

SOL PLAATJE MUNICIPALITY



TARIFF POLICY

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PART 1: GENERAL INTRODUCTION AND OBJECTIVE

A tariff policy must be compiled, adopted and implemented 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.

The tariffs 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 impact which its own tariffs may have on local economic development.

PART 2: GENERAL PRINCIPLES

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).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal area. Tariffs for the four major services rendered by the municipality, namely: electricity, water, sewerage (waster water) and cleansing 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 may provide for a contribution from the above services, towards rates services at a percentage as the council may determine at the time the

annual operational budget is approved. The municipality shall develop, approve an indigent policy and at least annually review an indigency support programme in line with the policy on indigency for the municipal area.

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 service 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. An availability charge shall be raised for water, electricity, sewerage and refuse on every vacant land with erf.

In applying an availability charge, the municipality believes that it is properly attending to the demands which future expansion will make on service delivery and aims at discouraging undeveloped vacant land.

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.

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:

1. Personnel costs
2. General expenses including:
 - 2.1 Service charges levied by other departments such as finance, human resources and legal services
 - 2.2 Reasonable general overheads, such as the costs associated with the office of the municipal manager and council.
3. Maintenance of infrastructure and other assets
4. Cost of bulk purchases
5. Capital charges
6. Contributions including:
 - 6.1 Adequate contributions to the provision for bad debts
 - 6.2 Provision of street lighting in the municipal area
 - 6.3 Contribution to rates services
7. Capital contribution
8. Departmental charge outs
9. Other
 - 9.1 Cost of approved relief measures
 - 9.2 Distribution costs
 - 9.3 Distribution losses in the case of electricity and water
 - 9.4 Depreciation expenses
 - 9.5 Obsolescence of stock

The municipality will provide the first 50kWh of electricity per month and the first 12 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 domestic

consumption of water shall escalate according to the volume of water consumed.

All other domestic consumers shall be charged for actual water consumption at a stepped tariff per kl as determined by the council from time to time.

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. 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 must be in terms of the tariff applicable to consumers as determined by council as part of the budget. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff according to the demand and the tariff charged.
- * 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 above the breakeven consumption set during the budget other than registered indigents and consumers using prepaid meters, shall additionally be billed a basic monthly charge.

- * All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge and, where applicable, a demand charge appropriate to their respective levels of consumption.
- * The municipality's electricity consumption per department shall be charged a tariff as determined by council.

PART 5: WATER

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.

Tariff adjustments shall be effective from 1 July each year. Categories of consumption and charges shall be:

- * All domestic water consumers including those registered as indigents with the municipality shall receive free the first 6 (six) kl of water consumed per month. The indigents will then receive an additional 6 (six) kls of water free.
- * Thereafter a stepped tariff per kl as determined by the council from time to time shall be applicable on metered water consumption.
- * All other domestic consumers shall be charged for actual water consumption at a stepped tariff per kl as determined by the council from time to time.
- * All other consumers, including businesses, industries, builders, municipal departments water and institutional consumers, shall pay the tariff per kl, as determined by council.

PART 6: CLEANSING SERVICES

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.

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

- * Domestic and other users (once weekly removal)
- * Business and other users (once weekly removal)
- * Business and other users (where more than one weekly removal is required payment must be made monthly.)
- * Business and other bulk consumers.
- * A refuse removal rate per square meter shall be levied for special garden refuse.
- * A monthly basic charge shall be levied on residential flats and business flats

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

A fixed monthly charge shall be charged to the local municipality's departments as determined by council.

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.

Categories of usage and charges shall be:

- * 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 as determined by council.
- * 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 to be determined by council as part of the budget.

PART 8: MINOR TARIFFS

All minor tariffs shall be approved by the 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.

All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service may be adjusted annually.

PART 9: ANNEXURE: 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:

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

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS

(ACT NO. 32 OF 2000)

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- 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.

The 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 council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.