

!KHEIS LOCAL MUNICIPALITY



FINAL TARIFFS POLICY

POLICY 2026/27

**MUNICIPAL TARIFFS POLICY
LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000**

For discussion with the Final Budget: 2026/27 MTREF

Date: 28 May 2026

Council Resolution: ITEM: 05/05/26

ITEM	<u>INDEX</u>	PAGE
DEFINITIONS		3
PREAMBLE		5
PURPOSE OF POLICY		6
APPLICATION OF THE POLICY		6
TARIFF PRINCIPLES.....		6
CATEGORIES OF CUSTOMERS.....		9
INDIGENT SUPPORT.....		9
SERVICE AND EXPENDITURE CLASSIFICATION.....		10
TARIFF CALCULATION FOR MAJOR SERVICES.....		12
NOTIFICATION OF TARIFFS, FEES AND SERVICES		18
IMPLEMENTING AND PHASING IN OF POLICY		19
PROCEDURES AND ACCOUNTABILITY.....		19
REVIEW OF THE POLICY.....		19

1. DEFINITIONS

For the purpose of this policy, the wording or any other expression has the same meaning as contained in the policy, except where clearly indicated otherwise:

Act: the Local Government: Municipal Systems Act, No 32 of 2000.

Accounting Officer: means the Accounting Officer appointed in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000, and being the head of administration or Municipal Manager.

Audited Financial Statements: means an annual report issued by an independent registered auditor or a person certified by a registered body or a certified bookkeeper expressing an opinion on the company's financial statements.

This includes a statement of financial position; a statement of financial performance; a cash-flow statement; other statements that may be prescribed; and any notes to these statements.

Basic municipal services: means municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, could endanger public health or safety of the environment. For !Kheis Municipality this shall include *inter alia* water, refuse removal and sewerage services.

Break-even: occurs when the revenue is equal to the total of the fixed and variable cost associated with the provision of the service.

Community services: are services that the Council has classified as such and the tariffs have been compiled with the intention that the

costs of the services cannot be recovered fully from public service charges and are of a regulatory nature.

Consumer, customer, owner, occupier, and accountholder: in this policy refers to individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied. The levying of tariffs, fees, charges, etc. depends on statutory clauses, an approved tariff in terms of **by-laws**, contracts, agreements or tacit uses of services in certain circumstances. Such levies are payable on presentation of any invoice or monthly statement issued by the Chief Financial Officer or delegated official. Payments are due by the date indicated for the transaction, in an agreement / contract or on an invoice or monthly statement.

CPI means the consumer price index excluding mortgage costs as measured by STATSSA.

Council: means the municipal council of !Kheis municipality.

Economic services: are services that Council has classified as such, and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.

Fixed costs: are costs which do not vary with consumption or volume produced.

MFMA: means the Local Government: Municipal Finance Management Act, 56 of 2003

Municipality: means !Kheis Local Municipality.

Resident: means a person who ordinary resides in the jurisdictional area of !Kheis Municipality.

Total cost: is the sum of all fixed and variable costs associated with a service.

Total Municipal Account: means an assumed current account based on average bills for water, electricity, sanitation, solid waste services and rates added together.

Trading services: are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit or break-even on the delivery of the services.

Units consumed: are the number of units consumed of a particular service.

Variable costs: are costs that vary with consumption or volume produced.

2. PREAMBLE

- a) **Whereas** section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;
- b) **And whereas** the tariff policy at least should include the principles contained in section 74(2) of the Act; thus, giving effect to the **By-Law** required in terms of section 75 of the Act;
- c) **And whereas** the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;
- d) **Now therefore** the Municipal Council of !Kheis Municipality adopts the following Tariff Policy, which will be implemented with effect from 1 July 2017 and be reviewed as and when required.

3. PURPOSE OF THE POLICY

!Kheis Local Municipality wishes to achieve the following objectives by adopting this Tariff Policy:

- a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, No 32 of 2000;
- b) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
- c) To give guidance to the Mayor and Council regarding tariff proposals that must be submitted to Council annually during the budget process.

