



NDLAMBE LOCAL MUNICIPALITY

TARIFF POLICY

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TARIFF POLICY NDLAMBE MUNICIPALITY

1. PREAMBLE

- 1.1. Section 62 (1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) determines that the Accounting Officer of a Municipality is responsible for managing the financial administration of the Municipality and in terms of Section 62 (1) (f), must for this purpose take all reasonable steps to ensure- “that the Municipality has and implements- (i) a tariff policy referred to in Section 74 of the Municipal Systems Act” (Act No. 32 of 2000) (MSA). This policy must provide a framework on which the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements must be based;
- 1.2. The tariff policy must at least reflect the following principles as set out in section 74(2) of the Municipal Systems Act, 2000 (Act No.32 of 2000);
 - 1.2.1. Users of Municipal services should be treated equitably in the application of tariffs;
 - 1.2.2. Amounts payable should be in proportion to the use of that service;
 - 1.2.3. Poor households must have access to at least basic services;
 - 1.2.4. Tariffs must be reasonably cost reflective;
 - 1.2.5. Tariffs must be set at levels that facilitate financial sustainability of the service, taking into account subsidization from other sources;
 - 1.2.6. Provision may be made for a surcharge on the tariff in appropriate circumstances;
 - 1.2.7. Provision may be made for the promotion of Local Economic Development through special tariffs for categories of commercial and industrial users;
 - 1.2.8. The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged;
 - 1.2.9. The extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.
- 1.3. The tariff policy 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.

2 DEFINITIONS

In this tariff policy, unless the context otherwise indicates –

- 2.1 **“agricultural consumers”** mean consumers predominantly engaged in agriculture activities by using land for the production or raising of crops, poultry or livestock. Such consumers include an owner, landlord tenant or occupant.
- 2.1 **“break even”** 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;
- 2.2 **“commercial consumers”** means shops, offices, liquor stores, governmental institution (unless otherwise stated), supermarkets, public garages, gathering places (unless otherwise stated), nurseries, places of entertainment, service stations, hairdressing salons, caravan parks, banks, hotels, hospitals, clinics, guesthouses, boarding houses and doctor and dentist consulting rooms and suchlike business undertakings;
- 2.3 **“community service”** 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;
- 2.4 **“consumer”** means the occupier of any premises which the Municipality have agreed to supply with a municipal service or the owner of such premises or any other person who has entered into an agreement with the Municipality for the supply of a service or who is lawfully obtaining the service from the Municipality;
- 2.5 **“the Council”** means Ndlambe Municipal Council, and **“municipal Council”** shall have a corresponding meaning;
- 2.6 **“Councillor for financial matters”** means the Councillor of the municipal Council responsible for financial matters;
- 2.7 **“due date”** –
- 2.7.1 in relation to accounts payable monthly on a recurring basis, before or on the end of the month in which the account was levied and or submitted or according to the due date indicated on the account;
- 2.7.2 in relation to accounts payable annually, 30th September unless otherwise provided by any other law; and
- 2.7.3 in all other instances, as and when demand for payment is made by the Municipality;

- 2.8 **"economic services"** means services referred to in paragraph 5(1)(b) and in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers;
- 2.9 **"educational institutions"** means schools (unless otherwise stated), colleges, universities and suchlike institutions;
- 2.10 **"the Finance Act"** means the Local Government : Municipal Finance Management Act, 2003 (Act No 56 of 2003);
- 2.11 **"fixed costs"** means costs which do not vary with consumption or volume produced and as more fully set out in paragraph 5(3)(i);
- 2.12 **"indigent households"** means households that are registered at the Municipality as such and meet the Municipality's criteria in terms of its credit control and debt collection policy and occupying a property within the jurisdiction of the Municipality and **"poor households"** shall have a corresponding meaning;
- 2.13 **"industrial consumers"** means industrial undertakings, factories, warehouses, workshops, scrap yards, abattoirs, dairy processing plants, fish markets and suchlike consumers;
- 2.14 **"in season"** refers to the period from the 1st December of a year up to 31 January of the following year and from the Monday before the Easter weekend up to and including Easter Monday;
- 2.15 **"MFMA"** refers to the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- 2.16 **"MSA"** refers to the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000)
- 2.17 **"Municipality"** means when referred thereto as –
- (a) an entity, the Ndlambe Municipality as a Municipality described in Section 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), including a duly authorized official of Ndlambe Municipality; and
 - (b) a geographical area, the area of jurisdiction of Ndlambe Municipality as determined in terms of the Local Government : Municipal Demarcation Act, 1998 (Act 27 of 1998);
- 2.18 **"owner"** in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors;

