



# KGATELOPELE LOCAL MUNICIPALITY

## Tariff Policy

2018/19  
KGATELOPELE MUNICIPALITY

## PREAMBLE

**Whereas** section 74 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

**And whereas** the tariff policy should at least include the principles contained in section 74(2) of the Act, thus giving effect to the By-Law required in terms of section 75 of the Act;

**And whereas** the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination;

**Now therefore** the Municipal Council of the Kgatelopele Municipality adopts the following Tariff Policy:

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## 1. DEFINITIONS

In this tariff policy, unless the context otherwise indicates

<b>“Availability Charge”</b>	Availability charge means a charge levied on all properties with or without improvements, where a basic fee is not levied.
<b>“basic municipal service”</b>	means the amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, could endanger public health or safety of the environment and for the purposes of this policy are restricted to electricity, refuse, sewage and water services;
<b>“break even”</b>	means the financial situation where the income derived by the Municipality from the supply of a service is equal to the aggregate of the fixed and the variable costs associated with the provision of the service concerned;
<b>“capital contributions”</b>	means the tariffs payable in respect of the water, electricity, sewage, storm water, roads and refuse removal infrastructure of the Municipality and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure;
<b>“Commercial Unit/Erff”</b>	means a self-contained or lettable section within a building or a group of buildings on the same plot excluding short term residential accommodation establishments for e.g. hotels, bed & breakfast, guest houses etc. An owner of a commercial property may annually choose between being levied either per erf or per commercial unit for water and sewage basic charges. This choice must be applied on or before 30 September of each financial year.
<b>“community services”</b>	means the services referred to in paragraph 5(1)(c) and in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature;
<b>“consumer, customer, owner, occupier, account holder”</b>	means individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.
<b>“Council” or “municipal council”</b>	means a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and for purposes of this policy, the municipal council of the Kgatelopele Municipality;
<b>“economic services”</b>	means services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;
<b>“Electricity Service charge”</b>	Means the monthly charge payable per point of supply to recover administration-related and service-related costs such as meter reading, billing and meter capital. It is based on the monthly utilized capacity of each point of supply linked to an account.
<b>“lifeline”</b>	Available to pre-paid consumers whose connection is $\leq 30$ Amp with a maximum average consumption of 350 kWh measured over a period of 12 months. This tariff is only available to Informal dwellings in informal settlements;
<b>“fixed costs”</b>	means costs which do not vary with consumption or volume produced;
<b>“multi-purpose”</b>	In relation to a property, means the use of a property for more than one purpose;

<b>“Municipality”</b>	the institution that is responsible for the collection of funds and the provision of services to the customers of Kgatelopele;
<b>“Municipal Manager”</b>	means the accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person:- (a) acting in such position; and (b) to whom the Municipal Manager has delegated a power, function or duty in respective of such a delegated power, function or duty;
<b>“resident “</b>	means a person who normally resides in the municipal area;
<b>“residential unit”</b>	Means a single residential erf, flat, townhouse or group development unit, retirement village unit, guest house, bed and breakfast and any household related consumer that do not fall in one of the above household consumer categories;
<b>“RUE”</b>	means Residential Unit Equivalent;
<b>“the Act”</b>	means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
<b>“total cost”</b>	means the sum of all fixed and variable costs associated with a service;
<b>“trading services”</b>	means services that the Council has classified as such and the tariffs have been compiled with the intention that the Council makes a profit from the delivery of the services;
<b>“utilized capacity”</b>	Means the higher of the notified maximum demand (NMD) or maximum demand, per point of supply measured in kVA, and registered each month.
<b>“vacant land”</b>	means all undeveloped land irrespective of its current or future intended zoning. Agricultural properties will not be considered as being vacant erven.
<b>“variable costs”</b>	means costs that vary with consumption or volume produced;
<b>“wet Industry”</b>	Defined as an industry using water as essential and fundamental input in the production process.

## 2. PURPOSE OF POLICY

The Kgatelopele Municipality wishes to achieve the following objectives by adopting this tariff policy:-

- 2.1. To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- 2.2. To prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- 2.3. To give guidance to the Portfolio Committee for Finance regarding tariff proposals that must be submitted to Council annually during the budgetary process.

