

RESOLVED

1. That Council approves the Tariff Policy.
2. That all previous Policies be rescinded.



Nkomazi Municipality

**NKOMAZI LOCAL MUNICIPALITY
MP324**

TARIFF POLICY

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.

NKOMAZI POPULATION DEMOGRAPHICS

		Urban	Dense	Village	Scattered	Farmland	Total
1	Total Population	60926	0	429828	120	10634	501508
	Population per household						5.8
2	No. of household consumer units	12404	0	72275	20	1772	86472
3	No. of dry industrial consumer units	0	0	0	0	0	0
4	No. of wet industrial consumer units	0	0	0	0	0	0
5	No. of commercial consumer units	310	0	0	0	0	310
6	No. other (non-residential)	208	0	0	0	0	208
7	Total consumer units	12922	0	72275	20	1772	86990

HOUSEHOLD INCOME

Annual Household Income 2001		
Income Categories	Households	Percentage (%)
No income	18389	24.3
R1 – R4800	15492	20.5
R4801 – R9600	18741	24.5
R9601 – 19200	11583	15.3
R19201 - R38400	6032	7.9
R38401 - R76800	2882	3.8
R76801 -R153600	1452	1.9
R153601 - R3077200	565	0.7
R307201 -R614400	217	0.3
R614401 -R1228800	66	0.08
R1228801 – R1228800	94	0.1
R2457601 +	33	0.04
Not applicable	26	0.02

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TARIFF PRINCIPLES POLICY

PART 1: OBJECTIVE

This policy outlines the principles that will be employed in levying fees for services provided by the municipality.

These principles have been informed by the vision and mission of Nkomazi Local Municipality as well as the words and spirit of the Constitution and the Municipal Systems Act.

PART 2: DEFINITIONS

A “**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.

PART 3: GENERAL PRINCIPLES

The setting of municipal tariffs will be informed by the vision and mission of Nkomazi Local Municipality. In particular, municipal tariff will be set in a manner that promotes the provision of reliable, sustainable and affordable services to all of Nkomazi. In setting these tariffs the municipality will be cognizant of its dual developmental mandates of alleviating poverty through the provision of basic services and the promotion of economic development.

PART 4: SPECIFIC PRINCIPLES

To ensure municipal tariffs are set in a manner that is properly informed by the above general principles, the following specific principles will be applied in tariff setting.

Compliance with Legislation

The tariff policies of Nkomazi will comply with national legislation with particular reference to:

- The Constitution of the Republic of South Africa, 1996 section 152.
- Local Government Municipal Systems Act, 2000 section 74.

The relevant principles expounded by this legislation are incorporated in the Tariff Principles.

Coverage of All Services

The tariff will cover services delivered directly by the municipality and on behalf of the municipality through a service delivery agreement.

Equity

The application of the tariffs will be done in a manner equitable to all users and avoiding unfair discriminations. The tariffs will not unfairly discriminate on the basis of race, gender, sex, pregnancy, marital status, ethnic origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.

Proportional to Users

Payment for services will generally be in proportion to their usage. This principle will be modified only in the following circumstances:

- Application of subsidies for the indigent and others as specified by Council
- Rebates for pensioners and others as specified by Council
- The provision of Free Basic Services as specified by Council
- Application of surcharges as a deterrent to discourage excessive use or to conserve resources as specified by Council
- Administrative averaging to minimize the costs of apply exact measures.

The costs charged will reflect the quality of the service provided.

An additional fixed charge may be applied to cover the capital costs of the infrastructure used to supply the service.

Poverty Alleviation

The tariffs will explicitly recognize the constitutional obligation to provide a basic level of service to the poor. The tariff policy will define the following:

- The basic level services to be provided to the poor households.
- How the indigent policy will be applied to each service.
- The mechanism use to subsidies services to poor households.

Full Cost Pricing

Tariff will reflect the full costs associated with rendering that service except to the extent that a subsidy has been applied. Costs of rendering a service will be the full “whole of life” costs including capital, operating, maintenance, administrations, replacement and interests.

Nkomazi will progressively develop its costing processes to determine the costs of services.

