

# **LEKWA-TEEMANE LOCAL MUNICIPALITY “NW396”**



## ***TARIFF POLICY***

**ADOPTED BY COUNCIL  
31 MAY 2013  
RESOLUTION NUMBER: 130/2013**

## **PART 1: GENERAL INTRODUCTION**

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government Municipal Systems Act, 2000 (Government Gazette No. 21776, dated 20 November 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.

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

In setting its annual rates and property tariffs the Council shall at all times take due cognisance of the rates and tariffs applicable elsewhere in the economic region, and of the impact which its own rates and tariffs may have on local economic development.

## **PART 2: ASSESSMENT RATES**

All rateable property in the Lekwa Teemane Local Municipality shall be valued at least once every three years, and a valuation roll compiled reflecting the site value, value of improvements and aggregate value for every property in the municipal area.

Varying rebates on assessment rates may be considered for each of the following categories of properties when the Council approves its annual operating budget:

- \* Developed properties zoned as residential 1 and with a stand size greater than 300m<sup>2</sup> (three hundred square metres).
- \* Developed properties zoned as residential 1 and with a stand size less than 300 m<sup>2</sup> (three hundred square metres).
- \* Other developed residential properties.
- \* Agricultural holdings.

- \* Properties owned by old-aged or disability pensioners, whose aggregate household income is less than the amount determined from time to time by the Council, who are the registered owners of the property concerned, who have under oath provided proof of their earnings and have completed such other documentation as is required by the Council, and who – in the case of old-aged pensioners – are at least 65 (sixty five) years of age.
- \* Government properties.
- \* Municipal properties.
- \* Properties with a value below an amount determined by the Council from time to time.
- \* Churches and other places of worship and their rectories.
- \* Museums and heritage sites in private ownership.
- \* Sport clubs and recreational facilities in private ownership.
- \* Such other properties as the Council may identify from time to time.
- \* Undeveloped and developed properties identified by the Council as being part of a local economic development initiative.

The rate in the rand, as well as the rebates, shall be determined and approved by the Council when the budget and tariffs are annually submitted for consideration.

### **PART 3: GENERAL PRINCIPLES**

Service tariffs imposed by the Local Municipality 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).

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 an operating surplus each financial year of 10% or such lesser 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 general services. 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 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 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 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. 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.

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 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:

- \* Cost of bulk purchases in the case of water and electricity.
- \* Distribution costs, including distribution losses in the case of water and electricity.
- \* Depreciation and finance charges.
- \* 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 (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 specified capital funds and reserves;
  - generally in relief of rates and general services.

The municipality shall provide the first 50kWh of electricity per month and the first 6 kl of water per month free of charge to consumers who have 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.

Because water is a scarce national resource, and this municipality is committed to the prudent conservation of such resources, the tariff levied for the consumption of water shall escalate according to the volume of water consumed.

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 on properties where pre-paid meters have been installed. This distinction is made in recognition of the financial advantages which pre-paid metering entails for the services in question.

## **PART 5: ELECTRICITY**

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the Council at least one month before implementation.

Tariff adjustments shall be effective from 1 July each year, except if the actual tariff increases announced by Eskom exceed the increase allowed for by the Council in its budget. In the latter case, the Council reserves the right to make a further adjustment to the electricity tariffs, such adjustment to be effective from or after the date on which the Eskom increase takes effect.

The Council further reserves the right to increase the electricity tariffs from any other date whenever it becomes evident that the budgeted revenues of the electricity service will not materialise or that the budgeted expenses of this service will be exceeded for reasons beyond the Council's control.

Categories of consumption and charges shall be as follows:

- \* With the 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.
- \* 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.
- \* All 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 other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.



- \* 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.
- \* The Local Municipality's departmental electricity consumption shall be charged at cost.

## **PART 6: WATER**

The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the Council at least one month before implementation.

Tariff adjustments shall be effective from 1 July each year. However, the Council reserves the right to adjust such tariffs subsequently if the bulk supplier of water to the municipality increases its tariff by an amount greater than that allowed for by the Council in compiling its budget. Such further adjustment shall take effect from or after the date on which the bulk supplier's tariff increase takes effect.

The Council further reserves the right to introduce a quota system for water consumption, with penalty tariffs for consumers exceeding their quotas, whenever a quota system is imposed by a bulk supplier on the Council itself.

The Council further reserves the right to adjust the water tariff whenever it becomes evident that the budgeted revenues of the water service will not materialise or that the budgeted expenses of the service will be exceeded for reasons beyond the Council's control.

Categories of consumption and charges shall be:

- \* All indigent domestic water consumers registered as indigents with the municipality shall receive free the first 6 (six) kl of water consumption per month. Thereafter a stepped tariff per kl as determined by the Council from time to time shall be applicable on metered water consumption.

- \* All other consumers shall be charged for actual water consumption at a stepped tariff per kl as determined by the Council from time to time.
- \* The tariff applicable to domestic consumption of water shall not exceed 75% per kl of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers shall pay the same tariff per kl.
- \* A basic charge per water 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.
- \* The Local Municipality's departmental water consumption shall be charged at cost.

## **PART 7: REFUSE REMOVAL**

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the Council at least one month before implementation.

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 (twice weekly removal)
- \* Business and other users (thrice weekly removal)
- \* Business and other (bulk consumers).

Registered indigents may receive such discount on this charge as the Council deems affordable when approving each annual budget.

Tariff adjustments shall be effective from 1 July each year.

The Council reserves the right further to adjust the tariffs whenever it becomes evident that the budgeted revenues of the refuse removal service will not materialise or that the budgeted expenses of the service will be exceeded for reasons beyond the Council's control.

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

## **PART 8: SEWERAGE**

The categories of sewerage users as set out below shall be charged per month at the applicable tariff as approved by the Council at least one month before implementation.

Categories of usage and charges shall be:

- \* A basic (availability) charge per month shall be charged for undeveloped erven.
- \* A fixed monthly charge based on the costs 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.
- \* A fixed monthly charge based on the costs 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.
- \* 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.
- \* A fixed monthly charge per sewer point/toilet shall be charged to the Local Municipality's departments equal to the lowest (domestic) tariff.

- \* 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.

Tariff adjustments will be effective from 1 July each year.

The Council reserves the right further to adjust the tariffs whenever it becomes evident that the budgeted revenues of the sewerage service will not materialise or that the budgeted expenses will be exceeded for reasons beyond the Council's control.

## **PART 9: MINOR TARIFFS**

All minor tariffs shall be standardised within the municipal region.

All minor tariffs shall be approved by the Council and implemented on an annual basis, 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 at cost or when the cost cannot accurately be determined or when the tariff is designed purely to regulate rather than finance the use of a particular service or amenity.

All minor tariffs over which the municipality has full control 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.

Minor tariffs shall include the following:

- \* Cemetery fees

- \* Housing rentals
- \* Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- \* Rentals for the use of municipal premises
- \* Rentals for the use of municipal sports grounds
- \* Rentals for the lease of municipal property
- \* Building plan fees
- \* Advertising sign fees
- \* Plastic bag sales
- \* Refuse bin sales
- \* Cleaning of stands
- \* Night soil removal
- \* Sewerage connection fees
- \* Photostat copies and faxes
- \* Clearance certificates
- \* Pound fees
- \* Electricity: reconnection fees
- \* Electricity: new connection fees
- \* Water: reconnection fees
- \* Water: new connection fees
- \* Supply of information
- \* Garden refuse removal
- \* Sewerage: connection fees

- \* Licence fees (drivers, learner licence and roadworthy)
- \* Sale of livestock
- \* Sale of miscellaneous items.