



Nkomazi Municipality

NKOMAZI LOCAL MUNICIPALITY
MP324

DRAFT TARIFF POLICY

VISION

A leading local municipality that empowers its communities through excellent service delivery

MISSION

To enhance the quality of life of all the communities in the Nkomazi Local Municipality area through rendering basic services in an efficient and cost-effective manner that adheres to the principles of sustainable development.

MUNICIPALITY'S CORE VALUES

The Nkomazi Local Municipality subscribes to the following core values:

- Accountability;
- Good Governance;
- Transparency;
- Integrity; and
- Responsiveness.

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CHAPTER 1

GENERAL TARIFF POLICY

1. LEGISLATIVE COMPLIANCE

- 1.1 The Municipal system Act 2000 requires that council adopt a tariff policy.
- 1.2 The general financial management functions covered in Section 62(f) of the Municipal Finance Management Act includes the implementation of a tariff policy.
- 1.3 Specific legislation applicable to each service has to be taken into consideration when determining this policy.

2. SCOPE OF THE POLICY

- 2.1 The policy document guide the annual settings of tariffs, hence policy does not make the specific tariff proposals. Nor does it deal in any detail with the implementation of the specific tariff proposals. Details pertaining to specific levels and application of the various tariffs are published in the schedule tariffs, which must be read in the conjunction with policy.
- 2.2 The policy is applicable to tariff for electricity, water, sanitation and solid waste services provided by the municipality.
- 2.3 This policy is also applicable to all sundry tariffs, as provided for in schedule of Tariffs of the municipality.

3. OBJECTIVE

The objective of the tariff policy is to ensure that:

- 3.1 The tariffs approved during the Budget process by council to fund services must be consistent with this policy.
- 3.2 The municipal services are financially sustainable, affordable and equitable.
- 3.3 The needs of the poor households into consideration.
- 3.4 There is consistency in how tariffs are applied throughout the municipality.
- 3.5 Tariffs are standardized, where possible, for the whole municipal area.

4. DEFINITION

All items used in this policy, unless the context indicates otherwise, have the meaning ascribed to them in local Government legislation or hereunder.

- 4.1 **“Municipal Account”** means a postulated current account based on median bills for water, electricity, sanitation, solid waste services and rates. Sundry charges and interest on debt are excluded.
- 4.2 **“Provision for Free Basic Services”** means a budget Provision, funded from National Government transfers and Municipal rates to subsidize basic services.
- 4.3 **“Rates and General Accounts”** means a budget provision used too fund other municipal services excluding electricity, water, sanitation, solid waste services
- 4.4 **“Municipal tariff”** means a tariff for services which a municipality may set for the provision of a service to the local community, and may include a surcharge on such tariff.
- 4.5 **“Sundry Tariff”** means a tariff set as a fixed rand amount.
- 4.6 **“Consumption based Tariff”** means set as rand per measurable unit of service.
- 4.7 **“CPIX”** means the consumer price index excluding mortgage cost as measured by STATSSA.

5. PRINCIPLES

- 5.1 Where a service is provided primarily for the benefit of an individual user and the actual service or consumption can be accurately measured, the cost of providing the services should be recovered from the individual by means of tariffs.
- 5.2 When a service connection is made a sundry tariff should be used and when metered amount of service is consumed a consumption based tariff should be used. Both tariffs must comply with this policy.
- 5.3 Some services, although provided primarily for the benefit of individual users and have important community benefits, particularly where these services can not be accurately measured, the cost of the services should be recovered by combination of tariffs and rates. The provision of solid waste collection is such a service.
- 5.4 Where service is provided primarily for the benefit of the community and an individual’s benefit can not be accurately measured, the cost of the providing the service should be recovered by means of rates. The rates must comply with the Municipal Rates Policy.
- 5.5 Poor households should have access to free basic services in line with the municipal indigent Policy, taking into consideration the affordability constraints of the municipality.