## 3. TARIFF PRINCIPLES

The Kgatelopele Municipality wishes to record that the following tariff principles will apply:-

- 3.1. Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user of the services to which such tariffs relate, shall not be considered as a criterion.
- 3.2. Tariffs for the basic municipal services rendered by the Municipality, namely:
  - (a) electricity;
  - (b) water;
  - (c) sewage (waste water); and
  - (d) refuse removal (solid waste),

shall be calculated at a level which will recover all expenses associated with the rendering of these services.

- 3.3. To prevent existing consumers from subsidising the capital costs associated with new developments and subdivisions the Municipality will plan and manage the extension of services in such a manner that it will not impact negatively on the fixed costs and availability charges of existing tariffs.
- 3.4. Capital contributions to finance new developments and subdivisions will be required from all developers.
- 3.5. All users of municipal services, within a category of users, will be treated equitably.
- 3.6. The amount payable by consumers and/or owners will generally be in proportion to usage of the service.
- 3.7. The Municipality shall develop, approve and at least annually review an indigent support policy for the municipal area. This policy 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.

- 3.8. Subject to annual budgetary provisions and the availability of funds from National Treasury through the equitable share contribution, the Municipality may consider supplying free basic services to categories of consumers.
- 3.9. In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the Municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. If a service is metered but it cannot be read due to financial and/or human resource constraints or circumstances beyond the control of the Municipality or its authorised agent, and the customer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.
- Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:-
- (a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
  - (b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and if possible, generating a surplus on trading services.
  - (c) Service providers retain a fair rate of return on their investments.
- 3.10. Provision may be made in appropriate circumstances for surcharges on tariffs.
- 3.11. Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use.
- 3.12. The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the indigent or incentives for local development.
- 3.13. Provisions may be made for the subsidisation of the indigent and the promotion of local economic development by creating expenditure votes in the service budgets and including the costs in tariff calculations.
- 3.14. VAT is included in all tariffs where applicable.
- 3.15. This policy shall be binding on all tariffs other than those governed by legislation which supersedes the Act.
- 3.16. A property used for multiple purposes must, for purposes related to the services and categories of users concerned, be calculated at the appropriate and applicable rate for each distinct use of the property.

- 3.17. In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by consumers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time as well as sufficient provision for working capital. The level of the deposits shall be revised annually and the Municipality may introduce transitional arrangements in respect of existing consumers.

#### 4. CATEGORIES OF CONSUMERS

- 4.1. Separate tariff structures may be imposed for the following categories of consumers (which the council may change) :
- (a) domestic consumers;
  - (b) commercial consumers;
  - (c) industrial consumers;
  - (d) agricultural consumers;
  - (e) organs of state;
  - (f) municipalities;
  - (g) consumers with whom special agreements were made;
  - (h) consumers in certain geographical areas;
  - (i) sport and recreation facilities
  - (j) private schools & educational institutions;
  - (k) public benefit organisations and suchlike institutions, and
  - (l) vacant land
- 4.2. Section 74(3) of the Municipal Systems Act allows for the differentiation between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination.
- 4.3. Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and/or standard of services provided, the Council can, after considering a report by the Municipal Manager or the relevant Director, determine differentiated tariffs for the different consumers within the specific category.
- 4.4. Differentiated tariffs must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.
- 4.5. If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users in this policy, the Municipal Manager shall, by applying the closest match principle, determine the category under which the user or category of users fits in best, taking into account the nature of the service concerned and the user or category of users involved.



## **5. INCENTIVE POLICY**

- 5.1. Tariffs will not reflect incentives for investment or to promote economic development.

## **6. INDIGENT RELIEF**

- 6.1. Tariffs will not reflect relief granted to indigent households. Such relief will be developed as a separate policy and be subject to the discretion of Council as to its sustainability.
- 6.2. All such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.
- 6.3. During implementation of such policy, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments will be phased in over time.
- 6.4. Indigent households are expected to manage their consumption of services within the levels of relief granted.
- 6.5. Assistance and management of indigent households is contained in the Customer Care and Debt Collection Policy/By-Law. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction if the accounts of assisted households fall into arrears.

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

### **7.1. Service classification**

- 7.1.1. To isolate the costs associated with a service, the Municipal Manager shall, subject to the guidelines provided by the National Treasury, Generally Recognised Accounting Practice (GRAP) and Executive Mayoral Committee of the Council, provide for the classification of services into the following categories:-

- (i) trading services;
- (ii) economic services;
- (iii) community services; and
- (iv) subsidised services.

