

TARIFFS POLICY 2018

LATEST COUNCIL RESOLUTION: SPC18/2018-05-30

1. That cognisance be taken that the Public Participation process with regard to the proposed Tariffs Policy has been completed and no comments were received.
2. That the current Tariffs Policy be repealed and replaced with the **attached** Tariffs Policy 2018.

TARIFFS POLICY 2018/...



**JB MARKS
LOCAL MUNICIPALITY**

TARIFFS POLICY 2018

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TARIFFS POLICY 2018

1. **GENERAL INTRODUCTION**

- 1.1 A tariff policy must be compiled, adopted and implemented in terms of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 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.
- 1.2 The rates and tariffs policy has been compiled taking into account where applicable, the guidelines set out in section 74 of the Act.
- 1.3 In setting its annual tariffs the Municipality 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.

2. **GENERAL PRINCIPLES**

- 2.1 Service tariffs imposed by the 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).
- 2.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 2.3 Tariffs for the 4 major services rendered by the Municipality, namely -
- (a) electricity
 - (b) water
 - (c) sewerage (waste water)
 - (d) 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.

- 2.4 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 $\pm 10\%$ or such lesser percentage as 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.
- 2.5 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.

- 2.6 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.
- 2.7 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.
- 2.8 The Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by the Tariff Policy concerned.
- 2.9 The Municipality also undertakes to render its services cost-effectively in order to ensure the best possible cost of service delivery.
- 2.10 In the case of directly measurable services, namely electricity and water, the Municipality shall properly meter the consumption of such services, 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 can 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 can therefore pay 2 charges: One which is unrelated to the volume of consumption and is levied because of the sustained availability of the service concerned; and another directly related to the consumption of the service in question.
- 2.11 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 maintain and 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.
- 2.12 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.
- 2.13 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.

3. CALCULATION OF TARIFFS FOR MAJOR SERVICES

3.1 In order to determine the tariffs which must be charged for the supply of the 4 major services, the Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

3.1.1 Cost of bulk purchases in the case of water and electricity.

3.1.2 Distribution costs, including distribution losses in the case of water and electricity.

3.1.3 Distribution losses.

3.1.4 Depreciation and finance charges.

3.1.5 Maintenance of infrastructure and other fixed assets.

3.1.6 Administration and service costs, including -

(a) service charges levied by other Directorates such as Finance, Human Resources and Legal Services;

(b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;

(c) adequate contributions to the provisions for bad debts and obsolescence of stock;

(d) 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 in 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).

3.1.7 The intended surplus to be generated for the financial year, such surplus to be applied -

(a) as an appropriation to capital reserves; and/or

(b) generally in relief of rates and general services.

3.1.8 The Municipality shall provide the first 80 kWh of electricity per month to indigents for prepaid meters as well as the first 6 kℓ of water per month (free of charge in terms of the Municipality's indigency relief programme) to all households (free of charge). The Municipality can further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the Municipality deems such relief affordable in terms of each annual budget.

3.1.9 Because water is a scarce national resource and the Municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water should escalate according to the volume of water consumed.

Tariffs for non-domestic consumption shall be based on a single charge per kℓ consumed, irrespective of the volume of consumption concerned.

NOTE: The national guidelines for the supply of free basic water is 6 kℓ per household per month.

3.1.10 The Municipality shall determine tariffs for prepaid electricity meters annually. No fixed availability electricity charge shall be levied on properties where prepaid meters have been installed. This distinction is made in recognition of the financial advantages which prepaid metering entails for the services in question.

3.1.11 Municipal Directorates shall also be levied for municipal services.

4. ELECTRICITY

4.1 The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the Municipality in each annual budget.

4.2 Tariff adjustments shall be at least once a year with effect from a date determined by the Municipality from time to time.

4.3 A fixed availability charge per metering point per month or part thereof in accordance with the various circuit-breaker ratings (except buildings, registered in the name of a religious denomination, used solely as places of worship) shall be charged monthly.

4.4 Conventional meters are read monthly and billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.

4.5 Buildings registered in the name of a religious denomination, used solely as places of worship and that are supplied with a single phase or three-phase connection, pay a different fixed availability charge as determined by the Municipality.

4.6 Estimations.

5. WATER

5.1 The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the Municipality in each annual budget.

5.2 Tariff adjustments shall be effective from 1 July each year.

5.3 Categories of consumption and charges shall be as follows:

5.3.1 All domestic water consumers shall receive the first 6 kℓ of water consumption per month free. Thereafter a stepped tariff per kℓ as determined by the Municipality from time to time shall be applicable on metered water consumption, as set out in Part 3 of this policy.

5.3.2 All other consumers shall be charged for actual water consumption at a stepped tariff per kℓ as determined by the Municipality from time to time, and as set out in Part 3 of this policy.

