

# TARIFF POLICY

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## 1. **DEFINITIONS**

Definitions have the following meaning, unless the context otherwise indicates:

“*act*” means the Local Government Municipal Systems Act, 32 of 2003 as amended by Act 44 of 2003 and any promulgated Regulations in line with the Act.

“*bulk electricity user*” means a bulk consumer metered at low voltage with an annual average meter load with a capacity higher than 10A per phase or medium voltage supplied at 11 000 V.

“*bulk user*” means a user of electricity, water, sewerage or refuse removal services for commercial or industrial purposes.

“*community services*” means services that the Council has classified as such that the tariffs have been compiled with the intention that costs of the services cannot be recovered from public service charges and are of a regulatory nature.

“*cost to be recovered*” means the cost reasonably associated with the rendering of a municipal service, including that the cost of purchasing or acquisition, the cost of processing, treatment or adoption of the product or service to be delivered or supplied, capital cost, operating cost, maintenance cost, replacement cost, administrative cost and support systems costs and interest.

“*Council*” means the Council of the Steve Tshwete Local Municipality, established in terms of section 12 of the Local Government Municipal Structures Act, 117 of 1998.

“*domestic user*” means a user of electricity, water, sewerage or refuse removal for residential purposes only.

“*economic services*” means services that the Council has classified as such that the tariffs be compiled with the intention that the total costs of the services are recovered from customers.

“*energy charge (active)*” means a charge for each unit of energy consumer charged at c/kWh.

“*fixed costs*” means costs that do not vary with consumption or volume produced.

*“flat rates”* means the unit tariffs that are calculated by dividing the total cost by volume needed.

*“lifeline”* means consumers (residential or business) who elect not to pay a fixed monthly and/or capacity charge and only an energy charge per kilowatt hour according to the volume of electricity consumed.

*major services* represent the four (4) consumer services instituted by the Council to fulfill the basic consumer services allocated to the Council in terms of section 84 of the Local Government Municipal Structures Act, 117 of 1998, and are those services on which monthly service charges are levied per consumer account.

*“minor services”* means those services for which the Council annually approve tariffs and shall, when deemed appropriate by the Council, be subsidized by property rates and general revenues, particularly when tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

*“Municipal Finance Management Act”* means the Local Government Municipal Finance Management Act, 56 of 2003 and promulgated Regulations in line with the Act.

*“Municipal Property Rates Act”* means the Local Government Property Rates Act, 6 of 2006 and promulgated Regulations in line with the Act.

*“municipal service”* means a municipal service defined in section 1 of the Municipal Systems Act.

*“municipality”* means the Steve Tshwete Local Municipality.

*“poor household”* means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council’s indigent policy.

*“stepped tariffs”* means that a specific tariff is applicable for each step to all consumers.

*“tariff policy”* means the tariff policy of the Council adopted in terms of section 74(1) of the Municipal Systems Act.

*“temporary user”* means a user of electricity, water, sewerage or refuse removal services for a temporary period for specific project or occasion.

*“total cost”* is the sum of all fixed and variable costs.

*“trading services”* are services that the Council has classified as services of which the tariffs have been compiled with the intention that the Council makes a profit on the delivery of services.

*“two-part tariffs”* comprises of a fixed costs as well as a variable cost based on units consumed.

*“units consumed”* means the number of units consumed of a particular service and is measured in terms of the units of measurement reflected in this policy under section 9.

*“variable costs”* are costs that vary with consumption at volume produced.

## 2. **INTRODUCTION**

- 2.1 The Steve Tshwete Local Municipality must in terms of section 74(1) of the Local Government Municipal Systems Act, 32 of 2000, adopt a tariff policy on the levying of fees for municipal services provided by the municipality.
- 2.2 The tariff policy may differentiate between different categories of users, debtors, service providers, service, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- 2.3 Tariffs are calculated in various different ways, dependent upon the nature of the service being provided.
- 2.4 The tariff policy applies to the multi-year annual budget of a related financial year during which the income is based on the principles contained in this policy.

## 3. **OBJECTIVES OF THE POLICY**

The objectives of the tariff policy are to:

- 3.1 Ensure the tariffs of the municipality conform to acceptable policy principles.
- 3.2 Ensure compliance with applicable legislation.
- 3.3 Provide guidance regarding tariff determination and proposals to be included in the annual budget.

