



# **LEPHALE LOCAL MUNICIPALITY**

## **TARIFF POLICY 2019-2020**

# TARIFF POLICY

To provide for the control over determination of tariffs in the Lephalale Local Municipality; and for matters connected therewith.

**BE IT ENACTED** by the Lephalale Local Municipality, as follows:-

## TABLE OF CONTENTS

### CHAPTER 1

#### DEFINITIONS AND APPLICATIONS OF THE POLICY

1. Definitions
2. Applications of the policy

### CHAPTER 2

#### GENERAL CONDITIONS

3. Services Charge
4. Calculations of Tariffs for Major Services
5. Structure of Tariffs

### CHAPTER 3

#### CATEGORIES OF TARIFFS

6. Electricity
7. Water
8. Refuse Removal
9. Sewerage

### CHAPTER 4

#### MISCELLANEOUS TARIFFS

10. Standardization
11. Subsidized Services

- 12. Community Services
- 13. Economic Services
- 14. Regulatory Tariffs
- 15. Rental of Municipal Property

## CHAPTER 1

### DEFINITIONS AND APPLICATION

#### 1. Definitions

In this policy, any word or expression to which a meaning has been assigned in the Municipal Systems Act, 2000 (Act No. 32 of 2000) (herein referred to as the “Act”) bears the same meaning, and unless the context otherwise indicates -

“**Annual budget**” shall mean the budget approved by the municipal Council for any particular financial year, and shall include any adjustments to such budget.

“**Basic municipal services**” shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service - if not provided - would endanger public health or safety or the environment.

“**Policy**” shall mean policy approved by the Council of the municipality, and which shall be binding on the municipality and on the persons and institutions to which it applies.

“**Consumer price index**” shall mean the CPIX as determined and gazetted from time to time by the South Bureau of Statistics.

“**Councillor**” shall mean a member of the Council of the municipality.

“**Domestic consumer or user**” of municipal services shall mean the person or household which municipal services are rendered in respect of “residential property” as defined below.

**“Financial year”** shall mean the period starting from 1 July in any year and ending on 30 June on the following year.

**“Integrated development plan”** shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000.

**“Local community”** or **“community”**, in relation to the municipality, shall mean that body of persons comprising the residents of the municipality, the ratepayers of the municipality, any civic organisations non- and governmental, private sector or labour organisations or bodies 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.

**“Month”** means one of twelve months of a calendar year.

**“Municipality”** or **“municipal area”** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the municipality.

**“Municipal council”** or **“council”** shall mean the municipal Council as referred to in Section 157(1) of the Constitution.

**“Municipal entity”** shall mean (a) a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation, and which operates under the ownership control of one or more municipalities; or (b) a service utility.

**“Municipal manager”** shall mean the person appointed in terms of Section 82 of the Municipal Structures Act, 1998.

**“Municipal service”** has the meaning assigned to it in terms of Section 1 of the Municipal Systems Act.

**“Municipal tariff”** shall mean a tariff for services which the municipality may set for the provision of a service to the local community, and may include a surcharge on such service. Tariffs for major services shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of other services supplied including services incidental to the provision of the major services.

## **2. Application of this policy**

(1) This policy only applies in respect of the tariffs set by the municipality:

- (a) Electricity
- (b) Water
- (c) Refuse Removal
- (d) Sewerage

(2) This policy also applies to any municipal service provided through pre-paid meters, in so far as the policy may be relevant.

## **CHAPTER 2**

### **GENERAL CONDITIONS**

#### **3. Services Charge**

- (a) Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).
- (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal jurisdiction.
- (c) Tariffs for the four major services rendered by the municipality, namely:
  - 1. Electricity
  - 2. Water
  - 3. Sewerage
  - 4. Refuse Removal

- (d) 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.
- (e) The municipality shall develop, approve and at least annually review an Indigency Support Programme for the municipal area. This programme shall clearly stipulate the municipality's cost recovery plan in respect of the tariffs which it levies on registered indigents, and the implications of such policy on the tariffs which it imposes on other users and consumers in the municipal region.
- (f) 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.
- (g) The municipality's tariff policy shall be transparent. The extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question. Inclining block tariffs shall be applied on all domestic consumers.
- (h) 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.
- (i) The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- (j) 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.
- (k) The municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with its appropriate policies. Generally, consumers of water and 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.

- (l) In considering the costing of its water, electricity and sewerage services, the municipality shall take due cognizance 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.
- (m) The municipality's tariffs for electricity services will be determined 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.

#### **4. 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:

- (a) Cost of bulk purchases in the case of water and electricity.
- (b) Distribution costs.
- (c) Distribution losses in the case of electricity and water.
- (d) Depreciation expenses.
- (e) Maintenance of infrastructure and other fixed assets.
- (f) Administration and service costs, including:
  - (i) service charges levied by other departments such as finance, human resources and legal services;
  - (ii) reasonable general overheads, such as the costs associated with the office of the municipal manager;
  - (iii) adequate contributions to the provisions for bad debts 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 (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).