- 7.1.2. Trading and economic services must be financially ring-fenced and financed from service charges while community and subsidised services will be financed from rates and related income.

### **7.2. Expenditure classification**

Expenditure will be classified in accordance with GRAP.

### 7.3. Cost elements

The following cost elements may be used to calculate the tariffs of the different services:-

- (a) *“Fixed costs”* which consist of the capital costs (interest and redemption) on external loans as well as internal advances and/or depreciation, whichever are applicable to the service, and any other costs of a permanent nature as determined by the Council from time to time.
- (b) *“Variable costs”* which include all other variable costs that have reference to the service
- (c) *“Total cost”* which is equal to the fixed costs and variable costs.

## 8. TARIFF TYPES

In determining the type of tariff applicable to the type of service, the Municipality shall make use of any of the following six options or a combination thereof:-

### 8.1. “Single tariff”:-

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Municipal Manager, the Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

### 8.2. “Cost related two to four part tariff”:-

This tariff shall consist of two to four parts. Management, capital, maintenance and operating costs may be recovered by grouping certain components together, e.g. management, capital and maintenance costs may be grouped together and may be recovered by a fixed charge, independent of consumption for all classes of consumers, or the total costs may be recovered by a unit charge per unit consumed. Three and four part tariffs may be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

### 8.3. “Inclining block tariff”:-

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

### 8.4. “Declining block tariff”:-

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

### 8.5. “Regulating tariff”:-

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

### 8.6. “Cost plus mark-up tariff”:-

This tariff is for other services rendered.

## **9. CALCULATION OF TARIFFS FOR MAJOR SERVICES**

### **9.1. General**

In order to determine the tariffs which must be charged for the supply of the basic municipal services, (electricity, refuse, sewage and water), the Municipality shall use service and expenditure classifications and cost elements contained in clause 7 and identify all the costs associated with the service concerned, including the following:-

- 9.1.1. Cost of bulk purchases in the case of electricity and water.
- 9.1.2. Distribution costs, including distribution losses in the case of electricity and water.
- 9.1.3. Depreciation and finance charges.
- 9.1.4. Maintenance of infrastructure and other assets.
- 9.1.5. Administration and service costs, including:-
  - (a) service charges levied by other support services, 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, working capital and obsolescence of stock;
  - (d) all ordinary operating expenses associated with the service concerned, including the cost of providing street lighting in the municipal area in the case of the electricity service.
- 9.1.6. The intended surplus to be generated for the financial year shall be applied generally in relief of rates and general services.
- 9.1.7. Where a consumer has an option to choose between different tariffs on a service such option must be executed before 30 September to be implemented for the specific financial year.

### **9.2. Electricity**

- 9.2.1. The guidelines and policy issued by the National Energy Regulator from time to time will form the basis of calculating tariffs.
- 9.2.2. The Municipality has standardized on the installation of Pre Payment Meters for all Domestic Consumers. As such it is compulsory for all new domestic connections to be equipped with Pre Payment Meters. The Municipality has embarked on a program to effect the migration of all Credit Meters to Pre-Payment Meters. The change from Pre Payment Meters to Credit Meter will therefore be disallowed unless special health circumstances exist, in which extreme case a credit meter will be

installed by special concession from the Director of Infrastructure and Planning and by payment of the required change of meter fees as well as the required deposit.

- 9.2.3. To make electricity affordable to certain categories of consumers, cross subsidisation between and within categories of consumers will be allowed, based on the load factors of the categories and consumers within the category.
- 9.2.4. The fixed costs, or portions thereof, will be recovered through an energy or time-of-use charge.
- 9.2.5. A basic charge per electricity meter or unit in the municipal area, as determined by the Council from time to time, may be charged against all electricity consumers.
- 9.2.6. To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used:-

A basic level of service will be provided free to qualifying households with a total gross income level which is below a determined amount, and according to further specified criteria, as determined by Council from time to time.

- 9.2.7. An infrastructure basic charge for electricity will be levied on a monthly basis on all properties or units.
- 9.2.8. An availability charge will be levied on all erven or units not connected to the electricity network, but can reasonably be connected to the service.
- 9.2.9. The use of tariffs E5A10 "Exceed NOTIFIED MAXIMUM DEMAND (NMD) per kVA Per month". Each Time-of-Use consumer must nominate the Maximum Demand that the consumer intends to draw from the Kgatelopele Municipal Electricity Network. This nominated figure is known as the Nominated Maximum Demand (NMD) and is measured in kVA.

Upon exceeding this NMD, the consumer will be warned that he/she has exceeded the NMD and upon exceeding such NMD again within the next 12 months, the consumer will be required to pay the charge per kVA as indicated under tariffs E5A10 as the case may be. Each subsequent exceeding of the NMD will be charged similarly. When the NMD has not been exceeded in any 12 consecutive months, the consumer will then only receive a warning upon the next time the NMD is exceeded, after which the required tariff will again be instituted as shown above.

The consumer may increase his/her NMD and would be required to pay the associated tariffs as indicated under E15, where appropriate. A consumer may increase his NMD as many times as is needed within one financial year, but may only decrease the NMD once within any Financial Year.

### **9.3. Water**

- 9.3.1. The categories of water consumers as set out in clause 9.3.4 shall be charged at the applicable tariffs as approved by the Council in each annual budget.
- 9.3.2. The first 6kl of water consumption per month shall only be supplied pro rata free of charge to domestic water consumers who qualify for the indigent grant.

- 9.3.3. Because water is a scarce national resource, and this Municipality is committed to the prudent conservation of such resources, the tariff levied for consumption of water shall escalate according to the volume of water consumed.
- 9.3.4. The tariffs for consumption of purified water shall be based on the levels reflected in the following table:-
- 9.3.5. A basic charge per water meter or unit in the municipal area, as determined by the Council from time to time, may be charged against all water consumers.
- 9.3.6. An infrastructure basic charge for water will be levied on a monthly basis on all erven or units.
- 9.3.7. An availability charge will be levied on all erven or units not connected to the water network but can reasonably be connected to the service.

#### **9.4. Refuse Removal**

- 9.4.1. A separate fixed monthly refuse removal charge shall apply to each category of users based on the costs of the service concerned and the applicable level of service, which can vary from once a week up to 7 times a week.
- 9.4.2. The fixed basic charge will be based on the number of removals per week.
- 9.4.3. An availability charge will be levied on all erven/units where no building plan has been approved. -
- 9.4.4. The tariff for refuse removal for residential units will be one removal per household.

#### **9.5. Sewerage**

9.5.1. The categories of users as set out below, shall be charged monthly at the applicable tariff as approved by Council in each annual<sup>4</sup> budget:-

- (i) Domestic (including Semi Permanent Caravan Sites);
- (ii) Hotels, Hostels, Hospitals, Old Age Homes and Group Housing;
- (iii) Guest Houses and Bed & Breakfast Establishments;
- (iv) Shops and Offices;
- (v) Low Cost Housing Schemes;
- (vi) Schools;
- (vii) Caravan Parks with communal ablution facilities;
- (viii) Departmental Municipality;
- (ix) Consumers with a conservancy tank.

9.5.2. A monthly basic charge shall be levied on all properties or units within urban areas, irrespective of the type of service available.

9.5.3. A sewage usage charge will be levied on all properties or units that produce sewage or have a water meter. This charge will be levied as follows:

- (i) SEWAGE – SINGLE AND INTERMEDIATE RESIDENTIAL (Dwelling houses and Duplex apartments)  
The sewage volume will be deemed to be 70% of water consumption, up to a maximum of 35kℓ of sewage per month (70% of 50kl water per month).
- (ii) SEWAGE – GENERAL RESIDENTIAL (Blocks of apartments and Residential Buildings)

Sewage volume will be deemed to be 90% of water consumption per individual unit up to a maximum of 45kℓ of sewage per month (90% of 50kℓ water per month).

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(iii) SEWAGE – GUEST HOUSES AND BED & BREAKFAST ESTABLISHMENTS

Sewage volume will be deemed to be 70% of water consumption per individual unit.

(iv) ALL OTHER USERS (Including Commercial, Industrial, School, Sport, etc.)

The sewage volume will be deemed to be 90% of water consumption.

The 90% may be adjusted by the Municipal Manager as appropriate to the consumer. The Municipal Manager may also institute a cap on the volume of sewage if appropriate to the consumer.

9.5.4. An effluent fee shall further be payable by factories and other industrial users where the wastewater emanating from such users requires special purification measures by the Municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of purification.

9.5.5. A monthly infrastructure charge will be levied on all properties or units.

10. The tariff list is listed below for the 2018/19 financial year