



# **TARIFF POLICY**

**FINANCIAL YEAR: 2012/2013**

**APPROVAL DATE BY COUNCIL: 05 JUNE 2012**

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### **ANNEXURE A - SCHEDULE OF RATES AND TARIFFS**

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## Preamble

The tariff-setting process for every financial year for the Lesedi Local Municipality continues to be guided by rates and tariff policies and tariff methodology, which provides a framework within which the municipality can implement fair, transparent and affordable charges for the provision of services. Furthermore, the municipality fully considers when determining the tariffs levels for the financial year tariff escalation rate by establishing or calculating its own revenue requirement, capital costs and other factors mentioned in the policies.

It is also important to note that when the Lesedi Local Municipality considers increasing tariffs such decision is always based on the long-term economic development plan put together to ensure that municipality is able to deliver effectively, efficiently run and well-maintained services and facilities. The municipality, however, is affected by all sorts of external factors like inflation, cost of bulk purchases, and government policy decisions to some extent, certain international factors as well as the employment and income demographics of its residents. Interest is charged on all outstanding amounts based on the prime lending rate as determined by the commercial banking industry as at 1 July of every year.

## 1. INTRODUCTION

A tariffs policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government Municipal Systems Act (*Act 32 of 2000 (Government Gazette No.21776, dated 20 November 2000)*), such policy to cover, amount others, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The tariffs policy for Lesedi Local Municipality has been compiled taking into account, where applicable, the guidelines set out in Section 74.

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## 2. ASSESSMENT RATES

All rateable properties in the Lesedi Local Municipality are to be valued at least once every four years.

Assessment rates and varying rebates will be applied according to the Rates Policy. The rate in the rand, as well as the rebates, will be determined and approved by Council when the budget and tariffs are annually submitted for consideration.

### PROPERTY RATES SCHEDULE

Valuation Roll 2010-2014

TARIFF 0.008195c (.0090145) in the rand for property rates

<u>Categories</u>	<u>Ratio in relation to property</u>
Residential property	1:1
Business, commercial and industrial	1:2
Agricultural properties( Farms and Agricultural holdings) used for (a) Farming and agricultural purposes (b) Business and commercial purposes	1: 0.25 1:2
State owned properties	1:2
Privately owned towns serviced by the owners	1:0.90
Municipal properties	1:0
Public service infrastructure	1:0
State trust land	1:0.25
Protected areas	1:0.25
National monuments	1:0.25
Properties owned by public benefit organizations(part 1 of the Ninth Schedule of the Income Tax Act, 1962 (Act 58 of 1962)	1:0.25
Exclusive use areas	Not rateable
Servitudes	1:0.25

Township title properties	1:0.25
Multiple use properties	According to use
Vacant land (Residential + Business & commercial + industrial)	1:1
Vacant land (Private owned - Heidelberg kloof)	1:1

### PROPERTY RATES REBATES

	<u>Municipal value</u>	<u>% Rebates</u>
<p><b><u>Residential and sectional title properties</u></b></p> <p>All Residential and sectional title properties, is rebated by the amount of rates payable on the municipal value as indicated:</p>	<p>First R15000</p> <p>R15 001 to R100 000</p>	<p>Exempt [Section 17(h) of the Act].</p> <p>100%</p>
<p><b><u>Residential vacant land</u></b></p> <p>All residential vacant land as defined in the Rates Policy be rebated by the amount of rates payable on the municipal value as indicated:</p>	<p>First R15000</p> <p>R15001 to R40 000</p>	<p>Exempt [Section 17(h) of the Act].</p> <p>100%</p>
<p><b><u>Public Benefit Organisation (PBO)</u></b></p> <p>All Public benefit Organisation (PBO) properties as defined in the Rates Policy qualify for a 20% rebate. (This rebate is only applicable to rates payable.)</p>		20%
<p><b><u>State owned properties</u></b></p> <p>All state owned properties as defined in the Rates Policy, qualify for a 20% rebate. All government properties are defined in schedule 1 &amp; 3 of the Public finance Municipal Act.</p>		20%
<p><b><u>Special rebates</u></b></p> <p>Special rebates to registered owners of residential properties who are senior citizens, disabled and/or medically unfit persons qualifying according to gross monthly household income of all persons normally residing on that property:</p> <p><b>Gross monthly household income</b></p> <p>R0 – R3000</p> <p>R3001 to R4000</p> <p>R4001 to R4500</p> <p>R4501 to R5000</p> <p>R5001 to R5500</p>		<p>100%</p> <p>80%</p> <p>60%</p> <p>40%</p> <p>20%</p>