Financial Sustainable Pricing

Tariffs and subsidies will be set at a level that will facilitate the financial sustainability of the service and the municipality. This will be achieved using full cost pricing and affordable subsidies.

Clear and Consistent Principles for Determining Subsidies and Surcharges

The application of subsidies or surcharges will be based upon defined policy decision by the municipality. These policy decisions include:

- ❑ Subsidised provisions of basic services to the poor.
- ❑ Promotion of education by subsidized services to students and schools.
- ❑ Promotion of non-professional community recreation activities by subsidized access to community facilities for approved organizations.
- ❑ Promotion of economic development by applying a surcharge for developmental activities in specified business areas.

Cost Efficiency

Nkomazi will endeavour to provide services in a cost efficient manner.

Promotion of efficient use of Resources

Tariffs are a mechanism by which the municipality can promote the efficient use of resources by applying a surcharge on excessive or inappropriate service utilization.

Transparency

The costs of providing a service and the application of any subsidy or surcharge will be disclosed.

PART 5: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs that must be charged for the supply of the four 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 and water.
- ❑ Distribution costs.
- ❑ Distribution losses in the case of electricity and water.
- ❑ 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 indigent relief measures.

The municipality shall provide the first 50kWh of electricity per month and the first 6 kl of water and sewerage per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent 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, but on the understanding that such relief shall not be less than a discount of 50% but not more than 100% of the monthly amount billed for the service concerned. This will be determined according to affordability.

Because water is a scarce national resource, and this municipality 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 in consultation with the community.

Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, availability charge shall also be levied on properties where pre-paid meters have been installed.

PART 6: 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 of every financial year. Council may decide on urgent adjustments during the year.

Categories of consumption and charges shall be as follows:

- Tariffs will comply with the guidelines of the national Electricity Regulator (NER).
- 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.
- Tariffs for registered indigents are covered by the Indigent Support Policy.
- 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.
- All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charges at cost.

Charges by other service providers within the Municipal boundaries will be determined separately but should align to these principles.

PART 7: WATER

The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the council in each budget.

Tariff adjustments shall be effective from 1 July each financial year. Council may decide on urgent adjustments during the year.

Categories of consumption and charges shall be:

- Tariffs for registered indigents are covered by the Indigent Support Policy..
- All domestic water consumers registered as indigents with the municipality shall receive free the first 6 (six) kl of water consumed per month. Thereafter a stepped tariff per kl as determined by the council from time to time shall be applicable on metered eater consumption, as set out in Part 3 of this policy.
- All other domestic consumers shall be charged for actual water consumption at a tariff per kl as determined by the council from time to time, and as set out in Part 3 of this policy.
- The tariff applicable to domestic consumption of water shall not exceed 75% per kl of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers shall pay the same tariff per kl, irrespectively of the volume of water consumed.
- A basic charge per water meter, as determined by the council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- The local municipality's departmental water consumption shall be charged at cost.

Charges by other service providers within the Municipal boundaries will be determined separately but should align to these principles.

PART 8: 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 financial year. Council may decide on urgent adjustments during the year.

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:

- Tariffs for registered indigents are covered by the Indigent Support Policy..
- Residential once a week services
- Residential twice a week services
- Residential Rural once a week services
- Business once a week services
- Business twice a week services

Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% but not more than 100% of the monthly amount billed as a refuse removal charge.

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

Other services will be charged on a full cost recovery basis. These services include:

- Bulk containers,
- Business (one container)
- Business (1.75 cubic meters – 20 containers)
- Business (2.5cubic meters – 29 containers)
- Public Institutions, Schools/Clinics
- Clearing Grass and Bushes on Open Stands
- Clearing of General Waste on Open Stands
- Cutting of Large Trees
- Special removals, and
- Removal of Building Rubble

Charges by other service providers within the Municipal boundaries will be determined separately but should align to these principles.

PART 9: SEWERAGE

The categories of sewerage users as set out below shall be charged per month at the applicable tariff as approved by the council in each annual budget.

Tariff adjustments will be effective from 1 July each financial year. Council may decide on urgent adjustments during the year.

Categories of usage and charges shall be:

- Tariffs for registered indigents are covered by the Indigent Support Policy..
- A basic (availability) charge per month shall be charged for undeveloped infrastructure, irrespective of their permitted or intended use.