- 2.19 "**public benefit organisations**" means public benefit organizations as defined in Section 30 of the Income Tax Act No 58 of 1962;
- 2.20 "**resident**" means a person who ordinarily resides in the municipal area;
- 2.21 "**residential consumers**" means residential properties, group housing, town houses, semi-detached houses and suchlike properties;
- 2.22 "**special agreements**" means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and create job opportunities;
- 2.23 "**sport and recreation facilities**" means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption and caravan parks;
- 2.24 "**the Systems Act**" means the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);
- 2.25 "**total cost**" means the sum of all fixed and variable costs associated with a service;
- 2.26 "**trading services**" means services referred to in paragraph 5(1)(a) and in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services;
- 2.27 "**two-part tariffs**" means tariffs that are raised to recover 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;
- 2.28 "**units consumed**" means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in paragraph 7;
- 2.29 "**variable costs**" means costs that vary with consumption or volume produced and as more fully set out in paragraph 5(3)(ii);
- 2.30 "**VAT**" means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended;
- 2.31 any reference in this tariff policy to '**an availability charge**' in relation to a particular service (e.g. water) shall mean an amount payable by the consumer in respect of the service because the consumer may reasonably be connected to the service which is available although the property concerned is not in fact so connected. In contrast hereto a 'minimum charge' shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time;

- 2.32 this tariff policy **must be read with** all other Acts, Ordinances and Regulations pertaining to the supply of services by the Municipality and the tariffs and fees payable in respect thereof. In the event of any inconsistency between this tariff policy and any other legislation in force when this tariff policy comes into effect, this tariff policy shall prevail;
- 2.33 in this tariff policy, a word or expression derived from a word or expression defined under “Definitions”, has **a corresponding meaning** unless the context indicates that another meaning is intended.

3 PURPOSE OF THIS POLICY

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

- 3.1 To comply with the provisions of section 62 (1) (f) of the MFMA together with section 74 of the MSA.
- 3.2 To prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Systems Act.
- 3.3 To ensure that Municipal services are financially sustainable, affordable and equitable.
- 3.4 To ensure consistency in application of tariffs, rates and taxes.

4 TARIFF PRINCIPLES

The Municipality wishes to record that in terms of Section 74 of the MSA, the following tariff principles will apply:

- 4.1 In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 4.2 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 relevant criterion (except in the case of the relief measures for poor households and deserving categories of users approved by the Municipality from time to time).
- 4.3 The Municipality shall ensure that its tariffs are uniformly and equitably applied throughout the municipal region.

4.4 Tariffs for the four major services, whether in bulk or small quantities, rendered by the Municipality, namely:

- * electricity
- * water
- * sewerage (waste water)
- * refuse removal (solid waste),

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

4.5 The Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the four major services further generate an operating surplus each financial year of 10%-15% or such lesser percentage as the Council may determine at the time that the annual Operating Budget is approved.

4.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the Municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

4.7 The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.

4.8 The Municipality shall ensure that its tariffs shall be readily understandable by all users affected by the tariff policy.

4.9 The Municipality undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

4.10 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. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

In addition, the Municipality shall levy monthly availability charges for the services concerned, and these charges may be either a fixed amount per month or an amount based on maximum demand over a period of time. This entails that consumers of water

and electricity and property owners shall therefore pay two charges per service namely an availability charge as well as a charge for actual consumption. In case of an undeveloped or vacant stand with no actual consumption, an availability charge will be payable.

- 4.11 In considering the costing of its water, electricity and sewerage services, the Municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The Municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.
- 4.12 The Municipality shall, by adopting what is fundamentally a two-part tariff structure, namely an availability charge coupled with a charge based on consumption, address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 4.13 Part of the Municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the Municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the Municipality shall install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.
- 4.14 Free services will only be possible if the National Government pay to the Municipality an equitable share subsidy which covers the full costs of the free services.
- 4.15 Provision may be made in appropriate circumstances for a surcharge on a tariff. This will be required during a national disaster, periods of droughts or other event that will have a significant negative influence to a large portion of the community which may necessitate a restriction of usage/supply.
- 4.16 Efficient and effective use of resources may be encouraged by providing for penalties to prohibit exorbitant use.
- 4.17 VAT is excluded from all tariffs and will be additional to these tariffs when applicable.

