KAREEBERG MUNICIPALITY

FINAL TARIFF POLICY

2019/2020 FINANCIAL YEAR

TARIFF POLICY

1 DEFINITIONS

For the purpose of this Policy any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this Policy unless the context indicates otherwise-

Trading Services: Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council realises a surplus on the delivery of the services.

Economic services: Are 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.

Community services: Are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature.

Fixed costs: Are costs that do not vary with consumption or volume produced.

Variable costs: These are costs that vary with consumption or volume produced.

Total cost: Is the sum of all fixed and variable costs.

Flat rates: Are the unit tariffs that are calculated by dividing the total costs by volume used.

Two-part tariffs: Are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed.

Units consumed: Are the number of units consumed of a particular service and are measured in terms of the units of measurement.

2 PURPOSE OF THIS POLICY

The council wishes to achieve the following objectives by adopting this tariff policy:

a. To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

b. To prescribe procedures for calculating tariffs **where** the Kareeberg Municipality wishes to appoint service providers in terms of section 76(b) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

c. To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

3 TARIFF PRINCIPLES

3.1 The Council wishes to record the following tariff principles:

(a) All users of municipal services will be treated equitably where applicable. The various categories of customers will pay the same charges based on the same cost structure[1].

(b) The amount payable will be in proportion to usage and based on the tariff structure adopted for the approved category of consumer.

(c) Indigent households will have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Integrated Development Plan[2].

(d) Tariffs will reflect the total cost of services[3].

(e) Tariffs will be set at a level that facilitates the sustainability of services.[4]

3.2 Sustainability will be achieved by ensuring that:

(a) Cash inflows cover cash outflows. This means that sufficient provision for bad debts will be made in accordance with accounting policy.

(b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and realising surpluses on trading services.

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1 Section 74(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
2 Section 74(2) (c) (i) and (ii).
3 Section 74(2)(d)
4 Section 74(2)(e)

3.3 Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required[5].

3.4 Providing for penalties to prohibit exorbitant use will encourage efficient and effective use of resources.

3.5 The extent of rebates on tariffs will be disclosed. This will be achieved by publishing the true costs of the service and the rebate as well as the source of the rebate.

4 CATEGORIES OF CUSTOMERS

4.1 The tariff structure of the Kareeberg Municipality makes provision for the following categories of customers[6]

- domestic;
- commercial;
- industrial;
- agricultural;
- institutional;
- rural;
- municipal;
- within municipal boundaries;
- not within municipal boundaries; and
- special agreements.

4.2 Where there is a substantial difference between the standard of services provided within a specified category, the Council may, after the presentation of a report by the Municipal Manager or the relevant department, determine differentiated tariffs within the specified category.

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5 Section 74(2)(l)
6 Section 74(3)

5 EXPENDITURE CLASSIFICATION AND COST ELEMENTS

The Chief Financial Officer shall, subject to the guidelines of the Department of Finance and Finance Committee of the Council, make provision for the following classification of services:

5.1 Trading services:

(i) Electricity;

(ii) Water.

5.2 Economic services:

(i) Refuse removal;

(ii) All types of Sanitation Sewerage disposal;

(iii) Recreation Resorts.

5.3 Community services:

i) Building control;

ii) Cemeteries;

iii) Fencing and fences;

iv) Fire fighting services;

v) Fixed billboards and the display of advertisements in public places;

vi) Local economic development;

vii) Licensing and control of undertakings that sell food to the public;

viii) Local amenities;

ix) Local sport facilities;

x) Local tourism;

xi) Municipal parks and recreation;

xii) Municipal planning;

xiii) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;

xiv) Municipal roads;

xv) Parking;

xvi) Pounds;

xvii) Public places;

xviii) Storm water management system in built-up areas;

xix) Street lighting;

xx) Street trading;

xxi) Trading regulations;

xxii) Traffic.

5.4 Subsidised services:

(i) Libraries;

(ii) Primary health care if applicable.

(iii) Proclaimed roads if applicable.

5.5 Expenditure classification

Subjective classification into various expenditure groups as contained in the National Treasury guidelines and General Recognised Accounting Practises.

5.6 Cost elements

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

(i) *Fixed costs* which consist of the capital costs (interest) on external loans as well as depreciation whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.

(ii) *Variable cost:* This includes all other variable costs that have reference to the service.

(iii) *Total cost* is equal to the fixed cost plus variable cost.

6 DEPOSITS

The raising of deposits is permissible where certain levies are made in arrears and payable with new application for the relevant service.

a) ***Electricity:*** Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule, where applicable.

b) ***Water:*** Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule, where applicable.

c) ***Other services:*** As and when required as determined annually according to the tariff schedule, where applicable.

d) See tariff schedule for 2019/2020 financial year.

7 TARIFF TYPES

7.1 In setting service charges the Council shall

- accurately reflect costs to achieve economic efficiency;
- ensure equity and fairness between different types and categories of consumers;
- utilise appropriate metering and/or supporting technology; and
- be transparent.

In determining the type of tariff applicable to the type of service the Council shall make use of the following options or a combination of the same:

(i) ***Single tariff:*** This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Surpluses on trading services may be allowed subject to Council approval.

