

**EMNAMBITHI/LADYSMITH MUNICIPALITY**

**TARIFF POLICY**

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## **1. Objective**

- 1.1. To provide a policy framework in which the Accounting Officer can institute and maintain a tariff policy, which is transparent, cost effective for the Municipality and easily explainable and understood.
- 1.2. The Council undertakes to observe all applicable national legislation (including amendments and regulations) notably the:  
Local Government Municipal Systems Act no. 32 of 2000  
Municipal Finance Management Act no. 56 of 2003  
Electricity Amendment Act of 1994  
Local Government Ordinance No. 25 of 1974

## **2. General Principles**

- 2.1. The Municipality will strive to ensure that the tariffs are applied uniformly and fairly throughout the Municipal region. Tariffs of the two major services provided i.e. electricity and refuse removal (solid waste) will endeavour to recover the expenses associated with the rendering of each of these services. The tariff paid by the consumer shall generally relate to the services received and the quantity of a particular service consumed.
- 2.2. Tariffs for each service will be set to recover operating expenses as well as to provide for capital requirements including renewal, maintenance and replacement and revenue in financing excess of current operating expenses will be appropriated to a cash backed capital reserve fund. Tariffs will be set to recover an estimated additional 10% over current operating costs for this purpose.
- 2.3. The consumption of the measurable service i.e. electricity shall be properly metered by the Municipality and meters read on a monthly basis wherever circumstances reasonably permit. Charges levied shall be proportionate to the quantity of the service consumed. The Municipality shall levy a monthly availability charge for the services rendered. These charges shall be fixed for each type of property. Consumers of electricity shall pay three charges i.e.
  - 1) The availability charge unrelated to the consumption
  - 2) The demand charge related to the circuit breaker size
  - 3) Charges directly related to consumption.
- 2.4. The high capital cost of establishing and expanding services must be considered. These costs must be covered in the tariffs, which are levied monthly. Electricity demand meters, to measure the maximum demand must be installed for consumers who are mainly responsible for peak demand. Time of use meters must be installed upon consumer requests.

### **3. Calculation of tariffs for Major services**

- 3.1. The following costs of operation are included in tariff calculations:
  - 1) Cost of bulk purchases in the case of electricity
  - 2) Distribution costs
  - 3) Distribution loss in the cases of electricity
  - 4) Depreciation expenses
  - 5) Maintenance of infrastructure and other fixed assets
  - 6) Administration and service costs including:
    - 6.1) Service charges levied by other departments
    - 6.2) Reasonable general overheads
    - 6.3) Adequate contribution to the provision of bad debts and obsolescence of stock
    - 6.4) All other ordinary operating expenses associated with the services concerned e.g. maintenance and renewal of tip sites etc.
  - 7) The pre-paid tariff should be cheaper than the conventional tariff to a crossover consumption level of the conventional tariff.
  - 8) Capital costs
- 3.2. Where these costs are not currently separately identifiable the Municipality will work toward separately identifying such costs.
- 3.3. Where current operating costs are less than current operating revenue, a portion of the difference will be appropriated to capital reserves created for replacement, renewals and expansion of capital assets for that service. If the municipality deems that cash backed reserves are sufficient to meet current and future capital requirements in terms of their long-term capital plan, the difference may be applied to generate revenue or indigency relief measures.
- 3.4. The Municipality shall provide the first 50kwh or as stipulated by National Policy of electricity 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 tariff for refuse removal for such registered indigents to the extent that is affordable to the Municipality for each annual budget year. Tariffs for prepaid meters shall be charged as approved by the Council in each annual budget.

### **4. Electricity**

- 4.1. Tariff adjustments shall be effective from 1 July of each year or as soon as possible thereafter. The tariff applies to the billing period not to the period of consumption of electricity, however the Municipality will read meters as close as is practical to the billing period.

4.2. Categories of consumption and charges shall be as follows:

- 1) 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 electricity consumers of the Municipality who are registered as indigents receive free the first 50kwh or as stipulated by National Policy of electricity consumed per month.
- 3) All commercial, industrial and other non-domestic and domestic consumers (other than registered indigents and consumers using prepaid meters) shall be billed an additional monthly basic charge per meter installed and where applicable a demand charge appropriate to their circuit breaker size.
- 4) The local Municipality's departmental electricity consumption shall be charged at cost.
- 5) The commercial, industrial and other non-domestic consumers receive a discount as determined by Council in accordance to the MVA consumed.

## **5. Refuse Removal**

5.1. The tariff adjustment shall be effective from 1 July each year.

5.2. A separate fixed monthly refuse removal charge shall apply to each of the following category of users, based on the cost of the service concerned:

- 1) Domestic and other users (once weekly)
- 2) Domestic and other users (more than once weekly)
- 3) Removal of carcasses
- 4) Business and other (bulk consumers)
- 5) Removal of 210 litre containers

5.3. Registered indigents may receive such discounts on this charge, as the Council deems affordable when approving each annual budget. The amount of indigency will be adjusted in accordance with the National directives and Council's affordability. A fixed monthly charge shall be charged to the local Municipality's departments equal to the lowest (domestic) tariff.

## **6. Minor Tariffs**

6.1. The Council in each annual budget shall approve all minor tariffs.

Minor tariffs may be subsidised by property rates and general revenue.

6.2. All minor tariffs, which the Municipality fully controls and are not directly related to the cost of a particular service, shall annually be adjusted

with the prevailing consumer price index unless there are compelling reasons why such adjustment should not be done.

6.3. Minor tariffs include:

**1) Department of Democracy and Administration**

- 1.1) Rental for use of municipal premises
- 1.2) Transversal tariff
- 1.3) Omnibus Tariff (cost plus a percentage)

**2) Department of Finance**

- 2.1) Advertising
- 2.2) Clearance certificates
- 2.3) Negotiable instruments dishonoured
- 2.4) Penalty and other charges in terms of the credit control and debt collection policy

**3) Department of Electrical Engineering**

- 3.1) Electricity disconnection and reconnection fees
- 3.2) Electricity new connection

**4) Department of Engineering**

- 4.1) Aerodrome
- 4.2) Approval of Building plans
- 4.3) Approval of subdivision plans
- 4.4) Construction of bridged over street gutters
- 4.5) Miscellaneous services
- 4.6) Rezoning
- 4.7) Town lands –removal of sand and shale

**5) Department of Development and Planning**

- 5.1) Special consent

**6) Department of Public Safety**

- 6.1) Fire brigade
- 6.2) Inflammable liquids and substances
- 6.3) Licence fees (drivers, learners licence, roadworthy)
- 6.4) Motor vehicle and vehicle by laws
- 6.5) Road traffic
- 6.6) Summons

**7) Department of Health and environmental Services**

- 7.1) Caravan parks
- 7.2) Cemetery fees
- 7.3) Licensing and control of dogs
- 7.4) Nuisance bylaws
- 7.5) Pound fees
- 7.6) Swimming bath entrance fees
- 7.7) Tariffs for parks, sports grounds

## **7. Publication of Tariffs**

- 7.1) Council will publish the tariff of the major services in the Local Newspaper on approval each year and a schedule of other tariffs will be available for perusal during offices hours at the Municipal offices .

## **8. Annexure: Legal Requirements**

8.1) Section 1: Water Services Act No. 108 of 1997

8.2) Section 10: Noms and Standards for tariffs

8.2.1) A Municipality, in its capacity as a water services institution, must apply a tariff for water services which is not substantially different from any noms and standards which the Minister of Water Affairs and Forestry, with the concurrences of the Minister of Finance, has published in terms of the present Act.

8.3) Section 21: By Law

8.3.1) 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:

8.3.1.1) The standard of the services;

8.3.1.2) 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;

8.3.1.3) The determination and structure of tariffs in accordance with Section 10 of the present Act.

8.3.2) 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 .

8.3.3) If the municipality, in its capacity as water services authority, provides water for industrial use, or control a system through which industrial effluent is disposed of, it must make by-laws providing for at least the following:

8.3.3.1) The standards of the service;

8.3.3.2) The technical conditions of provision and disposal

8.3.3.3) The determination and structure of tariffs.

- 8.4) Section II: Local Government: Municipal Systems Act No.32 of 2000
- 8.5) Section 74: Tariff Policy
- 8.5.1) 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 services delivery agreements.
- 8.5.2) Such policy must comply with the provisions of the present Act and any other applicable legislation.
- 8.5.3) Such tariff policy must reflect at least the following principles:
- 8.5.3.1) that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- 8.5.3.2) that the amount individual users pay for services must generally be in proportion to the use of such services;
- 8.5.3.3) 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 tariffs for poor households;
- 8.5.3.4) that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- 8.5.3.5) the 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;
- 8.5.3.6) that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- 8.5.3.7) that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- 8.5.3.8) that the extent of subsidisation of tariffs for poor household and other categories of users must be fully disclosed.
- 8.5.4) 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.
- 8.5.5) If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.
- 8.6. Section 73: General duty



- 8.6.1) 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.
- 8.6.2) 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.
- 8.7. Section 75: By-Laws to give effect to Policy
- 8.7.1) The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.
- 8.7.2) 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.