5.3.3 A basic water availability charge, as determined by the Municipality from time to time (excluding indigents), shall be charged per housing unit, or per stand, with or without improvements, on the register owner of the property that is connected to the main water pipe whether water is consumed or not, on a monthly basis or part of it. Registered indigents may receive such discount on this charge, as the Municipality deems affordable when approving each annual budget.

5.3.4 The Municipality's water consumption shall be charged at approved tariffs.

6. **REFUSE REMOVAL**

- 6.1 The categories of refuse removal users, as set out below, shall be charged at the applicable tariffs, as approved by the Municipality in each annual budget.
- 6.2 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned per removal:
- 6.2.1 Domestic and other users (once or twice weekly removal).
- 6.2.2 Business and other users (twice weekly removal).
- 6.2.3 Daily services (six days per week).
- 6.3 Registered indigents may receive such discount on this charge, as the Municipality deems affordable when approving each annual budget.
- 6.4 Tariff adjustments shall be effective from 1 July each year.
- 6.5 A fixed monthly charge based on the cost may be charged to the Municipality's Directorates.

7. **SEWERAGE**

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

Categories of usage and charges shall be the following:

- (a) Sewerage levies will only be charged if a water connection exists.
 - (b) A fixed monthly sewerage levy will be charged to domestic users or per stand, with or without improvements, that is connected to the main sewerage pipe.
 - (c) Sewerage levies for flats are determined according to the number of housing units.
 - (d) Sewerage levies for businesses and factories are determined according to the total water consumption on the stand.
 - (e) The sewerage levies for schools and tertiary institutions, i.e. North West University, Vuselela College, Agricultural College, etc., are determined according to the number of scholars/students and personnel.
 - (f) Registered indigents may receive such discount on this charge, as the Municipality deems affordable when approving each annual budget.
- 7.2 Tariff adjustments will be effective from 1 July each year.

8. **SUNDRY TARIFFS**

- 8.1 All sundry tariffs shall be standardised within the Municipal boundaries.
- 8.2 All sundry tariffs shall be approved by Council in each annual budget, and shall, when deemed appropriate by 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 be determined accurately, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- 8.3 All sundry 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.
- 8.4 Sundry tariffs shall include the following:
- 8.4.1 Cemetery fees
 - 8.4.2 Housing rentals
 - 8.4.3 Library fees (e.g. membership fees, fines, lost book, lost membership cards)
 - 8.4.4 Rentals for the use of Municipal premises
 - 8.4.5 Rentals for the use of Municipal sports grounds
 - 8.4.6 Rentals for the lease of Municipal property
 - 8.4.7 Building plan fees
 - 8.4.8 Advertising sign fees
 - 8.4.9 Plastic bag sales
 - 8.4.10 Refuse bin sales
 - 8.4.11 Cleaning of stands
 - 8.4.12 Sewerage connection fees
 - 8.4.13 Photostat copies and faxes
 - 8.4.14 Clearance certificates
 - 8.4.15 Pound fees
 - 8.4.16 Electricity – Disconnection and reconnection fees
 - 8.4.17 Electricity – New connection fees
 - 8.4.18 Water – Disconnection and reconnection fees
 - 8.4.19 Water – New connection fees
 - 8.4.20 Penalty and other charges in terms of the Credit Control and Debt Collection Policy
 - 8.4.21 Supply of information
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 - 8.4.23 License fees (drivers, learner license and roadworthy)
 - 8.4.24 Sale of livestock
 - 8.4.25 Sale of miscellaneous items
 - 8.4.26 Entrance fees and accommodation fees at the Potchefstroom Lakeside Recreation Resort
 - 8.4.27 Fire Services
 - 8.4.28 Dog Licenses
 - 8.4.29 Traffic
 - 8.4.30 Informal Trade
 - 8.4.31 Fire Services Training Centre
(Kindly note further that the licensing fees for driver's, learner's, roadworthiness, motor vehicle licenses), are determined by the North West Directorate of Transport).

9. LEGAL REQUIREMENTS

9.1 Section 1: Water Services Act, 1997 (Act 108 of 1997)

9.2 Section 10: Norms and standards for tariffs

The 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.

9.3 Section 21: By-law

The 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 *inter alia* the following:

- (a) The standard of the services.
- (b) 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.
- (c) 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:

- (i) The standards of the service.
- (ii) The technical conditions of provision and disposal.
- (iii) The determination and structure of tariffs.

9.4 Section II: Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

9.4.1 Section 74: Tariff Policy

The Municipal Council 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.

- (a) That users of municipal services must be treated equitably in the application of the Municipality's tariffs.
- (b) That the amount individual users pay for services must generally be in proportion to the use of such services.

- (c) 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.
- (d) That tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges.
- (e) 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.
- (f) That provision may be made in appropriate circumstances for a surcharge on the tariff for a service.
- (g) That provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.
- (h) That the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged.
- (i) 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.

9.4.2 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.

9.4.3 Section 75: By-laws to give effect to policy

The Municipal Council 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.

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