



# **NDLAMBE MUNICIPALITY**

## **TARIFF POLICY**

**2024/2025**

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## PART 1: GENERAL INTRODUCTION AND OBJECTIVE

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 (see part 9 of this policy).

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.

## PART 2: GENERAL PRINCIPLES

Service tariffs imposed by the local municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability to pay the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

Tariffs for the four major services rendered by the municipality, namely:

- electricity
- water
- sewerage (waste water)
- refuse removal (solid waste) and environmental services

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.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of refurbishment of existing assets when these require such of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

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. The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question.

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

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, alternatively the service can be controlled by way of pre-payment meters. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

In addition, the municipality shall levy monthly basic charges for the services concerned, and these charges shall be fixed for each type / size of property / service as determined in accordance with the detailed policies set out below. Generally, consumers of water shall therefore pay two charges: one, which is unrelated to the volume of consumption and is levied because of the availability of the infrastructure related to the service concerned; and another directly related to the consumption of the service in question.

Electricity consumers shall pay three charges: One, a basic charge related to the type of meter / connection, two relating to the capacity of the supply and three relating to the consumption. Each point of supply will be metered, and the charges above will be applied to each such supply.

In considering the costing of its water, electricity and sewerage services, and the municipality shall take due cognisance of the capital cost of establishing and expanding such services, and of the resultant 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 mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two/three-part tariff structure, namely a fixed basic charge, a capacity charge as well as a charge based on consumption, the municipality believes that it is properly attending to the demands which growing demand, refurbishment of existing networks and variable demand cycles and other fluctuations will make on service delivery.

## PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which 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 water and electricity.
- Distribution costs.
- Distribution losses in the case of electricity and water.
- Depreciation and interest expenses.
- Maintenance of infrastructure and other fixed assets.
- Administration and service costs, including:

- service charges levied by other departments such as electricity, water, refuse, sewerage,;
- reasonable general overheads, such as the costs associated with finance, human resources, legal services and 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.
- In the case of the electricity service, the cost of providing street lighting in the municipal area although the service may be provided by the electricity department such service shall be recovered from property rates and not as part of any other electricity tariffs. (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
  - as source to fund refurbishment of existing infrastructure and/or
  - generally in relief of rates and general services.
- The cost of approved indigency relief measures.

The municipality shall provide the first 50kWh of electricity per month and the first 6kl of water per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent policy. The municipality shall further consider relief in respect of the tariffs for sewerage, refuse removal, service charges, property rates and basic/capacity charges for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget and subject to central government equitable share allocation,.

Because water is a scarce national resource, and this municipality is committed to the prudent conservation of such resources, the tariff levied for all consumption of water shall escalate according to the volume of water consumed. The monthly water consumed will be charged at a step tariff rates which is determined by Council on a yearly basis.

Tariffs for pre-paid meters shall be the same as the conventional meter tariffs. The charges will consist of a fixed basic charge, fixed capacity charge, coupled with a charge based on consumption.

## PART 4: ELECTRICITY (Municipal license areas)

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 approved by the National Energy Regulator of South Africa (NERSA) shall be effective from 1 July each year or as soon as possible thereafter.

Categories of consumption and charges shall be as follows:

- 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.
- Access and capacity charges are related to the installed capacity.
- All domestic 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 and shall not pay any fixed monthly charges, and the capacity of the supply will be limited to 20-amp single phase
- All properties in which the electricity network has been installed and consumers can but are not connect to the network shall be subject to a monthly availability charge relevant to the particular category of consumer.
- Availability charges will not be charged to properties with a value equal to and less than R15 000.
- All consumers with an installed capacity exceeding 3 x 80 Amps or 70 kVA, including municipal supplies shall be subject to a Time Of Use (TOU) tariff with a structure similar to that of Eskom Megaflex tariff featuring the following charges:
  - A basic charge.
  - A capacity charge.
  - A maximum demand charge.
  - TOU energy charges:
    - High demand: Peak, Standard and Off-peak periods.
    - Low demand: Peak, Standard and Off-peak periods.
  - Reactive energy charge.

- All consumers with their own renewable energy generation source: By way of Photo Voltaic (PV) systems or wind generation, installed and connected to the consumer electricity system behind the municipal meter, the so-called Small Scale Embedded Generation (SSEG) consumers shall:
  - Apply to the municipality before such connection is made.
  - Await approval before connection the system to the installation.
  - Approval will be granted based on meeting various industry accepted conditions.
  - Have to pay for the installation of the 4 quadrant TOU Smart meter which can measure the forward flow of electricity as per municipal specification.
  - Will take a minimum capacity of 40 Amps.
  - Will be subject to an additional SSEG support basic charge.
  - Will be credited for electricity exported into the municipal system at 80% of Eskom Megaflex tariff subject to various conditions.
  - Any such consumer who disconnects from the municipal network and be so called off-grid will be subject to a capacity charge of at least 40 Amps.

## PART 5: WATER

The categories of water 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 each year.

Categories of consumption and charges shall be:

- All points of supply will be metered, and the charges will be applied per metered point.
- 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 water consumption, as set out in Part 3 of this policy.
- All other domestic consumers shall be billed for actual water consumption at a stepped tariff per kl as determined by the council from time to time, and as set out in Part 3 of this policy.



- Water consumers such as crèche's, pre-school's, schools, sporting bodies and religious institutions shall pay the same single tariff per kl, irrespective of the volume of water consumed.
- All properties in which the water reticulation network has been installed and consumers can but are not connected to the network shall be subject to a monthly availability charge relevant to the particular category of consumer.
- In the case of a complex where the municipality supply meters to individual households an additional basic charge will be levied on the bulk meter to cater for common use on the property.
- Availability will not be charged to properties with a value equal to or less than R15 000.00

## PART 6: REFUSE REMOVAL

The categories of refuse removal 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 year.

- The following charges will be applied to every registered property whether such service is used or not:
  - A monthly refuse removal basic charge.
  - A monthly environmental charge.
- The following categories of users, based on the costs of the service concerned:
  - Domestic, and undeveloped properties (once weekly removal)
  - Commercial and institutions ( twice weekly removal)
  - Multiple dwellings in cases where individual water meters are supplied a refuse charge will be applied in respect of each water meter. (once weekly removal)
  - In case of multiple dwellings where individual water meters are not supplied it will be treated as an institution. (once weekly removal)

Refuse removal will not be charged to properties with a value equal to or less than R15 000.

Additional charges will be levied in respect of any additional collections requested by consumers.

Specific charges will be levied in respect of dumping of waste in respect of garden or building materials at the municipal dumps.

## PART 7: 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 year.

Categories of usage and charges shall be:

- A monthly basic (availability) charge based on the costs of the infrastructure related to the service shall be charged for all users who are able to connect to main sewer line whether connected or not.
- A fixed monthly basic charge based on the costs of the service per urinal, sewer point/toilet shall be charged to multiple dwelling units, hotels, accommodation establishments, crèche's, pre-schools and schools.
- A charge will be levied in respect of sewerage removals by truck and will be more after hours.
- Pit inspections by Health inspected will be subject to a charge.
- In certain areas defined by environmental requirements will not permit the use of French drainage systems, associated with seepage into the ground. Where these are not connected to the main sewer, will require that any seepage into the ground be prevented and request removal by truck whenever required.

The sewer availability fee will not be charged to properties with a value equal to or less than R15 000.

## PART 8: 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 adjustment should not be effected.

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

- municipal reference library;
- municipal lending library (except for fines set out below); and
- municipal parks and open spaces.

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 stands
- electricity, water, sewerage: new connection fees
- sales of livestock and plants
- photocopies 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;

- o advertising sign fees;
- o pound fees;
- o electricity, water: disconnection and reconnection fees;
- o penalty and other charges imposed in terms of the approved policy on credit control and debt collection;
- o penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable
- o cheques.

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

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 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's sustaining damages as a result of the use of the facilities concerned.

## **PART 9: 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 a water services authority, 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: BY-LAW**

A municipality, in its capacity as water services 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 SYSTEMS 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 which 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 subsidization 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 subsidization 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 subsidization of tariffs for poor households and other categories of users must be fully disclosed.

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

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: BY-LAWS 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 in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.