



# **TARIFF POLICY**

**1 JULY 2015 – 30 JUNE 2016**

**MSUKALIGWA  
LOCAL MUNICIPALITY  
(MP 302)**

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## **PART 1: GENERAL INTRODUCTION AND OBJECTIVE**

All municipalities must compile, adopt and implement a tariff policy in terms of Section 74 of the Local Government: Municipal Systems Act 2000, 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.

This tariff policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 (see part 9 of this policy).

In setting its annual tariffs the council shall at all times take due cognisance 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**

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

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

- \* electricity
- \* water
- \* sewerage (waste water)
- \* 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 particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate a reasonable operating surplus for each financial year, and that such surplus be phased in to the limit of 10% within a period of 5 years, or such percentage 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.

The municipality shall develop, approve and at least annually review an indigency 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 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 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.

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.

The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

The municipality also undertakes to render its services cost effectively in order 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, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

In addition, the municipality shall levy monthly availability or basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below.

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 in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

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 the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

### **PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES**

In order 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 structures 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.

\* The cost of approved indigency relief measures.

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 municipality's indigency relief programme. The municipality shall provide the first 6 kl of water per month free of charge to all domestic consumers within the municipality. The municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a subsidy of 50% on the monthly amount billed for the service concerned.

Because water is a scarce national resource, and this municipality is committed to the prudent conservation of such resources, the tariff levied for consumption of water shall escalate according to the volume of water consumed. The tariff for domestic consumption shall be based on monthly consumption of up to 6 kl, more than 6 kl but not more than 9 kl, more than 9 kl but not more than 12 kl, more than 12 kl but not more than 18 kl, more than 18 kl but not more than 25 kl, and more than 25 kl. Tariffs for non-domestic consumption shall be based on monthly consumption of up to 100 kl, and more than 100 kl per month.

#### **PART 4: 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 adjustments shall be effective from 1 July each year or as soon as possible thereafter.

Categories of consumption and charges shall be as follows:

- \* All consumers using conventional electricity meters shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- \* All domestic electricity consumers of the municipality who are registered as indigents with the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month.
- \* All domestic electricity consumers, with connections of more than 20 ampere meters, shall additionally be billed a monthly basic charge per meter installed.
- \* All commercial, industrial and other non-domestic consumers connected shall additionally be billed a monthly charge per meter based on ampere meters installed, and where applicable, a demand charge appropriate to their respective levels of consumption with the minimum charges as set out in the tariff structure.
- \* The local municipality's departmental electricity consumption shall be charged at the lowest domestic tariff.

## **PART 5: WATER**

Water Tariff structure and charges shall be:

- i. A fixed availability fee shall be charged to all vacant unimproved stands where such a service is available or the services can be connected to the main supply.
- ii. All domestic water consumers on improved stands may be charged a fixed charge after receiving the first 6 (six) kl of water consumed, free of charge, per month. Thereafter a stepped tariff per kl as determined by the council from time to time shall be applicable on the metered water consumption.
- iii. All business and industrial consumers may be charged a fixed charge and a stepped tariff per kilolitre consumed may be applied.
- iv. Institutional consumers which include schools, institutions of higher learning, hospitals, government buildings, places of worship, sporting clubs and non-governmental organizations. These consumers may be charged a fixed charge and a stepped tariff per kilolitre consumed may be applied.
- v. Metered domestic consumers registered as indigents shall receive the first six (6) kilolitres of water consumed free of charge. A stepped tariff per kilolitre shall apply on consumption



- exceeding the first six (6) free kilolitres and no fixed or basic charge shall apply on this category of consumers.
- vi. As water is a very scarce resource in Msukaligwa Local Municipality, consumers can be restricted during dry seasons to use water to certain levels and a penalty fee shall be imposed if the consumer consumes more than the restricted levels.
  - vii. Consumer deposits shall be determined according to the municipality's Consumer Deposit Policy.
  - Viii Departmental water consumption shall be charged at cost.
4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done then the disconnection date of the water supply may be taken as the date of termination or date on which a new connection is registered.
5. Customers connected to their private boreholes shall be charged the fixed availability charge.