Municipal properties	Exempt	100%
Public Service Infrastructure	Exempt	100%

**RATES RATIOS TO BE APPLIED AS STIPULATED ON THE GOVERNMENT GAZETTE NO. 32061 OF 2009:**

The rate on the non residential properties may not exceed the ratio to the rate on residential properties as listed below:

- Residential property 1:1
- Agricultural property 1:0.25
- Public service infrastructure property 1:0.25
- Public Benefit Organization 1:0.25

The 1:1 represent the ratio to the rate on residential properties. 1:0.25 represents the maximum ratio to the rate on residential property that may be imposed on the residential properties.

Amended Municipal Property Rates Act published in Government notice number R362 on 27 March 2009 introducing the ratio for Public Benefit Organization (PBO) to be 1:0.25.

**REBATES ON ASSESSMENT RATES**

Rebates on assessment rates are applied as per the Municipal Rates Policy.

**3. ELECTRICITY**

All electricity tariffs must be approved by the National Electricity Regulator.

The various categories of electricity consumers, as set out below; will be charged at the applicable tariffs, as approved by Council at least one month before implementation. Council will endeavor over the next three financial years to keep the electricity tariffs at or below the inflation rate.

Tariffs adjustments will be effected only from 1 July each year, except if the actual tariffs increase announced by Eskom exceeds the increase allowed for by Council in

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its budget. In the latter case, Council reserves the right to make a further adjustment to the electricity tariffs, such adjustment to be effective from or after the date on which the Eskom increase takes effect.

Council also reserves the right to adjust tariffs whenever it becomes evident that the budgeted revenues of the electricity service will not materialize or that the budgeted expenses of this service will be exceeded for reasons beyond Council's control.

Categories of consumption:

- With the single exception set out in the immediately ensuing paragraph, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- This policy is designed to cater for poor households:
  - a) The first 50 kWh for all approved indigent domestic electricity consumers shall be free of charge.
  - b) Basic charge rebate will be granted in full on monthly basis for approved indigents.

**NB: NO FREE UNITS WILL BE PROVIDED TO NORMAL HOUSEHOLDS / DOMESTIC FOR ELECTRICITY CONSUMPTION.**

- All domestic residential properties shall be billed on a monthly basic charge.
- All business properties shall be billed on a monthly basic charge.
- All industrial properties shall be billed a monthly basic and KVA charge.

The electricity consumption charge shall differentiate between electricity consumers using less than 1000 KVA per kWh, between 1000 and 4000 KVA per kWh.

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- Churches, sport clubs and museum properties shall additionally be billed a monthly basic charge.
  - Schools and hostel properties shall additionally be billed a monthly basic charge
  - Farms shall additionally be billed a monthly fixed and a basic charge, and the fixed charge shall differentiate between consumers with a KVA up to 650 and those with a consumption above this amount. There shall also be differentiated between consumption tariff for usage up to 1000 kWh and for usage above 1000 kWh.
  - The Lesedi Local Municipality's departmental electricity consumption shall be charged at cost price.

#### **4. WATER**

The following categories of water consumers shall be charged at the applicable tariffs, as approved by Council, at least one month before implementation, when the budget is compiled. Council will endeavor over the next three financial years to keep the water tariffs at or below the inflation rate.

