

NKANDLA MUNICIPALITY



TARIFF POLICY

Financial Year: 2019_20

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Approved

1. Definitions

1.1 “Systems Act” means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

2. Introduction

2.1 A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the 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.

2.2 The Tariff Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74. 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.

3. Principles

3.1 Service tariffs imposed by the local municipality shall not be viewed as taxes, and therefore the ability of 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 indigence relief measures approved by the municipality from time to time).

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

3.3 Tariffs for the two major services rendered by the municipality, namely:

- Electricity
- 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 particular service used or consumed.

3.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services ensure self-sustainability.

- 3.5 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area.
- 3.6 In line with the principles embodied in the Constitution and in other legislations pertaining to local government, the municipality may differentiate between categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and be fully disclosed in each annual budget.
- 3.7 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 evident to all consumers or users of the service in question.
- 3.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by the tariff policy concerned.
- 3.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 3.10 In the case of the directly measurable service, namely electricity, the consumption of such service 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 service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall pay a charge directly related to the consumption of the service in question.
- 3.11 In considering the costing of its electricity service, the municipality shall take due cognisance of the high capital cost of establishing and expanding such service, and of the resultant high fixed costs, as opposed to variable costs of operating the service. The municipality therefore undertakes to plan the management and expansion of the service 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.

3.12 In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

3.13 It is therefore accepted that part of the municipality's tariff policy for 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 therefore 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. Calculation of tariffs for Major Services

4.1 In order to determine the tariffs which must be charged for the supply of the two 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
- Distribution costs, including distribution losses in the case of electricity
- Depreciation and finance charges
- Maintenance of infrastructure and other fixed assets
- Administration and service costs, including:-

4.2 Service charges levied by the other departments such as finance, human resources and legal services

4.3 Reasonable general overheads, such as the costs associated with the office of the municipal manager

- 4.4 Adequate contributions to the provisions of bad debts and obsolescence of stock
- 4.5 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 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 revenue, and shall not be included in the costing of the major services of the municipality).
- 4.6 The intended surplus to be generated for the financial year, such surplus to be applied:-
- As an appropriate to capital reserves; and
 - Generally in relief of rates and general services
- 4.7 The municipality shall provide the first 50 kWh of electricity per month free of charge to the approved indigent consumers.

5 Electricity

- 5.1 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.
- 5.2 Tariff adjustments shall be effective from 1 July each year.
- 5.3 Categories of consumption and charges shall be as follows:-
- Electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
 - All approved indigent pre-paid consumers shall receive free the first 50kWh (fifty) of electricity consumed per month.
 - All commercial, industrial and other non-domestic properties shall additionally be billed a monthly service 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 charged at no cost.

6 Refuse Removal

- 6.1 The various categories of consumers as set out in the tariff of charges shall be charged at the applicable tariffs, as approved by the council in each annual budget.
- 6.2 The municipality shall provide refuse free of charge to the following consumers:-
- All domestic consumers registered as indigents with the municipality.
 - All domestic consumers in the municipality's low cost housing schemes.

7 Other tariffs, levies and charges

- 7.1 All other tariffs shall be standardised within the municipal region. All the tariffs of charges shall be approved by the council in each annual budget, and may, when deemed appropriate by the council, be subsidised by property rates and general revenues inter alia, 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.
- 7.2 All other tariffs over which the municipality has full control shall annually be adjusted at least in line with the prevailing **consumer price index (CPIX)**, unless there are compelling reasons why such adjustment should not be affected.

Other tariffs shall include but not limited to the following:-

- Burials/Cemetery fees
- Rentals (Staff Housing)
- Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- Rentals for the use of municipal premises
- Rentals for the use of municipal sports grounds
- Rentals for the lease of municipal property
- Building plan fees

- Zoning & Subdivision & Consolidations fees
- Sales of Maps
- Billboard Advertising sign fees
- Photostat copies & faxes
- Clearance certificates
- Valuation certificates
- Electricity: disconnection and reconnection fees
- Electricity: new connection fees
- Electricity: meter testing
- Electricity: tempering fees
- Wood sales
- Swimming pool
- Tender document fees
- Penalty and other charges in terms of the Credit Control and Debt Collection Policy
- Refuse removal
- Licence fees (drivers, learners and roadworthy certificates)
- Licences & Permits (trading licences and rank permits)

8 Implementation and review of this policy

- 8.1 This policy has been approved by the Council for Nkandla Municipality in terms of Council Resolution Number NMC: 35/2018/2019
- 8.2 This policy shall be implemented once approved by Council.
- 8.3 This policy may be reviewed on an annually basic and be tabled to the Council for approval.