People's power in action

ANNEXURE

"F"

TARIFFS POLICY
FINANCIAL YEAR 2026/27

MEETING TO BE HELD ON | **29 MAY 2026**

"People's power in action"

TARIFF POLICY

2026-2027 FINANCIAL YEAR

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FOREWORD

In terms of section 62 (1) of the Municipal Finance Management Act, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and, in terms of section 62 (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.

Section 74 (1) of The Municipal Systems Act No.32 of 2000 stipulates that a 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 agreement and which complies with the provision of the Municipal Finance Management Act No.56 of 2003 and with any other applicable legislation.

1. DEFINITIONS

In this Policy, unless the context indicates otherwise –

"accounting officer" – in relation to a municipality, means the official referred to in section 60 of the Municipal Finance Management Act;

"approved budget" – means an annual budget approved by a municipal council, provincial or national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustment budget in terms of section 28 of Municipal Finance Management Act;

"basic municipal services" – means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"budget related policy" – means a policy of a municipality affecting or affected by the annual budget of the municipality, including:

- the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates, or
- the credit control and debt collection policy which the municipality must adopt in terms of section 96 (b) of the Municipal Systems Act;

"budget year" – means the financial year for which an annual budget is to be approved in terms of section 16 (1) of MFMA;

"chief financial officer" – means a person designated in terms of section 80 (2) (a) of MFMA;

"councillor" – means a member of a municipal council;

"current year" – means the financial year which has already commenced, but not yet ended; "debt" – means:

- a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments, or

- a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

"delegation" – means in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial year" – means a year ending 30 June;

"local community", in relation to a municipality, means that body of persons comprising:

- the residents of the municipality;

- the ratepayers of the municipality;

- any civic organization and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality, and;

- visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality;

and includes, more specifically, the poor and other disadvantaged sections of such body of persons;

"local municipality" – means a category B municipality envisaged in section 155 (1) (b) of the Constitution (a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls);

"municipal council" or "council" – means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"Municipal Finance Management Act" – means the Local Government: Municipal Finance Management Act No.56 of 2003, and any regulations made under that Act;

"municipality", when referred to as –

- a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

- a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act No.27 of 1998;

"municipal manager" – means a person appointed in terms of section 54 (a) of the Municipal Systems Act (is the head of administration and also the accounting officer of the municipality);

"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 irrespective of whether:

- such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in section 76 of Municipal Systems Act) or by engaging an external mechanism contemplated in section 76 of the same Act; and

- fees, charges or tariffs are levied in respect of such a service or not;

“Municipal Systems Act” – means the Local Government: Municipal Systems Act No.32 of 2000;

“municipal tariff” – means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“municipal tax” – means property rates or other taxes, levies or duties that a municipality may impose;

“poor households” – means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it. And must earn less than four (4) pensioners monthly grants combined;

“property” – means

- immovable property registered in the name of a person, and includes a unit as defined in section 1 of the Sectional Title Act No.95 of 1986;

- a right registered against immovable property in the name of a person;

“ratepayer”, in relation to a municipality, means a person who is liable to the municipality for the payment of –

- rates on property in the municipality;

- any other tax, duty or levy imposed by the municipality, or fees for services provided either by the municipality or in terms of a service delivery agreement;

“resident”, in relation to a municipality, means a person who is ordinarily resident in the municipality;

“tariff policy” – means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act No,32 of 2000;

“the Act” – means the Municipal Systems Act No.32 of 2000.

2. INTRODUCTION

One of the primary functions of a local authority is to provide services to the people or residents within its municipal area. The funding of these services is made possible by levying property taxes, charging municipal services rendered and levying collection through business levies. Rates represent the charges levied by Council on consumers for the utilization of services provided by the municipality. These are calculated depending on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidize other non-economical services.

3. OBJECTIVE

The objective of the tariff policy is to ensure that:

3.1 The tariffs of the municipality comply with the legislation prevailing at the time of implementation;

3.2 The municipal services are financially sustainable, affordable and equitable;

3.3 The needs of the indigents, aged and disabled are taken into consideration;

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

3.5 The policy is drawn in line with the principles as outlined in the Municipal Systems Act;

3.6 To ensure that the municipality, in levying of fees for services provided shall at all times take into cognizance the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs have on local economic development.