## 4. **LEGISLATIVE FRAMEWORK**

- 4.1 Local Government Municipal Systems Act, 32 of 2000.
- 4.2 Local Government Municipal Finance Management Act, 56 of 2003.
- 4.3 Municipal Budget and Reporting Regulation.

## 5. **GENERAL PRINCIPLES**

The principles of the tariff policy are set out in section 74(2) of the Act and are applied as follows:

- (a) Users of municipal services should be treated equitably in the application of tariffs.
- (b) The amount individual users pay for services should generally be in proportion to their use of that service.
- (c) Poor households must have access to at least basic services through –
  - (i) tariffs that cover only operating and maintenance cost;
  - (ii) special tariffs or lifeline tariffs for low levels of use of consumption of services or for basic levels of service; and
  - (iii) any other direct or indirect method of subsidization of tariffs for poor households.
- (d) Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charged.
- (e) Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- (f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service.
- (g) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.
- (h) The economical efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged.
- (i) The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

The municipality must ensure that its tariffs are uniformly and fairly applied throughout the municipal area.

Poor households will have access to basic services through the indigency relief as defined in the indigent policy.

Tariffs must be cost reflective associated with each service rendered to ensure financial sustainability of each service, taking into account subsidization to rates services except for economic services.

Provision may be made in appropriate circumstances for a surcharge on the tariff for a service. This will be necessary for major breakdowns in infrastructure and periods of drought when a restriction of usage is required.

The municipality may impose a penalty on the existing tariff structure or measures of discouraging service demand to prohibit exorbitant use in appropriate circumstances to encourage efficient and effective use of resources.

## 6. **CATEGORIES OF CUSTOMERS**

The tariff structure makes provision for the following categories of consumers:

- (a) residential or domestic;
- (b) non-residential
  - agricultural farms;
  - business;
  - commercial;
  - government including schools;
  - hostels;
  - hospitals;
  - illegal;
  - industrial and special industrial;
  - mining;
  - municipal;
  - municipal (inventory);
  - public benefit organizations and churches;
  - special agreements; and
  - vacant land.

Different categories of residential or domestic consumers as well as for services may be defined based on the municipality indigent and free basic service policies and may include:

- formalized informal settlements / rural villages;
- pensioners;
- proclaimed informal settlements / rural villages; and
- Vergeet-My-Nie / Rivier Park flats

The following criteria may be used in defining different categories of services:



- type of service;
- category of consumer;
- level of consumption;
- type of connection; and
- time of use

Certain categories of service may be restricted to certain categories of consumers.

## 7. **EXPENDITURE CLASSIFICATION AND COST ELEMENTS**

In order to determine tariffs for the various services the municipality must include all cost elements associated with each service, which include specifically the following but not limited to:

- (a) Cost of bulk purchases.
- (b) Distribution cost which include distribution losses.
- (c) Depreciation and finance charges.
- (d) Maintenance of infrastructure and replacement costs.
- (e) Administration and general costs item, including:
  - service charges from other departments delivering support services such as finance, corporate, human resource et cetera.
  - reasonable overhead costs associated directly to each service.
  - adequate contributions to provisions such as bad debts, leave, long service etc.
  - all other general operating cost associated with the service concerned such as employee related cost, free basic services, contracted services et cetera.

## 8. **WATER SERVICES**

The broad principles used in the determination of the water tariffs are:

- 8.1 Adequate water services are provided fairly to all consumers.
- 8.2 The tariffs for water services are cost reflective.

- 8.3 All domestic water consumers registered as indigents with the municipality will receive the first ten (10) kiloliters of water consumed per month free. Thereafter stepped tariff per kilolitre as approved in Council's annual budget will be applicable on metered consumption.
- 8.4 All other domestic water consumers will be charged per kilolitre based on the stepped tariffs according to units consumed per metering point or as determined from time to time by Council resolution.
- 8.5 All other non-residential consumers will pay a single tariff per kilolitre irrespective of the volume of water consumed.
- 8.6 A fixed availability charge will be levied to all undeveloped erven with access to a reticulation network irrespective of their permitted or intended use, where no water meter is installed.
- 8.7 A fixed charge will be levied to all developed properties where no water meters are installed which are occupied.
- 8.8 Where communal water supply (stand pipes) is provided, the amount of water will be measured departmentally but no charge shall be levied to those consumers.
- 8.9 The water tariff may include surcharges subject to Council's approval.
- 8.10 Water connection charges for all consumer categories other than domestic communal will be charged at the full costs of the installation as determined from time to time.
- 8.11 Penalties on existing tariffs may be introduced during periods of water restrictions to reduce water use to remain with sustainable limits. Separate penalties for water restrictions will be approved by Council during these periods.
- 8.12 The municipal departmental water consumption will be charged at cost.
- 8.13 Raw water supplied by the municipality on request shall be charged per kilolitre raw water consumed as determined by Council resolution.

- 8.14 Approved water tariffs will be implemented on the first of July of every financial year with the months billing cycle regardless the actual meter read period or average consumption as may be determined, i.e. an increased tariff will be applicable for a twelve (12) month period.

9. **SEWERAGE**

The categories of sewerage users shall be charged per month at the applicable tariff as approved by Council in the annual budget.

The broad principles used in the determination of sewerage tariffs are:

- 9.1 A basic available charge per month for undeveloped erven with access to a reticulation network, irrespective of their permitted or intended use.
- 9.2 A fixed monthly charge based on the cost of the service for domestic consumers according to the erf size as follows:
- (a) with a total area up to 995m<sup>2</sup>
  - (b) with a total area exceeding 995m<sup>2</sup> to 1500m<sup>2</sup>
  - (c) with a total area exceeding 1500m<sup>2</sup>
  - (d) flats and townhouse complexes including churches per unit

The domestic consumer monthly charge for flats and townhouse complexes per unit include duets and second dwellings where the property is not subdivided.

- 9.3 Where biological units are provided in formalized informal settlements and proclaimed rural villages a fixed monthly charge for domestic consumers.
- 9.4 All domestic consumers, including formalized housing and proclaimed rural villages registered as indigents with the municipality will receive a hundred percent (100%) rebate for the monthly fixed charged.
- 9.5 All other non-residential consumers will be charged per kilolitre according to the measured purified water consumption per month or as deemed from time to time by Council resolution.
- 9.6 A purified effluent fee shall be payable per kl for waste water consumed for industries as determined from time to time by Council resolution.

- 9.7 Municipal departments will be charged per kilolitre according to measured purified water consumption per month.
- 9.8 A fixed monthly charge will be payable by hospitals for each three (3) beds or portion thereof continuously available and for each ten (10) personnel or portion thereof, residential or non-residential.
- 9.9 A fixed monthly charge will be payable for schools, hostels including nursery and day schools for each twenty (20) persons or portion thereof. The same applies for day care schools (crèches). This tariff is applicable to “schools” as defined in the South African Schools Act, 84 of 1996 read in conjunction with the ninth schedule of the Income Tax Act, 58 of 1962.
- 9.10 A fixed monthly charge will be payable for welfare organizations, nursing and maternity homes for each ten (10) persons or portion thereof. These public benefit organizations, non-governmental organizations and cultural organizations must be approved in terms of section 30 of the Income Tax Act, 58 of 1962, read with items a, 2 and 6 of the ninth schedule to the Act and be registered in terms of the National Welfare Act, 100 of 1978.
- 9.11 In cases where non-residential consumer are supplied with metered water and such water is exclusively used in the final product a stepped tariff will be charged per kilolitre according to the measured purified water consumption per month or as deemed from time to time by Council resolution.
- 9.12 The sewerage tariffs may include surcharges subject to Council approval.
- 9.13 Sewer connection charges for all consumer categories other than biological toilets will be charged at the full cost of the installation as determined from time to time.
- 9.14 A fixed basic charge will be payable where a sewerage disposal system is supplied but there is no water meter reading for the relevant month where a meter has been fitted. (To be determined by Council resolution).
- 9.15 Approved sewerage tariffs will be implemented on the first of July of every financial year with the months billing cycle regardless the actual meter read period or average consumption as may be determined, i.e. an increased tariff will be applicable for a twelve (12) month period.

## 10. **REFUSE REMOVAL SERVICES**

The refuse removal is an economic service which means that the total costs of the service must be recovered from the consumers. The categories of refuse users will pay a fixed charge per month as approved by Council in the annual budget

The broad principles used in the determination of refuse tariffs are:

- 10.1 A fixed monthly charge based on the cost of the service for domestic consumers according to the erf size as follows:
  - (a) erven up to 995m<sup>2</sup>
  - (b) erven exceeding 995m<sup>2</sup>
  - (c) flats and townhouse complexes per unit
- 10.2 For flats and townhouse complexes, including duets, where the property is not subdivided a fixed monthly charge per unit is payable regardless the size of the erf.
- 10.3 For second dwellings on a single property which is not subdivided a monthly fixed charge per unit at a discounted rate is payable regardless the size of the erf.
- 10.4 Where a service is provided in an informal settlement or proclaimed rural village a fixed monthly charge per erf irrespective of the erf size.
- 10.5 All domestic consumers including formalized informal housing and proclaimed rural villages, registered as indigents with the municipality will received a hundred percent (100%) rebate for the fixed monthly charge.
- 10.6 A fixed monthly charge will be payable by municipal departments per refuse bin or mass container as determined by the Director Environmental and Solid Waste Management on an annual basis according to the applicable tariff as determined.
- 10.7 Non-residential consumers will be charged a fixed monthly rate or portion thereof according to the type of service used as follows:
  - (a) per 85ℓ refuse bin
  - (b) per 240ℓ refuse bin up to 1,2m<sup>3</sup>
  - (c) per 1,5m<sup>3</sup> mass container
  - (d) per 1,75m<sup>3</sup> mass container

(e) static compactor:

(i) up to 15m<sup>3</sup>

(ii) up to 11m<sup>3</sup>

(iii) up to 10m<sup>3</sup>

10.8 Non-residential consumers making use of the static compactor will be charged for additional removals if the required removal exceeds four (4) times a month.

10.9 Refuse removal tariffs may include a surcharge subject to Council approval.

10.10 Refuse removal intervals may be changed from time to time but are limited to the following:

(a) domestic and other users – once weekly removal

(b) business and bulk consumers – twice weekly removal

10.11 The approved refuse removal tariffs will be implemented on the first of July of every financial year with the months billing cycle, i.e. an increased tariff will be applicable for a twelve (12) month period.

## 11. **ELECTRICITY SERVICES**

Consumption based electricity tariffs will be charged at the applicable tariffs for various categories of consumers as approved by Council in the annual budget.

The broad principles used in the determination of the electricity tariffs are:

11.1 All domestic consumers who are registered as indigents will receive the first 50 kWh of electricity consumed per month free limited to a 20 amp circuit breaker.

11.2 All domestic consumers with a single or three phase and an ampere capacity up to 80A per phase will be charged according to the kilowatt hour units consumer per metering point according to a block rising tariff.

The same applies to prepaid users with the difference that the consumer will pay for the consumptions before it is used.

- 11.3 All domestic electricity consumers with a single or three phase with an ampere capacity up to 80A per phase other than registered indigents will be billed a fixed monthly charge or part thereof per meter installed per type of connection whether electricity is consumed or not except for indigent and lifeline customers.
- 11.4 Non-residential consumers with a single and/or three phase connection with a capacity of up to 80A per phase will be charged a capacity charge per ampere of supply capacity per month or part thereof whether electricity is consumed or not.
- 11.5 Non-residential consumers with a single and/or three phase connection with a capacity of up to 80A per phase will be charged an active energy charge per kilowatt hour according to the volume of electricity consumed per metering point. The same applies for prepaid users with the difference that the consumer will pay for the consumption before it is used.
- 11.6 For lifeline consumers with a single phase connection with a capacity up to 40A per phase will be charged a single active energy charge per kilowatt hour (kWh) according to the volume of electricity consumed per metering point with no fixed or capacity charges according to a single or block rising tariff.
- 11.7 Time of use tariffs will apply to bulk consumers metered at low voltage with an annual average metered load with a capacity higher than 80A per phase or consumers metered at medium voltage where electricity is supplied at 11 000 kv as determined in the annual budget. Time of use tariffs are payable in the high and low demand season according to the time when consumed in peak, standard or off peak periods as determined by Council from time to time.
- 11.8 Public benefit organizations, non-governmental organizations, educational and cultural organizations approved in terms of section 30 of the Income Tax Act, 58 of 1962, read with items 1, 2 and 4 of the ninth schedule to the Act, welfare organizations registered in terms of the National Welfare Act, 100 of 1978 and state assisted public schools or colleges will be charged a discounted tariff as determined with the annual budget according to the type of electricity connection:
- single and/or three phase connection up to 80A per phase;
  - time of use tariffs applicable to bulk consumers.

- 11.9 Other bulk consumers will be charged a special tariff which is only available to specific consumers as approved by Council resolution and are based on the Eskom megaflex tariff structure.
- 11.10 Street lights and traffic light consumption will be charged according to energy consumed per kilowatt hour as determined from time to time. This includes departmental levies and sport clubs.
- 11.11 A fixed available charge will be levied to all underdeveloped erven with access to the reticulation network per month or part thereof where no meter is installed yet.
- 11.12 The electricity tariff may include a surcharge subject to Council approved.
- 11.13 The electricity connection charge for all consumer categories will be the full cost of the electricity installation as determined from time to time.
- 11.14 Approved electricity tariffs will be implemented on the first of July of every financial year with the months billing cycle regardless the actual meter read period or average consumption as may be determined, i.e. an increased tariff will be applicable for a twelve (12) month period.

## 12. **SERVICE CONSUMER DEPOSIT**

The levy of a consumer deposit is payable on the application date of the service to a consumer to allow for unpaid bills that may arise where certain levies are billed in areas except for consumers in a specific area as determined by Council resolution.

### 12.1 Electricity

- (a) Domestic consumers with a single or multi-phase up to 80 ampere – a minimum deposit is payable on application for service as determined with the annual budget.
- (b) Non-domestic consumers with a single phase or multi-phase up to a capacity of 80 ampere – a minimum deposit payable on application for services as determined with the annual budget.



- (c) Prepaid domestic and non-domestic consumers up to 80 ampere – a minimum deposit is payable on application for services as determined with the annual budget.
- (d) Non-domestic time of use consumers at low voltage with a capacity higher than 80A per phase or medium voltage of 11 000 V – a minimum deposit payable on application for services as determined with the annual budget.

#### 12.2 Water

A minimum deposit is payable on application for services as determined with the annual budget for domestic and non-domestic consumers.

#### 12.3 Rental

Deposit equal to a monthly rental.

#### 12.4 Review of deposits

All water and electricity deposits will be revised annually during October based on the average monthly consumption of the previous three months whichever is the highest between the current deposit and required deposit.

### 13. **MINOR (SUNDRY) TARIFFS**

All minor tariffs shall be standardized within the municipal region.

All minor tariffs shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the Council, be subsidized 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 shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustments should not be effected.

The under mentioned minor tariffs shall be determined by either of the following methods:

- (a) actual cost plus a admin fee
- (b) subsidizing from other services income
- (c) servicing as penalty/discouraging measure.

The minor tariffs will be determined for the following services but not limited to:

- advertisement sign fees
- building plan fees
- cemetery fees
- cleaning of overgrown stands
- cleansing of sewerage blockages
- clearance certificate memoranda
- connection fees for major municipal services
- dumping site
- electricity or water disconnection and reconnection fees
- fees in terms of standard electricity by-laws
- fire brigade fees
- garden refuse removal
- housing rental
- lease of municipal property
- library fees, being
  - membership fees
  - fines
  - lost books
  - lost membership cards
- penalty and other charges as per paragraph 22 of the credit control and debt collection policy
- photostat copies and faxes
- pound fees
- refuse bin sales
- rental for utilizing municipal premises and municipal sports grounds
- rental for utilizing municipal property
- the provision of information from the Council's records
- town planning fees

#### 14. **CORRECTION OF TARIFFS (ACCOUNTS)**

The municipality has an obligation to ensure that all revenue due is calculated and billed on a monthly basis whilst members of the community have the duty to pay promptly service fees, rates on properties, any other levies and duties imposed by the municipality.

Section 75A of the Municipal System Act allows a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality.

From time to time it becomes necessary to make corrections to individual consumer accounts where a tariff was erroneously levied or not levied in terms of this policy.

These corrections have a budgetary and an accounting treatment implication. To ensure that these corrections are fair and transparent to both the municipality and the customer within the principles of this policy, corrections of tariffs, levies and any other charges erroneously levied will be corrected for a maximum period of three (3) years from the date of discovery except where otherwise prescribed by any other regulation or applicable law.

15. **FREQUENCY OF TARIFF SETTING**

All tariffs are determined on an annual basis and approved by Council before the start of the financial year to which they are applicable.

16. **VAT**

VAT is charged as per the existing national legislation on all tariffs and all minor (sundry) tariffs as indicated in the approved resolution.

17. **TARIFF BY-LAWS**

The principles contained in the policy will be reflected in the tariff by-laws which must be adopted by Council to give effect to the implementation and enforcement of the tariff policy.

18. **REVIEW**

The tariff policy will be revised annually to be in line with the tariff setting and applicable legislation.

19. **SHORT TITLE**

This policy shall be called the Tariff Policy of the Steve Tshwete Local Municipality.