

# UMTSHEZI MUNICIPALITY



# TARIFF POLICY

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## **1) DEFINITIONS**

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

## **2) INTRODUCTION**

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the 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 tariff Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.

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

## **3) 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 indency relief measures approved by the Municipality from time to tme)

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

Tariffs for the two major services rendered by the Municipality, namely:

- Electricity
- 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 ensure self sustainability.

The Municipality shall develop, approve and at least annually review an indigent support programme 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 subsidization 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 the directly measurable service, namely electricity, the consumption of such service 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 services 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 one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the

services concerned and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the Municipality shall take due cognizance of the high capital costs of establishing and expanding such service, and the of the resultant high fixed costs, as opposed to variable costs of operating the service. The Municipality therefore undertakes to plan the management and expansion of the service 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 service 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.

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 charge 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 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 two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specially the following:

- Cost of the bulk purchases in the case of electricity
- Distribution costs, including distribution losses in the case of 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 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
  - Generally in relief of rates and general expenses.

The Municipality shall provide the first 100kWh (one hundred) of electricity per month free of charge to consumers who are on a 20 amp pre-paid meter.

## 5) 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 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 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 prepaid consumers of the Municipality who are registered as indigents with the Municipality and are on a 20amp meter shall receive free the first 100kWh (one hundred) of electricity consumed per month.
- All domestic electricity consumers other than the 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.

## **6) REFUSE REMOVAL**

All residential properties with a maximum valuation of R 200 000 will receive free refuse removal services whilst all other residential properties will be charged a basic fee to be reviewed annually during the budget process.

All other properties will be charged a monthly fee determined annually during the budget process.

The monthly refuse removal charge will be charged against the owner's account.

## **7) OTHER TARIFFS, LEVIES AND CHARGES**

All other tariffs shall be standardized within the Municipal region.

All other tariffs shall be approved by the Council in each annual budget, and may, when deemed appropriate by the Council, be subsidized by property rates and general revenues inter alia, 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 other 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 affected.

Other tariffs shall include inter-alia the following:

- Cemetery Fees
- Housing rentals
- Library fees ( membership fees, fines, lost books, lost membership cards)
- Rentals for the use of municipal premises
- Rentals for the lease of municipal property
- Building plan fees
- Advertising sign fees
- Plastic bag sales
- Refuse bin sales



- Cleaning of Stands
- Sewerage connection fees
- Photostat copies and faxes
- Clearance Certificates
- Electricity : disconnection and reconnection fees
- Electricity: new connection fees
- Penalty and other charges in terms of the Credit Control and Debt Collection policy
- Supply of information
- Garden Refuse Removal
- Licence fees (drivers, learner licence and roadworthy)
- Valuation Certificates
- Pound Fees