- (g) The intended surplus to be generated for the financial year, such surplus to be applied:
  - (i) as an appropriation to capital reserves; and/or
  - (ii) generally in relief of rates and general services.
- (h) The cost of approved indigency relief measures.

## **5. Structure of Tariffs**

- (a) The municipality shall provide the first 50kWh of electricity per month and the first 6 kl of water per month free of charge to all consumers registered as indigents in terms of the municipality's indigency relief programme. 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 be equivalent to 100% of the monthly amount billed for the service concerned.
- (b) Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned.
- (c) Basic charges for water, electricity and sewerage shall be levied to the owner on all properties.
- (d) On sectional titles, the Body corporate shall pay basic charges per unit for water, electricity, sewerage and refuse removal.

## **CHAPTER 3**

### **CATEGORIES OF CONSUMPTIONS AND CHARGES**

#### **6. Electricity**

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



- (b) Tariff adjustments shall be effective from 1 July each year or as soon as possible thereafter.
- (c) Categories of consumption and charges shall be as follows:
  - 1. With the 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.
  - 2. All Domestic consumers shall be billed a fixed basic charge on a monthly basis as be the tariff structure approved by Council irrespective of whether they are on pre-paid or post-paid metering.
  - 3. All domestic electricity consumers of the municipality who are registered as indigents with the municipality shall receive the first 50kWh (fifty) of electricity consumed per month for free.
  - 4. All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.

## **7. Water**

- (a) The categories of water consumers as set out in sub-section (c) below shall be charged at the applicable tariffs, as approved by the Council in each annual budget.
- (b) Tariff adjustments shall be effective from 1 July each year.
- (c) Categories of consumption and charges shall be:
  - 1. All domestic water consumers registered as indigents with the municipality shall receive the first 6 (six) kl of water consumed per month free. Thereafter inclining block tariffs per kl as determined by the Council from time to time shall be applicable on metered water consumption.
  - 2. All other domestic consumers shall be charged for actual water consumption at inclining block tariffs per kl as determined by the Council from time to time.
  - 3. All other consumers, including businesses, industries and institutional consumers shall pay the same fixed tariff per kl, irrespective of the volume of water consumed.
  - 4. A basic charge per water meter, as determined by the Council from time to time, shall be charged on all businesses, industries and institutional consumers. .

## **8. Refuse removal**

- (a) The categories of refuse removal users as set out in sub-section (c) below shall be charged at the applicable tariffs, as approved by the Council each annual budget.
- (b) Tariff adjustments shall be effective from 1 July each year.
- (c) 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:
  - a) Domestic and other users
  - b) Business and other users

## **9. Sewerage**

- (a) The categories of sewerage users as set out in sub-section (c) below shall be charged per month at the applicable tariff as approved by the Council in each annual budget.
- (b) Tariff adjustments will be effective from 1 July each year.
- (c) Categories of usage and charges shall be:
  1. A basic (availability) charge per month shall be charged for undeveloped erven, irrespective of their permitted or intended use.
  2. A fixed monthly charge based shall be charged for domestic users plus an additional charge based on the number of sewer points.
  3. A fixed monthly charge based on the costs of the service per sewer point/toilet shall be charged to all businesses, industries and institutional users.
  4. 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.

## **CHAPTER 4**

### **MISCELLANEOUS TARIFFS**

## **10. Standardization**

- (a) All miscellaneous tariffs shall be standardized within the municipal jurisdiction.
- (b) All miscellaneous tariffs shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the council, be subsidized 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) All miscellaneous tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

#### **11. Subsidized Services**

- (a) The following services shall be considered as subsidized 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:
  - (i) burials and cemeteries
  - (ii) rentals for the use of municipal sports facilities.

#### **12. Community Services**

- (a) The following services shall be considered as community services, and no tariffs shall be levied for their use:
  - (i) disposal of garden refuse at the municipal tip site
  - (ii) municipal reference library
  - (iii) municipal lending library
  - (iv) municipal botanical garden, and all other parks and open spaces.

#### **13. Economic Services**

- (a) 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:
  - (i) maintenance of graves and garden of remembrance (cremations)
  - (ii) housing rentals
  - (iii) rentals for the use of municipal halls and other premises (subject to the proviso set out below)
  - (iv) building plan fees
  - (v) sales of plastic refuse bags

- (vi) sales of refuse bins
- (vii) cleaning of stands
- (viii) electricity, water, sewerage: new connection fees
- (ix) photostat copies and fees
- (x) clearance certificates.

#### **14. Regulatory or Punitive Tariffs**

- (a) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:
  - (i) fines for lost or overdue library books
  - (ii) advertising sign fees
  - (iii) pound fees
  - (iv) electricity, water: disconnection and reconnection fees
  - (v) penalty and other charges imposed in terms of the approved policy on credit control and debt collection
  - (vi) penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

#### **15. Rental of Municipal Property**

- (a) Market-related rentals shall be levied for the lease of municipal properties.
- (b) In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.
- (c) 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.