- 4.18 A property used for multiple purposes must, for purposes of these tariffs be assigned to a category determined by the Council for a purpose corresponding with the higher tariff use of the property if the Municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.
- 4.19 As a result of delayed payments from consumers (account rendered 1 to two months after consumption) and 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 customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised when necessary and the Municipality may introduce transitional arrangements in respect of existing users.

5 CATEGORIES OF CONSUMERS/DEBTORS

- 5.1 Separate tariff structures may be imposed for the following categories of consumers (which categories may be changed by the Council if needed):
- a) residential consumers;
 - b) commercial consumers;
 - c) industrial consumers;
 - d) agricultural consumers;
 - e) municipalities;
 - f) consumers with whom special agreements were made;
 - g) consumers in certain geographical areas;
 - h) religious institutions;
 - i) sport and recreation facilities;
 - j) educational institutions; and
 - k) public benefit organisations and suchlike institutions.
- 5.2 Where substantially different demands are made on the infrastructure used to provide a service to a specific group of users within a category, or a difference on the standard of services required by such users, the Council may, after having considered a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumers within the specific category.
- 5.3 The differentiation must be based on one or more of the following elements:
- infrastructure costs, volume usage, availability and service standards.

5.4 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, the Municipality's Director: Infrastructural Services in collaboration with the Chief Financial Officer 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.

6 SERVICE AND EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

6.1 Service classification

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

6.1.1 Trading services:

- 6.1.1.1 Water.
- 6.1.1.2 Electricity.

6.1.2 Economic services

- 6.1.2.1 Refuse removal.
- 6.1.2.2 Sewerage disposal.

6.1.3 Community services

- 6.1.3.1 Air pollution.
- 6.1.3.2 Fire fighting services.
- 6.1.3.3 Local tourism.
- 6.1.3.4 Town planning.
- 6.1.3.5 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.
- 6.1.3.6 Storm water management system in built-up areas.
- 6.1.3.7 Trading regulations.
- 6.1.3.8 Fixed billboards and the display of advertisements in public places.
- 6.1.3.9 Cemeteries.
- 6.1.3.10 Control of public nuisances.
- 6.1.3.11 Control of undertakings that sell liquor to the public.
- 6.1.3.12 Facilities for accommodation, care and burial of animals.

- 6.1.3.13 Fencing and fences.
- 6.1.3.14 Licensing of dogs.
- 6.1.3.15 Licensing and control of undertakings that sell food to the public.
- 6.1.3.16 Local amenities.
- 6.1.3.17 Local sport facilities.
- 6.1.3.18 Municipal parks and recreation.
- 6.1.3.19 Municipal roads.
- 6.1.3.20 Noise pollution.
- 6.1.3.21 Pounds.
- 6.1.3.22 Public places.
- 6.1.3.23 Street trading/street lighting.
- 6.1.3.24 Traffic and parking.
- 6.1.3.25 Building control.
- 6.1.3.26 Licensing of motor vehicles and transport permits.
- 6.1.3.27 Nature reserves.

6.1.4 Subsidised services

- 6.1.4.1 Health and ambulance.
- 6.1.4.2 Libraries and museums.
- 6.1.4.3 Proclaimed roads.

6.2 Expenditure classification

Expenditure will be classified in the following categories:

6.2.1 Subjective classification:

- 6.2.1.1 Employee related cost;
- 6.2.1.2 Bulk purchases;
- 6.2.1.3 General expenditure;
- 6.2.1.4 Repairs and maintenance;
- 6.2.1.5 Capital charges (interest and redemption)/depreciation;
- 6.2.1.6 Contribution to fixed assets;
- 6.2.1.7 Contribution to funds:
 - Bad debts;
 - Working capital; and
 - Statutory funds.
- 6.2.1.8 Contribution to reserves;
- 6.2.1.9 Gross expenditure;

- 6.2.1.10 Less charge-out;
- 6.2.1.11 Net expenditure;
- 6.2.1.12 Income; and
- 6.2.1.13 Surplus/Deficit.