## **PART 6: REFUSE REMOVAL**

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.

Tariff adjustments shall be effective from 1 July each year, or as soon as possible thereafter.

A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

- \* Domestic and other users (once weekly removal)
- \* Business and other users (daily removal)
- \* Business and other (bulk consumers).

Registered indigents may receive such subsidy on this charge as the council deems affordable when approving each annual budget, but on the understanding that such subsidy shall not be less than 50% of the monthly amount billed as a refuse removal charge.

A fixed monthly charge shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

## **PART 7: SEWERAGE**

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

Tariff adjustments will be effective from 1 July each year, or as soon as possible thereafter.

Categories of usage and charges shall be:

- \* A basic (availability) charge per month shall be charged to the owner for every surveyed erf, portion of an erf, stand or lot which is, or can be connected to the council's sewer network.
- \* A fixed monthly charge based on the costs of the service may be charged for bucket removal for domestic users. Registered indigents may receive such subsidy on this charge as the council deems affordable when approving each annual budget, but on the understanding that such subsidy shall not be less than 50% of the monthly amount billed for this service.
- \* An additional fixed monthly charge shall be charged to the owner of the premises concerned, from the month of connection to the council's sewer network. Registered indigents may receive such subsidy on this charge as the council deems affordable when approving each annual budget, but on the understanding that such subsidy shall not be less than 50% of the monthly amount billed for this service.

- \* Where sewer are not connected to the existing network, and residents make use of private suction services, a tariff shall be charged for suction services, as well as a tariff based on a percentage of the water consumption of such private concerns.
- \* A fixed monthly charge per sewer point/toilet shall be charged to the local municipality's departments.
- \* An effluent 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 costs of the purification.

#### **PART 8: MINOR / OTHER TARIFFS**

All minor tariffs shall be standardised within the municipal region.

All minor tariffs shall be approved by the council 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.

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

The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 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, except for minor entrance fees:

- municipal swimming pool (entrance fee)
- municipal museum and art gallery
- disposal of garden refuse at the municipal tip site
- municipal reference library
- municipal botanical garden, and all other parks and open spaces.

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
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags
- sales of refuse bins
- cleaning of stands
- electricity, water, sewerage: new connexion fees
- sales of livestock and plants
- photostat copies and fees
- clearance certificates.
- supply of information for clearance certificates.

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

- 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 dishonoured, stale, post-dated or otherwise unacceptable cheques.
- encroachment fees

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 determining shall be guided by the likelihood of the municipality's sustaining damages as a result of the use of the facilities concerned.

## **PART 9 : TARIFF / FEE ADOPTION PROCESS**

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

## **PART 10: LEGAL REQUIREMENTS**

### **SECTION I: WATER SERVICES ACT NO. 108 OF 1997**

#### **SECTION 10: NORMS AND STANDARDS FOR TARIFFS**

A municipality, in its capacity as a water services institution, must apply a tariff for water services which is not substantially different from any norms and standards which the Minister of Water Affairs and Forestry, with the concurrence of the Minister of Finance, has prescribed in terms of the present Act.

## **SECTION 21: BY-LAW**

A municipality, in its capacity as water services authority, must make by-laws which contain conditions for the provision of water services, and which provide for at least the following (inter-alia):

- the standard of the services;
- the technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;
- the determination and structure of tariffs in accordance with Section 10 of the present Act.

If the municipality, in its capacity as water services authority, has imposed conditions under which water services are provided, such conditions must be accessible to consumers and potential consumers.

If the municipality, in its capacity as water services authority, provides water for industrial use, or controls a system through which industrial effluent is disposed of, it must make by-laws providing for at least the following:

- the standards of the service;
- the technical conditions of provision and disposal;
- the determination and structure of tariffs.

## **SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000**

### **SECTION 74: TARIFF POLICY**

In adopting fees for services provided by the municipality the following principles will apply:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

This tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

### **SECTION 73: GENERAL DUTY**

The municipality must give effect to the provisions of the Constitution, and in doing so 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 the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

### **SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY**

The municipality's financial by-law give legal effect to the enforcement of this policy. This policy needs to be complied with, non-compliance may lead to a misconduct.