the MSA, this policy will be reviewed annually and adopted by Council before the Budgets are finalised