4. APPLICATION OF THE POLICY

- a) This Policy shall be applicable to the services provided or delivered by the Municipality and shall also be applied by an agent, contractor or other form of municipal service provider acting on behalf of the Municipality in terms of an agreement.

5. TARIFF PRINCIPLES

5.1 !Kheis Local Municipality wishes to record that the following tariff principles will apply:

- a) All users of municipal services will be treated equitably as practically possible;
- b) The amount payable by consumers and / or owners will generally be in proportion to usage of the service and compliance with municipal by-laws;

- c) Poor households must have access to basic services; however, relief will be granted to poor households in line with the applicable assistance to the Municipal Indigent Policy as adopted by council.
- d) Free basic services will only be possible if National Government pay to the municipality in terms of the Division of Revenue Act (DORA) an equitable share allocation which covers the full costs of the free basic services;
- e) Tariffs must reflect the total cost of services or must be cost reflective;
- f) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
 - (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
 - (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services to subsidise rates and general services;
 - (iii) There is constant improvement on key financial ratios that are utilised to measure financial performance of the municipality.
- g) Provision may be made in appropriate circumstances for surcharges on tariffs;

- h) Efficient and effective use of resources may be encouraged by providing for penalties or stepped tariffs to prohibit or restrict exorbitant use;
- i) The extent of subsidisation of tariffs will be disclosed, and such disclosure will include the extent of subsidisation of the poor or incentives for local economic development;
- j) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users, **more especially when they are to promote job opportunities around the area OR improve the economic viability of the municipal area;**
- k) VAT is excluded from all tariffs and will be additional to these tariffs when applicable;
- l) The !Kheis Local Municipality can introduce new tariffs or strategies thereof as part of the budget process, which must be subjected to due processes and final approval by Council,
- m) This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.

5.2 Notwithstanding any of the above principles, indigent households identified as such would qualify for relief in terms of the Indigent Policy.

6. CATEGORIES OF CUSTOMERS

- 6.1 Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters if the differentiation does not amount to unfair discrimination.
- 6.2 Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and / or standard of services provided, the Council can, after considering a report by the Accounting Officer in conjunction with the Chief Financial Officer determine differentiated tariffs for the different consumers within the specific category.

7. INDIGENT SUPPORT

- 7.1 Such support will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, annual financial statements or reports.
- 7.2 During implementation cognisance (awareness) will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate it and that such amendments may be phased in over a period of time.
- 7.3 Poor households are expected to manage their consumption beneath the levels of relief granted and are responsible for the payment of electricity and water consumption above the levels of relief granted.
- 7.4 Assistance and management of poor households is contained in the Indigent Policy approved by Council. **The Municipality, however,**

retains the right to limit consumption through prepaid meters or restriction of services if the account of an assisted household falls into arrears, or should additional water be required over and above the approved volume of 6 kl of free water.

8. SERVICE AND EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

8.1 Service Classification

8.1.1 To isolate the costs associated with a service, the Chief Financial Officer shall, subject to guidelines provided by National Treasury or the Provincial Treasury and / or the Municipal Council, make provision for inter alia the following classification of services:

(a) Trading Services

- (i) Water

(b) Economic Services

- (i) Sanitation/ Waste Water Management
- (ii) Refuse Removal / Waste Management

(c) Community Services

- (i) Administration and Treasury services
- (ii) Local tourism
- (iii) Town planning
- (iv) Trading permits/licenses
- (v) Cemeteries
- (vi) Facilities for accommodation, care and burial of animals
- (vii) Housing facilitation
- (viii) Local sport facilities
- (ix) Municipal parks and recreation

- (x) Licensing of motor vehicles and transport permits
- (xi) Building control
- (xii) Library services

NB: Any other service that Council may classify as forming part of this category.

8.1.2 NB: The municipality must, at all times, limit the exposure and financial risk resulting from continuous rendering of unfunded / under-funded mandates. These are services that do not necessarily fall under the municipality in terms of the Constitution of the Republic of South Africa Act (1996). These are services such as Provincial Roads, Library Services, etc.