6.2.2 Objective classification:

- 6.2.2.1 Cost centres will be created to which the costs associated with providing the service, can be allocated:
 - a) Directorate/Department.
 - b) Unit/Section per service.
 - c) Division/Sub-section per service.

The subjective classification of expenditure will be applied to all cost centres.

6.3 Cost elements

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

- 6.3.1 *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.
- 6.3.2 *Variable cost*: This includes all other variable costs that have reference to the service.
- 6.3.3 *Total cost*: consist of the fixed cost and variable cost.

7 TARIFF TYPES

In determining the type of tariff applicable to the type of service the Municipality may make use of the following seven options or a combination of the same:

- 7.1 **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 Chief Financial Officer 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.

- 7.2 **Cost related two to three part tariff:** this tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance cost 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. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.
- 7.3 **Inclining block tariff:** this tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidised free basic services and 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.
- 7.4 **Declining block tariff:** this tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit determined by Council from time to time by the volume consumed. This tariff will only be used for special agreements.
- 7.5 **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.
- 7.6 **Time-of-use tariff:** this tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.
- 7.7 **Availability charge:** this charge is to recover mainly capital-, maintenance- and refurbishment costs to provide a specific level of service and to limit cross-subsidisation between low consumption and high consumption of the service.

8 TARIFF STRUCTURES AND METHODS OF CALCULATIONS FOR FOUR MAJOR SERVICES

- i. In order to determine the tariffs which must be charged for the supply of the four major services (water, electricity, refuse removal and sewerage) the Municipality shall identify all the operational costs of the undertakings concerned, including specifically the following:

- Cost of bulk purchases in the case of water and electricity.
 - Distribution costs.
 - Distribution losses in the case of electricity and water.
 - Depreciation expenses.
 - Maintenance and refurbishment 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;
 - revenue and debtor management;
 - 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 indigence relief measures.
- ii. The Municipality shall provide the first 50kWh of electricity per month and the first 10 kl of water per month free of charge to consumers who have registered as indigents in terms of the Municipality's indigence relief programme. The Municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget.
- iii. Tariffs for pre-paid meters shall be in line with tariffs for conventional meters but such users shall not be liable to have a consumer deposit with the Municipality.

The following tariff structure will, where possible, be used to determine tariffs:

8.1 WATER

8.1.1 Water consumers shall be charged at the applicable tariffs as approved by the Council in each annual budget in accordance with the principles set out below.

8.1.2 Tariff adjustments shall be effective from the account rendered for payment during July of each year.

8.1.3 There will be no differentiation between categories of water users.

8.1.4 It is recognised that the existence of “seasonal demands” with normal or high water demands for relatively short periods (i.e. holiday seasons) and abnormal low demands throughout the rest of the year, significantly increases the cost of infrastructure required to maintain an acceptable level of service at all times. This necessitates the implementation of a water tariff that recognise the:

- Input costs to render a water service;
- Demand patterns per individual user.

In order to minimise cross-subsidisation between permanent inhabitants and temporary inhabitants, water tariffs will be based on the following:

8.1.4.1 A monthly capacity availability charge levied on the highest single consumption registered during the preceding 18 months or shorter period if 18 months are not available, at a tariff determined from time to time by the Council.

8.1.4.2 A monthly consumption charge according to actual metered consumption at a tariff determined from time to time by the Council.

8.1.5 In case of no connection whilst the Council’s network is available, an availability charge levied at 20 kilo litres per month at the tariff determined by Council for this purpose as mentioned in 8.1.4.1

8.1.6 All residential water consumers registered as indigents with the municipality shall receive free the first 10(ten) kilo liter of water consumed per month. Thereafter the tariff for actual consumption as mentioned in 8.1.4.2 will be applicable.

- 8.1.7 Building sites with temporary water connections and where one dwelling is constructed, will be levied an availability charge according to a minimum of 20 kilo liters per month plus actual metered consumption.
- 8.1.8 Building sites with temporary water connections and where more than one dwelling is constructed, will be levied an availability charge according to a minimum of 40 kilo liters per month plus actual metered consumption.
- 8.1.9 No basic charge will be levied as all capital charges and maintenance cost will be covered under the availability charge.