Tariffs adjustments shall be effective from 1 July each year. However, Council reserves the right to adjust such tariff subsequently if the bulk supplier(s) of water to Council increases its (their) tariff by an amount greater than that allowed for by Council in compiling its budget. Such further adjustment shall take effect from or after the date on which the bulk supplier's tariffs increase takes effect.

Council further reserves the right to introduce a quota system for water consumption, with penalty tariffs for consumers exceeding their quotas, whenever a quota system is imposed by a bulk supplier on Council itself.

Finally, Council reserve the right to adjust the water tariffs whenever it becomes evident that the budgeted revenues of the water service will not materialize or that



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the budgeted expenses of the service, for reasons beyond Council's control, will be exceeded.

- This policy is designed to cater for poor households:
  - a) The first (6) kl for all approved indigents domestic electricity consumers shall be free of charge.
  - b) Basic charge rebate will be granted in full on monthly basis for approved indigents.

**NB: NO FREE UNITS WILL BE PROVIDED TO NORMAL HOUSEHOLDS / DOMESTIC FOR WATER CONSUMPTION**

- All other consumers (including business, industry, flats, hospitals, schools, churches, sport clubs and museums) shall be charged on actual water consumption at a fixed rate per kl.
- A basic charge shall be charged on all property where there is more than one registered owner.
- Lesedi Local Municipality's department's water consumption shall be charged at cost price.

<b>5. REFUSE REMOVAL</b>
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The following categories of refuse removal consumers shall be charged at the applicable tariffs, as approved by Council at least one month before implementation, when the budget is compiled:

- A separate fixed monthly refuse removal charge shall apply to each of the following categories of users:
  - (a) Domestic
  - (b) Business/Industrial
  - (c) Flats

- (d) Kloof
- (e) Lesedi Local Municipality's departments
- (f) Builders/Contractors
- (g) Dumping at transfer site

Tariffs adjustments will be effected from 1 July each year, but Council reserves the right to make further adjustments to refuse removal tariffs whenever it becomes evident that the budgeted revenues of this service will not materialize, that the budget expenses will be exceeded for reasons beyond Council's control or when ERWAT increases it's tariffs to Lesedi.

**6. CONNECTION FEES**

**SUPPLYING OF WATER AND ELECTRICITY**

The reconnection fees that will be payable in cases where services have been removed due to continuous non-payment and illegal reconnections as well as the reconnection costs of the monthly credit control on none payments are as follows: -

- 7.1 Administration fee Electricity Reconnection -no tempering R250.00 (*VAT Excluded*)
- 7.2 Administration fee Water Reconnection no tempering R250.00 (*VAT Excluded*)
- 7.3 Replacement of Circuit Breaker.....R500.00 (*VAT Excluded*)
- 7.4 Replacement of single phase conventional meter .....R1, 560.00 (*VAT Excluded*)
- 7.5 Replacement of 3-phase conventional meter..... R2, 700.00 (*VAT Excluded*)
- 7.6 Replacement of pre-paid meter ..... R1, 596.00 (*VAT Excluded*)
- 7.7 Replacement of cable ..... R1, 794.00 (*VAT Excluded*)
- 7.8 Replacement of Water Meter .....R660.00 (*VAT Excluded*)
- 7.9 Penalty fee on meter tampering and illegal connections ...  
R3 000.00 (*VAT inclusive*)

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## 7. DEPOSITS

### Electricity and water:

Every applicant shall, before such supply is given be liable to pay a deposit with the council on the basis of the cost of 3 times the maximum consumption of the usage and basic fees provided that such deposit will no be less than the prescribed deposit. A un refundable connection fee is payable for every service.