6. APPLICATIONS OF TARIFF PRINCIPLES

Section 74(2) of the Municipal System Act 2000 sets out principles that must be reflected in the tariff policy

These principles are applied in the following manner:

- 6.1 Users will be treated equitably through differentiation for tariff purposes being limited to that set out in section 7 of this policy.
- 6.2 Where appropriate and possible the amount individual users pay for services will generally be in proportion to their use of that service by using consumption based tariffs as defined in section 4 of the policy. This will be dependent on the service being able to provide discernable, universal and regular metering and reading.

- 6.3 Poor households as defined in the municipal indigent Policy, from time to time, will have access to basic services through subsidized tariffs.
- 6.4 Tariff will reflect the cost reasonably associated with rendering the service. The budgeted income and expenditure of the service, showing the contributions to rates and general accounts, support services recharges and contributions from the provision of Free Basic Services must be provided as part of the annual report on the revision of rates and tariffs.
- 6.5 Tariffs will be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- 6.6 The economical, efficient and effective use of resources will be encouraged through the use of the rising block tariffs.
- 6.7 The promotion of local development through a special tariff of the categories industrial users may be provided.
- 6.8 Where free basic services or services subsidized from the provision of free basic services to individual users, this will be shown on the monthly bill of those users. The extent of the annual subsidization to all subsidized users will be reported to council.
- 6.9 In addition, the amount that users pay for services, as measured through the municipal account, should generally be affordable for different categories of the users and annual tariff increase should be benchmark against inflation by CPIX.

7. DIFFERENTIATIONS FOR TARIFF PURPOSES

Section 74(3) of the municipal System Act 2000 allows for the differentiation between different categories of users, debtors, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination. The nature and basis for differentiation for tariff purpose in Nkomazi Local Municipality is set out below.

CATEGORIES OF USERS

The following are categories of users as defined in the Rates Policy:

- a) Residential property,
- b) Business, commercial and industrial property,
- c) Agricultural property,
- d) Government property,
- e) Public service infrastructure,
- f) Public benefit organization property,
- g) Mining Property,
- h) Rural communal land/ or state owned property,
- i) Municipal property,
- j) Places of public worship,
- k) Vacant land,
- l) Other properties

7.1 In addition to, sub-categories of residential or domestic users may be defined based on any one or more of the following criteria in a manner defined in the municipal free basic services policy.

- a) Service consumption level
- b) Payment levels
- c) Household income
- d) Type of connection

7.2 CATEGORIES OF STANDARD OF SERVICE

Different categories of service may be defined for different users or services. They may be based on:

- a) Access
- b) Frequency

CHAPTER 2

CALCULATION OF TARIFF FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the four major services, Nkomazi local Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- a) Cost of bulk purchases in the case of water and electricity
- b) Distribution costs
- c) Distribution losses in the case of electricity and water.
- d) Depreciation expenses
- e) Maintenance of infrastructure and other fixed assets.
- f) Administration and service cost, including:
 - i. Service charges levied by other departments such as finance, human resources and legal services:
 - ii. Reasonable general overheads, such as the costs associated with the office of the municipal manager.
 - iii. Adequate contributions to the provisions for the debts and obsolescence of stock;
 - iv. 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.

(g) The intended surplus to be generated for the financial year, such surplus to be applied:

- i. As an appropriation to capital services; and / or
- ii. Generally in relief of rates and general services

(h) The cost of approved indigence measures.

The municipality shall further the first 50kWh of electricity per month and the first 6kl of water and sewerage per month free of charge to consumer who have registered as indigents in terms of municipality's indigent relief program.

The municipality shall further consider relief in respect of the tariff for refuse removal for such registered indigents to the extent that the council deemed such relief affordable in terms of each annual budget on the understanding that such relief shall not be less than a discount of 50% but not more than 100% on the monthly amount billed for the service concerned.

Because water is a scarce national resources and this municipal is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed. This escalation will be determined according to affordability and will be decided on in consultation with the community. An extra penalty can be charge by council where it is deemed it is necessary to address critical water shortages. In setting the consumption levels, tariff rainfall during the current financial year.

Tariff for prepaid meters shall be determined in such a way that the variable consumption tariff are cost reflective to ensure the recovery of fixed cost, where applicable, that may be embodied by the tariff as no availability charge shall be levied on properties where pre-paid meters have been installed. This distinction is made in recognition of the financial advantages which prepaid metering entails for the services in question.

CHAPTER 3

WATER

1. The categories of water consumer as set out below shall be charged to the current applicable two- part tariffs, namely fixed charge and consumption based tariff as approved by council in each annual budget.
2. The tariff adjustment shall be effective from 1st of July each year.
3. **Categories of consumption and charges shall be:**
 - i. A fixed availability fee shall be charged to all vacant unimproved stands where such a services is available and services can be connected to the main supply.
 - ii. All domestic water consumption on improved stands may be charged a fixed availability charge of water consumed per month. Thereafter a Stepped tariff per kl as determined by the council from time to time shall be applicable on the metered water consumption.
 - iii. All business and industrial consumer may be charged a fixed availability charged and a stepped tariff per kilolitre consumed may apply.
 - iv. Institutional consumers which include schools, institution of higher learning, hospitals, government buildings, places of worship, sporting clubs and non-governmental organizations. These consumers may be charge a fixed availability charge and stepped tariff per kilolitre consumed may apply.
 - v. The metered domestic consumers and registered indigents shall receive the first six (6) receive the first six (6) kilolitres of water consumed free of charge, a stepped tariff per kilolitres shall apply on consumption exceeding the stepped

tariff per kilolitre and no fixed or basic charge shall apply on this category may apply.

- vi. As water is a very scarce resource in Nkomazi Local Municipality, can be restricted during dry seasons to use water to certain levels and penalty free shall be imposed if the consumer consumes more than the restricted levels.
- vii. Consumer deposits shall be determined according to the municipality consumer Deposit Policy.
- viii. Department water consumption shall be charged at cost.

4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done then the disconnection date of the water supply may be taken as the date of termination or date on which new connection is registered.

5. Customers connected to their private boreholes shall be charged the fixed availability charge.

CHAPTER 4

SANITATION

1. The categories of sewerage users as set out below are charge, per applicable two part tariff, namely basic charge and consumption charge, as approved by the council in each annual budget.
2. Tariff adjustments will be effective from 1 July each year.
3. Categories of usage and charges shall be:
 - i. A basic or availability charge shall be charged per month for every serviced stand including those customers using water from their own boreholes or other resources.

On full water borne sewerage service, all consumers may be charge on a monthly basis a basic charge on the type of service point or the zoning of the property irrespective of their permitted or intended use or other wise determined plus consumption of water.

- ii. For such tank and septic tank system, consumer shall be charged a tariff based on the number of kilolitre of sewerage waste removed.
- iii. A fixed monthly charge shall be charge based on the consumption of water.

4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done then the disconnection date of the water supply may be taken as the date of termination or date on which a new water connection is registered.

5. Customers connected to their private boreholes shall be charge the availability charge.

CHAPTER 5

SOLID WASTE REMOVAL

1. 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.
2. Tariff adjustments shall be effective from 1 July each year.
3. A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on costs of service concerned:
 - i. Domestic users (once weekly removal)
 - ii. Business (up to three times weekly removal)
 - iii. Business (daily removal)
 - iv. Compacted waste
 - v. Industrial (bulk consumers).

CHAPTER 6

ELECTRICITY

1. The various categories of electricity consumers, as set out below, shall be charge at the applicable tariffs, and under such conditions as approved by the Regulator (NERSA).
2. Tariff adjustments shall be effective from 1 July each year or as soon as possible.
3. Categories of consumption and charges shall be as follows:
 - i. 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.
 - ii. All domestic electricity consumers of the Nkomazi Municipality who are registered as indigents with municipality shall receive free the first 50 kWh (fifty) of electricity consumed per month.
 - iii. All vacant unimproved properties that can be connected to the main supply shall be billed a billed a basic charge per month.
 - iv. All large power users shall additionally be billed a monthly basic charge per connection and, where applicable, a demand charge appropriate to their respective type of connection.
 - v. The consumer deposits shall be determined according to the municipality's consumer Deposit policy.
 - vi. Department electricity consumption shall be charged at cost. The cost is based on the cost of the previous financial year divided by the number of unit solid.
 - vii. Nkomazi Local Municipality shall apply the following three standard tariff structures as recommended by the National Electricity Regulator.

DOMESTIC

This tariff is applicable for residential customers with a single connection of 60Amps or less, 3phase 400Volt or single phase 230Volts. These customers use electricity for a wide range of applications such as cooking, heating, refrigeration, cleaning and entertainment.

BUSINESS AND COMMERCIAL

Business and commercial customers with a connection of 80Amp or less, 3phase 400Volts or single phase 230Volts, may be charge a fixed and energy charge. This tariff is appropriate for business, commercial, agriculture, other and domestic customers requiring larger than 60Amp connection.

LOW TENSION HIGH TENSION

This tariff is where the circuit breaker is more than 80Amps with 3phase supply and would be appropriate for the larger commercial, industrial, agricultural and domestic customers.

The tariff shall consist of a fixed, demand, notified demand, energy charge and other Eskom related charges.

Where the customer is able to shift load into the off-peak periods a time of use (TOU) tariff may be applied. This tariff shall consist of a fixed charge, demand charge, notified demand charge and 2 part energy charge.

Termination of services is to be done by letter, e-mail fax or standard disconnection form. If is not done, then the disconnection date of the water supply may be taken as the date termination or date on which a new connection is registered.

CHAPTER 7 SUNDRY TARIFF

1. All sundry tariff shall be approved by the council in each annual budget, and, shall, when deemed appropriate by the council, be subsidized by the property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover to 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.
2. The following services shall be considered as **subsidized services** and an applicable tariff shall be paid for their intended use.
 - i. Burials and cemeteries
 - ii. Rental for the use of municipal sports facilities
 - iii. Municipal swimming pool
 - iv. Municipal lending library

3. The following services shall be considered as **community services**, and no tariffs shall be levied for their use:
 - i. Municipal art gallery
 - ii. Disposal of garden refuse at the municipal tip site
 - iii. Municipal reference library
 - iv. Municipal botanic garden, and all other parks and open spaces.

4. The following services shall be considered as **economic services**, and the tariffs levied shall cover 100% of the budgeted annual operating expenses of the services concerned :
 - i. Maintenance of graves and garden of remembrance (cremations)
 - ii. Housing rentals
 - iii. Rentals for the use of municipal halls and other premises 9 subject to the proviso set out below)
 - iv. Building plans fees
 - v. Sales of plastic refuse bags
 - vi. Cleaning of stands
 - vii. Electricity, water , sewerage: new connection fees
 - viii. Sales of livestock and plants
 - ix. Photostat copies and fees
 - x. Sales of refuse bins
 - xi. Clearance certificates
 - xii. Valuation certificates
 - xiii. Tender documents
 - xiv. Stadium events fees

5. The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:
 - i. Fines for lost or overdue library books
 - ii. Advertising sign fees
 - iii. Pound fees
 - iv. Electricity, water: disconnection and reconnection fees
 - v. Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
 - vi. Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques and unpaid debit orders.

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

7. In the case of rentals for the use of municipal halls and premises, if the municipal managers is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.

8. The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodge for the rental of municipal halls, premises and sports fields and in so determining shall be guided by the likelihood of the Nkomazi Municipality's sustaining damages as a result of the use of the facilities concerned.

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