8.2 Expenditure Classification

8.2.1 Expenditure categories will be classified in accordance with Generally Recognised Accounting Practice (GRAP) and also the Municipal Standard Chart of Accounts (mSCOA).

8.3 Cost Elements

8.3.1 The following cost elements may be used to calculate the tariffs of the different services:

(a) **Fixed Costs:**

Fixed costs consist of:

- (i) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level
- (ii) Capital costs (interest and depreciation) on external loans; depreciation on assets obtained through

grants; as well as depreciation on assets obtained through own funds, whichever are applicable to the service

- (iii) Any other costs of a permanent nature as determined by the Council from time to time.

(b) **Variable Cost:**

This includes all other variable costs that have reference to the service

(c) **Total Cost**

This is equal to the fixed cost plus variable cost

9. CALCULATION OF TARIFFS FOR MAJOR SERVICES

9.1 To determine the tariffs which must be charged for the supply of the four major services (refuse removal, sanitation and water), the Municipality shall use service and expenditure classifications and cost elements contained in section 7 above and identify all the costs associated with the service concerned, including specifically the following:

- (a) Cost of bulk purchases in the case of water
- (b) Distribution costs, including distribution losses in the case of water
- (c) Depreciation and finance charges
- (d) Operations and Maintenance of infrastructure and other fixed assets
- (e) Administration and service costs, including:

- (i) Service charges levied by other support services such as finance, human resources, legal services, information technology services, etc.
- (ii) Reasonable general overheads such as the costs associated with the office of the Accounting Officer etc.
- (iii) Adequate contributions to the provisions for bad debts, working capital and obsolescence of stock.
- (iv) 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
- (f) The cost 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 property rates and general revenues and shall also be included into the costing of the major services of the municipality
- (g) The intended surplus to be generated for the financial year, such surplus to be applied:
 - (i) As an appropriation to the capital replacement reserve and /or
 - (ii) Generally in relief of rates and general services
- (h) The municipality shall be guided by its Indigent Policy to provide 7kL of water per month free of charge to all approved indigent households and may extend the provision of free water per month free of charge to all other domestic

consumers subject to the affordability levels in terms of the budget.

9.2 Water

The categories of water consumers as set out below, shall be charged at the applicable tariffs as approved by the council in each annual budget.

Categories of consumption and charges

- (a) The municipality shall be guided by its Indigent Policy in order to provide 7kL, or any volume approved by Council from time to time, of water per month free of charge to all approved indigent households and may extend the provision of free water per month free of charge to all other domestic consumers subject to the affordability levels in terms of the budget.
- (b) Because water is a scarce national resource and this municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed.
- (c) The tariffs for domestic consumption shall be based on a step tariff structure which is annually approved by Council during the budget endorsement process.
- (d) The cost of water in the first two steps will be calculated at break even and will include any basic / availability charges.
- (e) A basic charge per water meter or availability charge per consumer as determined by the Council from time to time may

be charged on all water consumers, except consumers using pre-paid meters.

- (f) Where consumers are not connected to the water services and these consumers can reasonably connect to the service within an approved township establishment, an availability tariff will be payable.
- (g) A different water tariff applicable to the business sector will be levied by the municipality the same as domestic properties, being levied at step-tariff.

9.3 Refuse Removal

- (a) A separate fixed monthly refuse removal charge shall apply to each category of users and in the case of more than one user per stand for each user based on the costs of the service concerned and the applicable level of service that can vary from once a week up to 7 times a week, or two times a week, etc.
- (b) Household Refuse Collection: the fixed basic charge will be based on volume removed and the costs associated with its disposal.
- (c) A basic (availability) charge per month may be charged for undeveloped- and vacant erven.
- (d) The municipality may introduce tariffs such as environmental charge in order to deal with environmental matters pertaining to rendering the refuse removal and or cleansing service and the income / revenue raised from this tariff will be used to finance same operations.

9.4 Sewerage

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

(b) Categories of usage and charges

(a) A basic (minimum) charge per month shall be charged for all erven provided with access to the municipal sewerage system.

