

TARIFFS POLICY



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a) Definitions

“Systems Act” means local Government: Municipal Systems Act, 2000(act No. 32 of 2000).

b) Introduction

A Tariff policy must be compiled, adopted and implemented in terms of section 74 of the systems act, 200 such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in section 74.

In setting its annual tariff the council shall at all times takes due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which owns its tariffs may have on Local Economic Development.

c) Principles

- 3.1 Service tariffs imposed by the local municipality shall not be viewed as Taxes, and therefore the ability of the relevant consume or user of the services to which such tariffs relate, shall not be considered as a relevant criterion(except in the case of the indigence relief measures approved by the municipality from time to time).
- 3.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 3.3 Tariffs for the four major services rendered by the municipality, Namely:
 - Water
 - Electricity
 - Refuse removal (solid waste)
 - Sanitation 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 particular service used or consumed.
- 3.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentages as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for 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.
- 3.5 The municipality shall develop, approve and at least annually review an indigence support programme for the municipal area. This programme shall set out clearly the municipality’s cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposed on other users and consumers in the municipal region.

- 3.6 In line with the principles embodied in the constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable and shall be fully disclosed in each annual budget.
- 3.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.
- 3.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by tariff policy concerned.
- 3.9 The municipality also undertakes to render its services cost effective in order to ensure the best possible cost of service delivery.
- 3.10 In the case of directly measurable service, namely electricity, the consumption of such service delivery shall be properly metered by the municipality and meters shall be read wherever circumstances reasonable permit on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of service which they consume. In addition, the municipality shall levy monthly availability charges for the service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned, and another directly related to the consumption of the service in question.
- 3.11 In considering the cost of its electricity service, the municipality shall take due cognisance of the high capital cost of establishing and expanding such service and of the resultant high fixed cost, as opposed to variable cost of operating the service. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both the current and reasonable expected future demands are adequately catered for and that demand level which fluctuates significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods and the cost of such surplus capacity must also be covered in the tariffs which are annually levied.
- 3.12 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make 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 incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay relevant demand charges as well as service charge directly related to their actual consumption of electricity during the relevant metering periods.

d) Calculation of tariffs for Major services

4.1 Cost of operation

4.1.1 In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the cost of operation of the undertakings concerned, including specifically the following:-

- a) Cost of bulk purchases in the case of electricity and water.
 - b) Distribution cost, including distribution losses in the case of water and electricity.
 - c) Depreciation and finance charges
 - d) Maintenance of infrastructure and other fixed assets
 - e) Administration and service cost, including
- ✓ Service charges levied by other departments such as finance, human resources and legal services
 - ✓ Reasonable general overheads, such as the cost associated with the office of the Municipal Manager
 - ✓ Adequate contributions to the provisions for bad debts and obsolesces stock
 - ✓ All other ordinary operation expenses associated with service concerned.

4.1.2 Including, in the case of the electricity service, the cost of providing street lightning in the municipal area (note: the costs of democratic process in the municipality that is, all expenses associated with the political structure 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:-

- ✓ An apportionment to capital reserves and /or
 - ✓ Generally in relief of rates and general services.
- 4.1.3 The municipality shall provide the first 50kWh of electricity per month free of charge to consumers who have registered as indigents in terms of the indigence relief programme. The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the council deems such relief reasonable affordable in in terms of such annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the amount for the service concerned.
- 4.1.4 Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied in properties where pre-paid meters have been installed. This distinction is made in recognition of the financial advantages which pre-paid metering entails the services in question.

4.2 Electricity

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

Tariff adjustment shall be effective from 01 July each year. Categories of consumption and charges shall be as follows:-

- a) With single exception of 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.
- b) The tariff for domestic consumption of electricity shall not exceed 75% per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh.
- c) All electricity consumers of the municipality who are registered and indigents with the municipality shall receive.
- d) Free the first 50kWh of electricity consumed per month.
- e) All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
- f) 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.
- g) The local municipality's departmental electricity consumption shall be charged at cost.

4.3 Water

4.3.1 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.

4.3.2 Tariff adjustment shall be effective from 01 July each year.

4.3.3 Categories of consumption and charges shall be:-

- a) All domestic water consumers registered as indigents with the municipality shall receive free the first 6 (six) kilolitres water consumption per month. Thereafter a stepped tariff per kilolitre as determined by the council from time to time shall be applicable on metered water consumption, as set out in paragraph 4 of this policy.
- b) All other domestic consumers shall be charged for actual water consumption at the stepped tariff per kilolitre as determined by the council from time to time, and as set out in paragraph 4 of this policy.
- c) The tariff applicable to domestic consumption of water shall not exceed 75% per kilolitre of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same single tariff per kilolitre, irrespective of the volume of water consumed.
- d) A basic charge per meter, as determined by the council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- e) The local municipality's departmental water and consumption shall be charged at cost.

4.4 Refuse Removals

- 4.4.1 The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.
- 4.4.2 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned:-
 - a) Domestic and other users(Once weekly removal)
 - b) Business and other users (twice weekly removal)
 - c) Business and other users (thrice weekly removal)
 - d) Business and other (bulk consumers)
- 4.4.3 Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge.
- 4.4.4 Tariff adjustment shall be effective form 01 July each year.
- 4.4.5 A fixed monthly charge shall be charged to the local municipality's department equal to the lowest (domestic) tariff.

e) Categories of usage and Charges

- 5.1 A basic (availability) charge per month shall be charged for undeveloped erven.
- 5.2 A fixed monthly charge based on the cost of the service shall be charged for bucket removal for domestic users. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the amount billed for this service.
- 5.3 A fixed monthly charge based on the cost of the service shall be charged for domestic users. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, on the understanding that such discount shall not be less than 50% of the amount billed for the service.
- 5.4 A fixed monthly charge based on the costs of the service per sewer point/toilet shall be charged at all businesses, industries and institutional users.
- 5.5 A fixed monthly per sewer/point shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.
- 5.6 An influent fee shall further 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 concerned and the cost of the purification.
- 5.7 Tariff judgment will be effective from 01 July each year.

f) Minor Tariffs

- 6.1 All minor tariffs shall be standardises within the municipal region. All minor tariffs shall be approved by council in each annual budget, and shall, when deemed appropriate by the 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.

6.2 All minor tariff over which the municipality has full control shall annually be adjusted as least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

6.3 Minor tariff shall include the following:-

- a) Cemetery fees
- b) Housing rentals
- c) Library fees(e.g. membership fees, fines, lost books, lost membership fees)
- d) Rentals for the use of municipal premises
- e) Rentals for the lease of municipal property
- f) Rentals for the lease of municipal property
- g) Building plan fees
- h) Advertising fees
- i) Plastic bag sales
- j) Refuse bin sales
- k) Cleaning of stands
- l) Sewerage connection fees
- m) Photostat copies and faxes
- n) Clearance certificates
- o) Electricity: disconnection and reconnection fees
- p) Electricity: new connection fees
- q) Penalty and other charges in terms of the credit control and debt collection policy
- r) Supply of information
- s) Water
- t) Garden refuse removal Licence fees(drivers, learner licence and roadworthy)