AREAS	PRESCRIBED DEPOSITS R
Rensburg	2100.00
Bergsig	2100.00
Jordaan park	3180.00
Overkruin	3180.00
Heidelberg	2640.00
Woonstelle (Flats)	1560.00
Meenthuse / Townhouse	1800.00
Suikerbos-oord vir bejaardes (pension)	600.00
Small Business (shops)	6900.00
Residential : Water deposit (New) (no previous connections)	1045.00
Residential : Elect deposits (New) (no previous connections)	2904.00
Ratanda elect deposit	972.00
Ext 23 water deposit	400.00
Industrial business	11040.00
Shalimar Ridge	2484.00
Small holdings & Farms	3864.00
Pre-paid electricity	Price determined by Elec Dept
Water domestic user only	1000.00
Water connection fee (VAT excl)	240.00
Electricity connection fee (VAT excl)	240.00

- The council may at any time when a deposit is found to be in adequate increase such a deposit.

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- The council may increase a deposit where applicant defaulted in payment of these services.
  - New consumer deposits for customers must be re-assessed three months after the initial deposit date, if necessary. . A register must be maintained for this purpose and be attached on the stand file and the customer will be informed in this regard. Upon termination of debtors agreement with the municipality, the deposit will first be offset against any balance (if any) owed to the municipality and the remainder thereof will be refunded to the customer.

## **8. CLEARANCES FEES**

### **Restraint on transfer of property (municipal system Act 32 of 2000) (s 118)**

- 1 A registrar of deeds may not register the transfer of property except on production to that registrar of deeds of a prescribed certificate:
  - a) issued by the municipality or municipalities in which that property is situated ;  
and
  - b) which certifies that all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.
- 1 A) A prescribed certificate issued by a municipality in terms of subsection (1) is valid for a period of 120 days from the date it has been issued.
  - Application fees R 95.00
  - Clearance certificate R 5.00

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## 9. GENERAL

Uniform rates and tariffs structure shall apply throughout the Lesedi municipal area for all types of services and residents.

The policy of Lesedi Local Municipality for electricity, water, refuse removal and sewerage shall be at least to recover all costs, and whenever appropriate to generate a 10% surplus, or such lesser percentage determined when the budget is compiled and approved by Council.

The determination of rates and service tariffs shall take into account provisions for bad debts. The bad debts provision for Lesedi Local Municipality should at all times be at least 50% of the total outstanding rates and service debtors as at 30 June of each year.

All minor tariffs shall be approved and implemented on an annual basis, and shall, when appropriate, be subsidized by the rates account, particularly when the tariffs will prove uneconomical when charged at cost or when cost cannot accurately be determined or when the tariff is designed purely to regulate rather than finance the use of a particular service or amenity.

All minor tariffs shall be standardized with the municipal region and are stipulated in the tariff schedule as **ANNEXURE A**.

**Minor tariffs** include the following:

- Ambulance fees (agency service for Province)
- Cemetery fees
- Flat rentals
- Housing rentals
- Library fees (e.g. membership, fines, lost books, lost membership cards)
- Fire brigade fees
- Health (e.g. cytological test, sale of milk powder)
- Rent Town Hall
- Application fee for sub-division
- Building Plan fees

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- Rent Sport grounds
  - Refuse removal: mass removal
  - Plastic bag sales
  - Refuse bin sales
  - Cleaning of stands
  - Sewerage application fees
  - Factory effluent
  - Photostat copies
  - Clearance certificates
  - Rent of garages: private/government
  - Electricity: reconnection fees
  - Electricity: new connection for pre-paid meters
  - Electricity: new connection fees
  - Water: reconnection fees
  - Water: new connection fees.

## **10. INTEREST ON ARREARS**

Interest will be charged on late payments and on arrears payable to the municipality for services rendered on sundry levies at a rate permitted by the municipality.

- 10 % per year.

## **11. REVIEW OF POLICY AND PROMULGATION OF BY-LAWS**

Council shall ensure that by-laws are promulgated to give effect to its rates and tariff policy.

Council shall further ensure that this policy together with the rates and tariff schedule 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.

## **ANNEXURE A - SCHEDULE OF RATES AND TARIFFS**