(ii) ***Cost related two part tariff:*** This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.

(iii) ***Inclining block tariff:*** This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

(iv) ***Declining block tariff:*** This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be used during special agreements and incentives.

(v) ***Availability charges:*** Payable in respect of erven not connected to Council's existing infrastructure. Once Council provided a connection, normal tariffs as per respective service are payable.

(vi) ***Correction of water and electricity service accounts:*** Where customers have been **over charged or under charged** for water services and or electricity (prepaid and conventional meters) services and all other services or rates and taxes levied, the municipality must rectify the over charges or under charges for the water and electricity services and all other services or rates and taxes, immediately when it becomes aware of such an over or under charges, applicable.

(vii) ***Outside Municipal Area:*** These tariffs shall apply to consumers who are not residing within the municipal boundaries but are making use, on application, of certain services.

(viii) ***Recoverable work:*** These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

(ix) ***Augmentation fees:*** Please consult the Augmentation policy as fees are outline in the policy.

8 REBATES

8.1 Rebates are allowed in accordance with the tariff and rate schedule as well reflected in the specific policy as determined by Council annually.

9 UNIT OF MEASUREMENT

The following units of measurement will, where possible and applicable, be used to determine tariffs:

9.1 Water

Water will be measured with a water meter and meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

(1) Basic cost plus cost per unit charge (kilolitres consumed); or

(2) Cost per unit (kilolitres consumed); or

(3) When consumption is not measured a flat rate will be applicable.

9.2 Electricity

Electricity will be measured with an electricity meter and meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

(1) Basic costs or Fixed costs plus kWh consumed; or

(2) Maximum demand plus kWh consumed; or

(3) Cost per unit (kWh consumed); or

(4) KVA.

9.3 Refuse removal

The monthly amount levied is due and payable in monthly payment account. On written request the amount may be raised annually. Upon application of Clearance Certificate the full outstanding levy is payable by the consumer/registered owner and recoverable.

9.4 Sewerage

Monthly amount levied is due and payable in monthly payment account. On written request the amount may be raised annually. The levy is payable by the consumer/registered owner and recoverable with clearance certificate:

- Basic charge – for all types of sanitation, sewerage whether connected to the mainline sewer network or are based on the number of properties within those categories of customers and fixed cost associated with the service.
- Additional charge – based on the number of properties within those categories of customers and variable costs of the service.
- When number of properties is not available a flat rate based on the average consumption per categories of consumers will be applicable.

9.5 Assessment Rates

9.5.1 Assessment rates is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations. The assessment rates must be calculated in such a manner that the Council realise a net surplus when adopting its tariffs.

9.5.2 Assessment rates are calculated according to market valuation of property. Annual amount levied due and payable with September account. On written request the amount may be raised monthly. The levy is payable by the registered owner and recoverable with clearance certificate.

9.6 Social benefits

9.6.1 The Council, in order to measure social benefits enjoyed by the community, has approved of the under mentioned standards to achieve cost recovery and to measure service delivery, where possible. These measures will be used to ensure that the service is affordable to the Council, business and households. The measures will be used to determine whether the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed.

9.6.2 Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION	UNIT OF OUTPUT	CLASSIFICATION BY COUNCIL
Art Gallery and Museum	Free of attendance	Community
Engineering Administration	Population Percentage of Municipal expenditure	Community
Building Section	Number of plans submitted Value of buildings Municipal value of buildings	Subsidised
Caravan Park	Number of bookings Number of sites	Subsidised
Cemeteries	Number of burials Number of graves	Subsidised
Civic and other halls	Number of bookings	Subsidised
Cleansing, Refuse removal and disposal	Number of removals Population Number of properties	Economic
Corporate Services	Population Percentage of total expenditure	Community (Charged out)
Council General	Population Percentage of total expenditure	Community (Charged out)
Electricity	Number of units purchased Number of units sold Number of connections	Trading
Financial Services	Percentage of municipal expenditure Population	Community (Charged out)
Fire	Free	Subsidised
Encroachment	Per square meter	Community
Libraries	Number of members Number of book in stock Population	Community
Licensing	Number of licences	Subsidised

Municipal Manager	Percentage of municipal expenditure Population	Community (Charged out)
Parks and recreation	Number of properties Population	Community
Personnel administration	Number of municipal staff Population	Community (Charged out)
Recreation resorts	Number of users Population	Economic
Roads and Stormwater (including sidewalks)	Length of roads Population	Community
Sewerage reticulation (Disposal)	Number of connections Sewerage purified Population	Economic
Street lighting	Number of street lighting	Community
Swimming pools	Number of attendance Population	Subsidised
Town Planning	Number of properties Population	Community
Traffic	Number of registered vehicles Population	Subsidised
Valuations	Number of properties Value of municipal valuations	Community
Water	Number of units sold Cost per unit supplied Length of mains Kilolitres purified Cost per kiloliter purified	Trading

10 BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and adjusted by Council from time to time.

11 COMMENCEMENT

This policy takes effect on 1 JULY 2019.

Approved 31 MAY 2019 By Council

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