4. PRINCIPLES

In terms of Section 74 of the Municipal Systems Act, the following principles should at least be taken into account when formulating a tariff policy:

4.1 The users of municipal services should be treated equally in the application of tariffs;

4.2 As far as practically possible, consumers should pay in proportion to the amount of services consumed;

4.3 All households except for the poor (indigent) should pay the full costs of services consumed except for the free Kilo liters that is provided to the indigent households by the municipality per month in line with the indigent policy. Poor households must have access to at least a minimum level of basic services through;

4.3.1 Tariffs that cover the operating and maintenance costs;

4.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or

4.3.3 Any other direct or indirect method of subsidization of tariff for poor households;

4.4 Tariffs must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges;

4.5 Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned;

4.6 Provision may be made in appropriate circumstances for a surcharge on the tariff for a special service;

4.7 Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users;

4.8 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;

4.9 The extent of subsidization of the poor households and other categories of users should be fully disclosed;

4.10 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region for the following services and more:

- Electricity;
- Water;
- Sewerage;
- Refuse;
- Property Assessment
- Railway Siding
- Advertising
- Sale of Sludge
- Building Plans
- Connection Fees
- Tampering Penalty Fees for Water and Electricity
- Prepaid Meters
- Duplicate Accounts
- Tender Documents
- Others

4.11 The municipality differentiates between the following categories of users with regard to tariffs which it levies;

- Residential;
- Business;
- Industrial;
- Governmental;
- Municipal; and
- Other

4.12 Moqhaka Local Municipality has adopted a two-part tariff structure, namely:

- Monthly availability charge for the above services;
- Monthly charge based on consumption;

In terms of Section 74 (3) of the Municipal Systems Act, a tariff may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not

amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the Municipal Systems Act provides for the Municipal Council to adopt by-laws.

5. CLASSIFICATION AND PRICING STRATEGIES OF SERVICES

There are basically two categories of municipal services (i.e. trading, rate and general services) which are discussed as follows:

- In determining the tariffs which must be charged for supply of services, the municipality identities all costs of operation of undertakings concerned, including the following: costs of bulk purchases, distribution costs, losses, depreciation, maintenance of fixed assets, administration and service costs, costs of approved indigency relief measure and intended surplus;

- The tariffs levied shall escalate according to the volume of water and electricity consumed;

- Tariffs for pre-paid meters shall be same as ordinary consumption tariffs levied on the category of consumers concerned and availability charge will be levied;

5.1 TRADING SERVICES

These are services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realized. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose, full costs include:

- Direct operating costs (e.g.) salaries, allowances including overtime, materials used, repairs and maintenance, general expenses, plant and vehicle hire;

- Depreciation/capital charges based on usage, life of buildings, plant and equipment and infrastructure used;

- Financing outlays which include loan service costs;

- Allocated costs that include costs allocated through support services;

ELECTRICITY TARIFFS

- Electricity consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as per the NERSA approval obtained;

- All indigent domestic consumers of electricity receive the first 50 kw/h free;

- All properties using conventional and prepaid electricity meters will be charged an availability electricity tariff as approved in the tariff schedule by the Municipal Council;

- There is an unblocking fee for prepaid and reconnection fee for conventional electricity as approved in the tariff schedule by the Municipal Council;

- A monthly availability charge for electricity will be the responsibility of the user of the electricity service, and will be charged at a tariff as approved in the tariff schedule by the Municipal Council;

- Municipality's departmental electricity consumption will be charged at a tariff as approved in the tariff schedule by the Municipal Council;

- An interim consumption shall automatically be charged by the system, if there is no reading available. This interim consumption shall also be automatically reversed by the system as soon as an actual reading becomes available and is captured on the system.

- A time-of-use tariffs shall be applicable to the high electricity consumers as outlined in the tariff schedule approved by the Municipal Council for both summer and winter periods.

- A tampering fine will be payable at a tariff as approved in the tariff schedule by the Municipal Council including cost of the units lost over the period of tampering at the current going rate. A tampering fine must be paid in full before the electricity can be reconnected or unblocked. The cost of units lost during tampering period may be debited against the debtor account, but arrangements must be entered into to settle the outstanding amount.

WATER TARIFFS

- Water consumers will be charged applicable tariffs as approved by the Council in each financial year and implemented as from 01 July each year;

- Tariffs shall be charged for actual water consumed at a stepped tariff per kilo liter as approved in the tariff schedule by the Municipal Council;

- A monthly availability charge for water will be the responsibility of the user of the water service, and will be charged at a tariff as approved in the tariff schedule by the Municipal Council;

- Municipality's departmental water consumption will be charged at a tariff at a tariff as approved in the tariff schedule by the Municipal Council;

- An interim consumption shall automatically be charged by the system, if there are no readings available. This interim consumption shall automatically be reversed by the system as soon as an actual reading are captured on the system.

- A flat rate as approved in the tariff schedule by the Municipal Council shall be charged where water meters are not installed.

A tampering fine will be payable as approved in the tariff schedule by the Municipal Council including the cost of the units lost over the period of tampering at the current going rate. A tampering fine must be paid in full before the water can be reconnected. The cost of units lost during tampering period may be debited against the debtor account, but arrangements must be entered into to settle the outstanding amount.

5.2 RATES AND GENERAL SERVICES

This service is further classified into three (3) categories: (i.e.) economics, subsidized and community services;

ECONOMIC SERVICES

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit (e.g.) trade effluent includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer, whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service;

These costs can be determined as follows:

- Full cost of providing the serviced as explained in 6.1 above;
- The rate per unit is based on projected usage;

5.2.1 SUBSIDIZED SERVICES

There are services for which tariffs are fixed in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, many user would not be able to afford it. In most cases not only would the consumer benefit from using the service, but will also other persons benefit. Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include fire-fighting, approval of building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions;

REFUSE REMOVAL TARIFFS

- The following categories of refuse removal users will be charged applicable monthly tariffs as approved by the Municipal Council in each financial year and implemented as from 01 July each year. Including during Holidays and under special circumstances when service could not be rendered;

- Domestic (once weekly removal). Tariff will be determined by the size of the stand;

- Business, industries, schools, government, public benefit organizations and non-ratable properties' tariff will be determined by multiplying a factor by a valuation of the stand with a minimum tariff as approved by the Municipal Council in the tariff schedule. The greater of the two amounts shall be levied;

- Municipal properties shall be charged a flat rate as approved in the tariff schedule;

- The owners of stands will be liable to pay for the monthly charge on the respective stands;

- No refuse shall be charged on an empty stand until the respective structure has been constructed accordingly;

- Garden refuse removal shall be charged at a tariff as approved by the Municipal Council and should be paid before the service can be rendered.

SEWERAGE TARIFFS

- The following categories of sewerage users will be charged applicable monthly tariffs as approved by the Council in each financial year and implemented as from 01 July each year;

- A monthly availability charge for sewerage will be charged on all users of the service, including undeveloped stands (vacant stands), irrespective of their permitted or intend of use as long as the infrastructure is available for connecting the vacant stands. This will be charged at a tariff as approved in the tariff schedule by the Municipal Council;

- Monthly charges shall be charged for domestic users based on the size of the stand;

- No monthly sewer charge shall be charged on an empty stand until the respective infrastructure has been installed.

- A fee shall be payable by factories and other industrial users where waste water emanating from such users require special purification;

- The owners of stands will be liable to pay for the monthly charge on the respective stands;

- Municipal properties shall be charged a flat rate as approved in the tariff schedule by the Municipal Council;

- Business, industries, schools, government, public benefit organizations and non-ratable properties' tariff will be determined by multiplying a factor by a valuation of the stand with a minimum tariff as approved in the tariff schedule by the Municipal Council. The greater of the two amounts shall be levied. The municipality may charge sewerage based on water consumption when possible;

5.2.2 COMMUNITY SERVICES

These are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates;

They include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

In addition to the above services, domestic refuse and sewerage removal are also community services provided directly to all the residents and for which costs form part of a balanced budget. The municipality also provides support services such as committee services, records and archives, financial management accounting and stores, occupational health and human resources management, which are financed through property rates.

5.3 HOUSING AND HOSTEL SERVICES

These are usually grouped into three categories, namely: letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic (i.e.) the operating income should cover the operating expenditure. No indigent will stay in a hostel or a flat of the Municipality. Preference will be given to municipal and government employees. Rentals shall be in accordance with Council's rental policy.

MINOR TARIFFS

The following minor services will be charged applicable tariffs as approved by the Municipal Council in each financial year and implemented as from 01 July each year;

Minor services where tariffs are levied shall cover as close as possible the annual operating expenses, namely:

- Burials and cemeteries;
- Rentals of municipal sports facilities;
- Maintenance of graves;
- Housing rentals;
- Rental for use of municipal halls;
- Building plans fees;
- New connection fees (electricity, water and sewerage);
- Photostat copies and fees;
- Clearance certificates;
- Valuation certificates;
- Municipal swimming pool;

Minor services where no tariffs shall be levied for their use, namely:

- Municipal Museum;
- Disposal of garden refuse at the municipal tip site;
- Municipal parks and open spaces;

The following charges shall be considered as regulatory or punitive

- Advertising sign fees;
- Pound fees;
- Electricity disconnection and reconnection fees;
- Water disconnection and reconnection fees;
- Penalty and charges imposed in terms of debt collection policy;
- Fines and penalties for littering and other offences.

6. POLICY PROPOSAL

6.1 A Minimum Amount of Availability Services Charges Must be Free

The municipality subscribes to the policy that indigent households are entitled to a minimum amount of free basic services. An availability service charge 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 services include:

- Potable water;
- Domestic wastewater and sewerage removal; and
- Electricity;

The Council is aware that it currently provides these services to all residents within its municipal areas. It is also aware that more than likely, some of the services it currently provides in connection with the abovementioned services may be transferred or assigned to other bodies. In the latter case, the Council commits itself to make representations and negotiate with service providers to achieve its goals.

The Council realizes that in order to achieve its goal, a minimum amount of basic services should be free to the poor, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to make good any shortfall resulting from free services and to ensure a balanced budget on the trading account, in order to ensure affordable services, the Council has introduced a stepped tariff structure in which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

6.2 KEEPING TARIFFS AFFORDABLE

The Council is also aware that due to historical reasons, many residents receive services at a level higher than what they can afford. In order to remain affordable, the Council will ensure that:

- Services are delivered at an appropriated level;
- Efficiency improvements are actively pursued across the municipality's operations;
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively, and that appropriate service delivery mechanisms are used;
- Any non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in our area, and;
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it. If this requires the municipality to maintain significant infrastructure and other facilities. They should be phased out, except where the Council is by law required to provide such a service;

6.3 REDISTRIBUTION / CROSS SUBSIDIZATION

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others. The budget of the municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidize those who pay less tax. The Council uses the trading surplus it realizes on the trading account to bring relief with regard to property rates tax. Likewise, the Council will ensure that the cross subsidization occurs between and within services to further contribute to its redistribution objectives.

6.4 PROMOTING LOCAL AND ECONOMIC COMPETITIVENESS AND DEVELOPMENT

The size of the property rates and service charges accounts presented to the local businesses, is a significant business overhead for any business enterprise in the municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal accounts presented to local businesses are fair. To ensure fairness towards local businesses, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness and;

- To promote local economic development and growth;

6.5 ENSURING FINANCIAL SUSTAINABILITY OF SERVICE DELIVERY

The Constitution, Local Government Municipal Systems Act No.32 of 2000 and Water Services Act of 1997 require that the municipality must ensure that the services that it provides are sustainable. Financial sustainability of a municipality will be achieved when it is financed in a manner that ensures and exhibits at least a breakeven position. The tariff for the service must therefore be sufficient to cover the cost of the service and maintenance, repairs and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements. It also means that charges to be levied must be collected. The Council will therefore adopt and apply Credit control and Debt Collection Policy to ensure that property rates and service charges are fully recovered.

6.6 INDIGENCY.

The indigent assistance scheme will apply to tariffs set by the Council. This is laid out in Municipality's indigent Policy. With regard to customer service agreement, deposits and guarantees, accounts and billing, and all other items pertaining to Credit Control and Debt Control, related to tariffs, reference must be made to the Credit Control Policy.

7. TARIFF DETERMINATION PROCESS

Except in special circumstances, such as significant increases in the Consumer Price Index, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during Council's consultation process about the budget.

In terms of Section 75 (a) of the Municipal Systems Act, a municipality may operate such:

- That it can levy and recover fees, charges or tariffs in respect of any function or service of the municipality;
- That fees and charges levied are passed by the Municipal Council with a supporting vote of a majority of its members;
- The proposed tariffs will be presented to the community during Council's consultations process about the budget;

The annual tariffs per service should be compared to the activity based costing results, to view profitability per service and the level of cross subsidization. The goal should be to, where possible, provide a cost-reflective service charge. Immediately after the Council has determined or amended a tariff, the Municipal Manager must display a notice of the draft tariffs at a place earmarked for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as he/she may determine a notice.

The notice must state:

- The general purpose of the resolution;
- The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment;
- The date on which the notice is displayed;

That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed, and

- That any person who cannot write may come during office hours to a place where a staff member of the municipality named in the notice, will assist that person to transcribe his/her objection;

If no objection is lodged within the period stated in the notice, the determination or amendment will come into operation on the date determined by the Council, where an objection is lodged; the municipality will consider every objection.

The Council may, after it has considered all objections, confirm, amend or withdraw the determination or amendment or may determine another tariff, on the date on which the determination or amendment will come into operation.

After the Council has considered the objection, it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

JOURNALS

The corrections on accounts will be done in cases where:

- A water or electricity meter is incorrectly read,
- A wrong tariff code was used to calculate consumption for water or electricity,
- A wrong tariff code was used for property rates, refuse or sewerage,
- A debit or credit was processed on a wrong account,
- The details of the transaction were not correct {(e.g.) Amount entered not correct},
- Write offs are performed,
- Indigent's subsidy is allocated or reversed,
- Pre-paid electricity is bought using credit on the account,
- For any other reason as deemed necessary by the Revenue Manager or the Chief Financial Manager.

When a water meter is replaced after being stuck or broken, an average consumption is taken from the previous months when the meter was still working. The average is then allocated equally between the months with wrong reading.

If a correction is done on a meter which was leaking, the current reading after repairs is used to subtract the last correct reading and the difference is divided equally for the months in between.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented once approved by Council. This policy may be reviewed annually for amendments if any.