8.2 ELECTRICITY

- 8.2.1 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.
- 8.2.2 Tariff adjustments shall be effective from the account rendered for payment during July of each year.
- 8.2.3 Categories of consumption and charges shall be as follows:
- 8.2.3.1 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.
- 8.2.3.2 The tariff for residential consumption of electricity shall not exceed 75% per kWh of the tariff applicable to other consumers except for users of pre-paid meters. All other consumers, including businesses, industries and institutional consumers shall pay the same tariff per kWh.
- 8.2.3.3 All residential electricity consumers of the municipality who are registered as indigents with the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month.
- 8.2.3.4 All residential electricity consumers other than registered indigents and consumers using pre-paid meters on a higher tariff per month shall additionally be billed a basic charge per meter installed.
- 8.2.3.5 All commercial, industrial and other non-residential 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.

- 8.2.3.6 The local municipality's departmental electricity consumption shall be charged at cost.

8.3 REFUSE REMOVAL

- 8.3.1 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.

- 8.3.2 Tariff adjustments shall be effective from the account rendered for payment during July of each year.

- 8.3.3 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:

8.3.3.1 Residential users (once weekly removal)

8.3.3.2 Business, Commercial and Industrial users (twice weekly removal)

8.3.3.3 Business, Commercial and Industrial users (thrice weekly removal)

8.3.3.4 Business and other (bulk consumers).

8.3.3.5 Agricultural

8.3.3.6 Special removals

8.3.3.7 Municipal

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

- 8.3.5 A monthly refuse removal charge according to the applicable land use will be levied on vacant stands.

8.4 SEWERAGE/EMPTYING OF CONSERVANCY TANKS

- 8.4.1 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.

8.4.2 Tariff adjustments shall be effective from the account rendered for payment during July of each year.

8.4.3 Categories of usage of the service and charges shall be:

8.4.3.1 **All users connected to the Municipal water borne system**

As is the case with water provision, it is again recognised that the existence of “holiday homes” with normal or high water demands for relatively short periods (i.e. holiday seasons) and abnormal low demands throughout the rest of the year, significantly increases the cost of infrastructure required to maintain an acceptable level of service at all times. As the rendering of a sewer service is closely related to water consumption, the implementation of a sewer tariff will also have to recognise the:

- Input costs to render a sewer service;
- Sewer outfall patterns in relation to water demand patterns per individual user.

Studies and practical experience has indicated that an apportionment factor applicable on sewer outfall in relation to water consumption is as follows:

| Water demand Category | Apportionment factor for Sewer |
|------------------------------|---------------------------------------|
| Low (≤20 kl) | 0,8 |
| Medium (≤40 kl) | 0,7 |
| High (≥40 kl) | 0,6 |

In order to minimise cross-subsidisation between permanent inhabitants and temporary inhabitants, sewer tariffs will be based on the following:

- **A monthly capacity availability charge levied on the highest single water consumption registered during the preceding 18 months or shorter period if 18 months are not available as determined for purposes of water charges, times the apportionment factor applicable on the categories mentioned above , at a tariff determined from time to time by the Council.**
- **A monthly outfall charge according to actual metered water consumption times the sewer apportionment factor, at a tariff determined from time to time by the Council.**

As charges will be based on water consumption, there will be no differentiation between categories of users.

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% of the monthly amount billed according to the low demand category for this service.

8.4.3.2 **Undeveloped stands:**

An availability charge based on medium demand of 21 kilo liter water consumption per month shall be charged where connection to the Council's sewer reticulation is available, irrespective of their permitted or intended use.

8.4.3.3 **Bucket removal:**

A fixed monthly charge based on the costs of the service shall be charged for bucket removal for residential users. 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% of the monthly amount billed for this service.

8.4.3.4 **Building sites:**

An availability charge plus a charge for outfall will be levied at the applicable tariffs for the following categories:

| Construction Activity | Consumption base |
|---------------------------------------|-------------------------|
| One Dwelling | Medium (21 kl water) |
| More than one dwelling and all others | High (41 kl water) |

8.4.3.5 **Industrial effluent:**

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 and applicable volumes of the wastewater concerned and the costs of the purification and will be calculated as set out in Annexure A.

9 CALCULATIONS OF MINOR TARIFFS

9.1 All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in paragraph 4.4 shall be approved by the Council in

each annual budget, and shall, when deemed appropriate by the Council, be subsidised 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.

9.2 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 adjustment should not be effected.

9.3 The following services shall be considered as subsidised 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
- municipal swimming pool

9.4 The following services shall be considered as community services, and no tariffs shall be levied for their use:

- municipal museum and art gallery
- disposal of garden refuse at the municipal tip site
- municipal reference library
- municipal lending library (except for fines set out below)
- municipal botanical garden, and all other parks and open spaces.

9.5 The following services shall be considered as economic services, and the 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 private stands
- electricity, water, sewerage: new connection fees
- sales of livestock and plants
- photostat copies and fees
- clearance certificates for purposes of property transfers
- town planning fees.

9.6 The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined at a reasonable level (with due regard to direct and indirect costs involved, need for discouraging undesirable practices and advantages enjoyed by user) in each annual budget:

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- 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.

9.7 Market-related rentals shall be levied for the lease of municipal properties:

9.7.1 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 allow a discount of 50% on the rental that would otherwise have applied.

9.7.2 The Municipal Manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the Municipality sustaining damages as a result of the use of the facilities concerned.

9.8 **Tariff structure:**

The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.

9.9 **Method of calculation:**

These tariffs will be adjusted annually by increasing the tariff that applied during the previous financial year by a percentage increase in line with the consumer price index or increase in the actual cost of providing the service.

9.10 Overdue Amounts

9.10.1 The Municipality shall be entitled to levy a 10% administration fee or interest at a rate as applicable on other consumer debtor accounts on a month to month basis on all overdue accounts.

9.10.2 The Municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be incorporated into an acknowledgment of debt in favour of the Municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

10. ACCESSIBILITY TO METERS

In order for the Municipality to adhere to the policy principal of charging consumers according to actual consumption, free access to meters is fundamental. To avoid access problems to meters, all new meters must be installed at an appropriate position as determined by the Directorate Infrastructural Services on the sidewalk next to the premises.

In case where access problems are experienced with existing meters or when alteration to buildings are effected, the Municipality may demand relocation of meters to the sidewalk with the expenses payable by the property owner. If not done by the owner, the Municipality reserve the right to relocate the meter(s) and recover the expenditure from the consumer.

11 NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

11.1 Tariffs will be approved as part of the annual budget and the community will be notified through a public participation process during April.

12 IMPLEMENTATION OF THE POLICY

- 12.1 The principles contained in this policy must be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Systems Act.
- 12.2 The Council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.
- 12.3 The tariffs will come into effect as and when determined by the Council.

13 ADJUSTMENT OF ACCOUNTS

Where incorrect debits were raised, the accounts under query will be rectified as necessary.

14 SHORT TITLE

This policy is called the Ndlambe Local Municipality Tariff Policy.

15 LEGAL REQUIREMENTS

This policy is subject to and must be read with the following legislative requirements:

15.1 ***WATER SERVICES ACT, 1997 (Act No. 108 of 1997)***

SECTION 10: NORMS AND STANDARDS FOR TARIFFS

A Municipality, in its capacity as a water services institution, must apply a tariff for water services which is not substantially different from any 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: BYLAWS

A Municipality, in its capacity as water services authority, must make bylaws 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 bylaws providing for amongst others at least the following:

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

15.2 **LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000, (Act No. 32 OF 2000)**

SECTION 74: TARIFF POLICY

The Council of a Municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the Municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the Municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs that cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of

- services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
 - that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
 - that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
 - that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
 - that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
 - that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate between different categories of users, debtors, services, service standards, service providers, geographical areas and other matters.

If the policy entails such differentiation, the Municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The Municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the Municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BYLAWS TO GIVE EFFECT TO POLICY

The Council of the Municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate between different categories of users, debtors, services, service standards, service providers and geographical areas as long as such differentiation does not amount to unfair discrimination.

FOR FINAL ADOPTION

INDUSTRIAL EFFLUENT CHARGES

5. (1) Whether or not the Council has granted its consent to any discharge of industrial effluent referred to in section 3. (1), the occupier of any premises from which such discharge takes place shall, in addition to any other charges provided for in this by-law or in any other law, pay to the Council a charge calculated in accordance with the provisions of this by-law. The said charge is to be paid within thirty (30) days after the Council has rendered an account therefore.

(2)(a) The charge shall, subject to the provisions of this policy and subsequent by-law, be calculated according to the following formula:

$$C = V \times \left[\frac{C_{tf}}{100} \right] + V \times \frac{C_{to}}{100} \left[1 + \frac{OA - 70}{210} + \frac{COD - 680}{2040} + \frac{SS - 230}{690} \right]$$

Note: The separate parts of the above formula shall be ignored if they become negative.

Where: C is the charge for acceptance of the effluent in rand.

V is the volume of effluent discharged during the period in kl.

C_{tf} and C_{to} are respectively the fixed and operating unit costs of treatment of the sewage at the works in cents per kl. As determined from time to time by Council.

OA, COD and SS are the Oxygen Absorbed or Permanganate Value, Chemical Oxygen Demand and Suspended Solids, expressed in mg/l, of samples collected by any duly appointed representative of the Council in such a manner and at such times during the period as may be required by Council, and the Council shall base the charges payable on the value of these criteria in such samples:

(b) A further pH correction charge shall be paid if the pH of the effluent sample falls outside the allowable limits (pH shall be measured to one decimal). This charge shall be calculated as follows:

For pH greater than 10:

$$C_{pH} = \frac{C \times (pH - 10)^2}{10}$$

For pH less than 6:

$$C_{pH} = \frac{C \times (6 - pH)^2}{10}$$

Where C_{pH} is the charge payable in rand for correction of pH and C is as calculated in Para. 5(2)(a).

(3) Should the Council have developed a special treatment or disposal facility for a particular industry or group of industries, the formulae referred to in subsection (2) (a) and (b) above may not be applicable, in which case a separate tariff will be applied to cover all transportation and treatment or disposal costs applicable to the special project.

(4) The occupier shall, if he so requests, be notified before any sample is taken at his premises so that he may be present when sampling takes place. Municipal samples will be tested in laboratories designated by Council and the results obtained from these tests shall be used in determining the charges as in subsection (2). Costs of sampling and testing dictated by Council shall be borne by the Council. The cost of all other sampling and tests shall be borne by the permit holder.

(5) The Council shall determine the total amount of industrial effluent discharged from the premises during each period and, shall, for the purpose of such determination:

(a) in any case in which industrial effluent and other sewage are measured together, consider the whole discharge as industrial effluent;

(b) in any case where the amount of sewage or industrial effluent discharged from the premises is not directly measured-

(i) base such determination on the amount of water used at the premises during the period concerned, after making such allowance as the Town Engineer may deem equitable in respect of water used for irrigation, lost to the atmosphere or present in the articles produced at the premises, and

(ii) if industrial effluent is discharged from the premises at more than one point, allocated the said amount of water to the points of discharge as accurately as is possible;

(c) in any case in which a measuring device is proved to be defective, but subject to the provisions of subsection 3 (8), make due allowance for such defect.

(6) the Council may direct that the formulae referred to in subsection (2) be dispensed with in any case in which the method for evaluating the strength of industrial effluent specified in such formulae is considered by the Town Engineer not to reflect the strength of the effluent concerned.

(7) The Council may by notice in writing require the occupier of any premises to provide such information, access or facilities as may be deemed necessary for the accurate calculation of the charge payable in respect of such premises.

(8) The Council shall, after applying the above principles wherever possible, assess the charge due as an amount as may be deemed equitable in any case in which –

(a) the formula referred to in subsection (2) has been dispensed with;

(b) a notice referred to in subsection (7) is not complied with:

(c) any discharge commences during a period of measurement;

(d) any contravention of or failure to comply with any provision of this by-law has taken place and as a result of such contravention or failure the charge due in respect of the premises concerned cannot be calculated accurately.

(9) A minimum charge for the acceptance of industrial effluent shall from time to time be decided by Council.

(10) The Council may direct that any or all of the aforesaid criteria and procedures be dispensed with in any case in which it is of the opinion that the minimum charge is unlikely to be exceeded. The minimum charge shall then apply for a period as fixed by Council, where after it will be subject to review.