- A fixed monthly charge based on the number of toilets shall be charged for all users.

Charges by other service providers within the Municipal boundaries will be determined separately but should align to these principles.

Other services will be charged on a full cost recovery basis. These services include:

- Chemical toilet rental
- Septic tank drainage

PART 10: MINOR TARIFFS

All minor tariffs shall be standardized 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 subsidized 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 adjustments should not be effected.

The following services shall be considered as subsidized services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:

- Burials and cemeteries
- Rentals for the use of municipal sports facilities

The following services shall be considered as economic services, and tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- Maintenance of graves and garden of remembrance (cremations)
- Housing rentals
- Rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- Building plan fees
- Sales of plastic refuse bags

- Sales of refuse bins
- Cleaning of stands
- Electricity, water, sewerage: new connection fees
- Sales of livestock and plants
- Photostat copies and fees
- 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
- Advertising sign fees
- Pound feed
- Electricity, water, disconnection and reconnection fees
- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

Market –related rentals shall be levied for the lease of municipal properties, accept in cases where council houses are rented to staff.

In the case of rentals for the use of municipal halls and premises, if the municipal manager 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.

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

PART 11 : CATEGORISING CUSTOMERS

Customers will be categorized according to their consumption of the major municipal services

The demand charges levied will be based on peak consumption.

PART 12: ANNEXURE: LEGAL REQUIREMENTS

SECTION I: WATER SERVICES ACT NO. 108 OF 1997

SECTION 10: NORMS AND STANDARDS FOR TARIFFS

A municipality, in its capacity as water services institution, must apply a tariff for water services which is not substantially different from any other norms and standards which the Minister of Water Affairs and Forestry, with the concurrence of the Minister of Finance, has prescribed in terms of the present Act.

SECTION 21: BY-LAW

A municipality, in its capacity as water authority, must make by-laws which contain conditions for the provision of water services, and which provide for at least the following (inter-alia):

- The standard of the services;
- The technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;
- The determination and structure of tariffs in accordance with Section 10 of the present Act.

If the municipality, in its capacity as water services authority, has imposed conditions under which water services are provided, such conditions must be accessible to consumers and potential consumers.

If the municipality, in its capacity as water services authority, provides water for industrial use, or controls a system through which industrial effluent is disposed of, it must make by-laws providing for at least the following:

- The standards of the service;
- The technical conditions of provision and disposal;
- The determination and structure of tariffs.

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEM ACT NO. 32 OF 2003

SECTION 73 to 75: TARIFF POLICY

General duty

73. (1) A municipality must give effect to the provisions of the Constitution and-
- (a) Give priority to the basic needs of the local community;
 - (b) Promote the development of the local community; and
 - (c) Ensure that all members of the local community have access to at least the minimum level of basic municipal services.
- (2) Municipal services must-
- (a) Be equitable and accessible;
 - (b) Be provided in a manner that is conducive to-
 - (i) the prudent, economic, efficient and effective use of available resources; and
 - (ii) the improvement of standards of quality over time;
 - (c) Be financially sustainable;
 - (d) Be environmentally sustainable; and
 - (e) Be regularly reviewed with a view to upgrading, extension and improvement.

Tariff Policy

74. (1) A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation.
- (2) A tariff policy must reflect at least the following principles, namely that-
- (a) Users of municipal services should be treated equitably in the “applications of tariffs”;
 - (b) The amount individual users pay for services should generally be in proportion to their use of that service;
 - (c) Poor households must have access to at least basic services through-
 - (i) tariffs that cover only operating and maintenance costs;
 - (ii) special tariffs of life line tariffs for low levels of use or consumption of services or for basic levels of services; or
 - (iii) any other direct or indirect method of subsidization of tariffs for poor households;
 - (d) Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
 - (e) Tariffs must be set at levels that facilitate the financial sustainability of the services, taking into account subsidization from sources other than the service concerned;
 - (f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
 - (g) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
 - (h) The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
 - (i) The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.
- (3) A tariff policy may differentiate between categories of users, debtors, service providers, services, services standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

By-laws to give effect to policy

75. (1) A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.
- (2) By-laws in terms of subsection (1) may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination.