

MATATIELE LOCAL MUNICIPALITY



MATATIELE

LOCAL MUNICIPALITY

TARIFF POLICY

| <u>POLICY INFORMATION</u> | |
|-----------------------------------|-------------------|
| <u>DATE OF COUNCIL ADOPTION:</u> | 26/05/2022 |
| <u>COUNCIL RESOLUTION NUMBER:</u> | CR 138/26/05/2022 |
| <u>POLICY NUMBER:</u> | MLM/BTO/P28 |



MR. LMATIWANE
MUNICIPAL MANAGER

30 May 2022
DATE



CLLR. S. MNGENELA
MAYOR

31 May 2022
DATE



CLLR N NGWANYA
SPEAKER COUNCIL

31 May 2022
DATE

| Authority | Date |
|---------------------|------|
| HOD Approval | |
| MM Approval | |
| Council Approval | |
| Date of next Review | |

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

INDEX

| | <u>Page</u> |
|--|-------------|
| <u>PART 1</u> : GENERAL INTRODUCTION AND OBJECTIVE | 6 |
| <u>PART 2</u> : GENERAL PRINCIPLES | 6 |
| <u>PART 3</u> : CALCULATION OF TARIFFS FOR MAJOR SERVICES | 9 |
| <u>PART 4</u> : ELECTRICITY | 10 |
| <u>PART 5</u> : REFUSE REMOVAL | 11 |
| <u>PART 6</u> : MINOR TARIFFS | 12 |
| <u>PART 7</u> : PROMULGATION OF BY-LAWS AND REVIEW OF POLICY | 14 |
| <u>PART 8</u> : ANNEXURE: LEGAL REQUIREMENTS | 14 |

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 8 of this policy).

In setting its annual tariffs the Council 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.

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 region.

Tariffs for the four 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 further generate an operating surplus each financial year of 10% or such lesser percentage as the Council of 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.

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.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between domestic and commercial and other 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, the consumption of such services shall be properly metered by the municipality. In respect of those premises where pre-paid meters have not been installed, 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 availability charges for the provision of electricity, 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 electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity, 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.

In adopting what is fundamentally a two-part tariff structure for its electricity service, 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 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 two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- * Cost of bulk purchases in the case of electricity.
- * Distribution costs.
- * Distribution losses in the case of electricity.
- * Depreciation expenses.
- * 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/or
 - generally in relief of rates and general services.
- * The cost of approved indigency relief measures in so far as any part of such cost has not been covered by the municipality's equitable share of revenues collected nationally.

The municipality shall provide the first 50kWh of electricity per month free of charge to consumers who have registered as indigents in terms of the municipality's indigence relief programme. The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget.

No availability charge shall be levied on properties where pre-paid meters have been installed.

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 or as soon as possible thereafter.

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 conventionally metered domestic consumption of electricity shall be based on a consumption scale of 0 to 1000 kWh per household per month and above 1000 kWh per household per month. The tariff for the higher consumption scale shall be approximately 90% of the tariff applicable to the first 1000 kWh.
- * The tariff for pre-paid domestic consumption of electricity shall be a flat rate per kWh.
- * 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 other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.

- * Commercial and other consumers of electricity (but excluding schools and school hostels) shall pay a tariff based on the following monthly consumption scales:

0 – 5 000 kWh

5 001 – 15 000 kWh

above 15 000 kWh.

The commercial tariff for the lower consumption scale shall be approximately 33% higher than the tariff for the lower domestic consumption scale, and shall decrease by approximately 10% for each higher consumption scale.

- * In addition commercial and other consumers shall pay a basic monthly charge determined according to the kVA installed per month, based on the following scales:

0 – 25 kVA

26 – 64 kVA

above 64 kVA.

The tariff in this instance shall escalate from one scale to the next in order to reflect the financial effect which such higher demand has on the municipality's cost of bulk electricity purchases.

- * Where a consumer wishes to change from one kVA scale to another, such consumer shall advise the municipality at least 30 days prior to the date on which the new scale takes effect, and shall thereafter remain on such scale for at least 12 months.
- * Commercial and other consumers of pre-paid electricity shall pay a flat rate per kWh.
- * Consumption of electricity by schools and school hostels shall be charged at a subsidised tariff per kWh per month, and a subsidised basic charge per meter per month shall also be payable.
- * The local municipality's departmental electricity consumption shall be charged at cost.

PART 5 - REFUSE REMOVAL

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 or as soon as possible thereafter.

Policy on Final Tariffs effective 01 July 2022

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

- * Domestic users, a tariff per bin per month for twice weekly removals.
- * Commercial and other users, a basic service charge per month plus a tariff per bin for twice weekly removals.
- * Commercial and other users may enter into an agreement with the municipality for additional removals, in which case the tariff shall be the normal commercial tariff applied pro-rata to the service requested.

A fixed monthly charge shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

PART 6 - MINOR TARIFFS

All minor tariffs shall be standardised 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 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, 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.

The following services shall be considered as subsidised services, and the tariffs levied shall cover a reasonable percentage of the annual operating expenses budgeted for the service concerned:

- * hawker stands, shelters, containers, and so forth
- * use of municipal bus rank by bus operators

-
- * burials and exhumations
 - * rentals for the use of municipal halls (subject to the municipality's standing conditions for the hire of halls)
 - * fire fighting services.

The following services shall be considered as community services, and purely nominal tariffs shall be levied for their use:

- * rentals for the use of municipal sports facilities
- * municipal swimming pool
- * administration fees per house per month for all housing bonds administered by the municipality.

The following services shall be considered as economic services, and the tariffs levied shall cover as near as possible the budgeted annual operating expenses of the service concerned:

- * building plan fees
 - * hire of chemical toilets
 - * cleaning of stands
 - * damage to municipal property
 - * electricity: new connection fees
 - * search fees
 - * copies of valuation roll
 - * copies of estimates
 - * rezoning applications (sliding scale escalating according to size of property to be rezoned)
-
- * special consent use applications
 - * applications for relaxation of building lines
 - * clearance certificates.

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- * fines for lost or overdue library books and other items
- * animal pound fees
- * vehicle pound fees
- * electricity: disconnection and reconnection fees

Policy on Final Tariffs effective 01 July 2022

-
- * penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques
 - * penalty and other charges imposed in terms of the approved policy on credit control and debt collection
 - * dog licences.

Market-related rentals shall be levied for the lease of municipal properties.

A tariff reduction to be considered by the Municipal Manager to the maximum of 50% to 60 % for buildings that satisfy the following criteria :

- * Have a substantial LED impact
- * Substantial social impact

Such impact will be assessed on the strength of the motivation by the applicant.

PART 7 - PROMULGATION OF BY-LAWS AND REVIEW OF POLICY

The Council shall ensure that by-laws are promulgated to give effect to its tariffs policy.

The Council shall further ensure that this policy is annually reviewed as part of the process of preparing the annual budget, and that any resultant amendments to the policy are consequentially effected in its by-laws.

PART 8 - ANNEXURE: LEGAL REQUIREMENTS

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.