(b) An additional monthly fee will be charged per additional independent user per stand as an availability charge to be used to finance / fund the upgrading of the infrastructure.

(c) An effluent charge shall further be payable by all Commercial and Industrial sewage contributors as well as those discharging sewage strength that is stronger than that of domestic sewage and requires special purification measures by the municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of the purification. This will be in line with limits prescribed by the Water and Sanitation services municipal **by-law**.

9.5 Minor tariffs

(a) All minor tariffs shall be standardized and be cost reflective as much as possible within the municipal area.

(b) All minor tariffs shall be approved by Council in each annual budget and shall, when deemed appropriate by Council, 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.

(c) Minor tariffs shall include but not limited to the following:

- (i) Cemetery fees
 - (ii) Housing rentals
 - (iii) Library fees (e.g. membership fees, fines, lost books, lost membership cards)
 - (iv) Rentals for the use of municipal premises
 - (v) Rentals for the use of municipal sports grounds
 - (vi) Rentals for the lease of municipal property
 - (vii) Building plan fees
 - (viii) Advertising sign fees
 - (ix) Cleaning of stands
 - (x) Sewerage connection fees
 - (xi) Sewerage inspection and testing fees
 - (xii) Tax Clearance certificates
 - (xiii) Photostat copies and faxes
 - (xiv) Vacuum tanking sewerage charges /fees
 - (xv) Water: disconnection and reconnection fees
 - (xvi) Water: new connection fees
 - (xvii) Water inspection and testing fees
 - (xviii) Penalty and other charges in terms of the Customer Care, Credit Control, Debt Collection and Indigent Policy; and
- Municipal bylaws**
- (xix) Supply of information (e.g. for Tender processes, etc)
 - (xx) License fees (drivers, learner license and road worthy)
 - (xxi) Sale of miscellaneous items
 - (xxii) Garden refuse removal

- (d) The Municipal Manager shall maintain a list of all minor services indicating their unit of service for the purpose of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees, charges and levies.

10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- (a) After a draft budget as required by the Local Government: Municipal Finance Management Act (MFMA) has been tabled, the Accounting Officer must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.
- (b) After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of the Act of all tariffs approved at the annual budget meeting and the Municipal Manager shall without delay conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office of the Municipality and at such other places within the Municipality to which the public has access as the Municipal Manager may determine.
- (c) A notice stating the purpose of the Council Resolution, date on which the new tariffs shall become operational and invitation for objections, will be advertised by the Municipality in terms of section 75A(3)(b) of the Act.
- (d) All tariffs approved must have been considered at the annual budget meeting and is implementable on the 1 July of each municipal financial year.

11. IMPLEMENTING AND PHASING IN OF THE POLICY

- (a) The principle contained in this policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff bylaws referred to in Section 75 of the Act.
- (b) Council may determine conditions applicable to a community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

12. PROCEDURES AND ACCOUNTABILITY

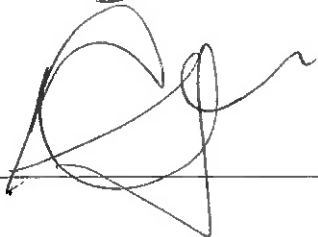
- (a) The Municipal Manager shall ensure that procedures to manage all aspects of this policy are prepared in the form of a manual, reviewed regularly and that these are formally adopted by him / her for implementation. These procedures will include aspects in this policy and subscribe to sound principles of internal control.
- (b) Chief Financial Officer shall ensure compliance with the procedures as approved from time to time by the Municipal Manager to give effect to the provisions of this policy.

13. REVIEW OF THE TARIFFS POLICY

- (a) This policy will be reviewed at least once in a financial year and more ideally during the budget process.

- (a) This policy will be reviewed at least once in a financial year and more ideally during the budget process.

This policy had been presented to Council on the **28th May 2026** in the Council Chambers of !Kheis Municipality.

Municipal Manager: 	Date: 28/05/2026
Mayor: 	Date: 28/05/2026