



**ALFRED NZO DISTRICT
MUNICIPALITY
DRAFT
TARIFFS POLICY**

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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 10 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 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 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 three major services rendered by the municipality, namely:

- * water
- * sewerage (waste water)
- * disaster related

The municipality 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. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between domestic and commercial and other 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-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

The municipality also 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 water, the consumption of such services shall be properly metered by the municipality. In respect of those premises where pre-paid meters have not been installed, 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 considering the costing of its water 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 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.

PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the three 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.

- * Distribution costs.

- * Distribution losses in the case of 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.

- * 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 water and general services.

- * The cost of approved indigency relief measures in so far as any part of such cost has not been covered by the municipality's equitable share of revenues collected nationally.

The municipality shall provide the first 6 kl of water per month free of charge to consumers who have registered as indigents in terms of the municipality's indigency relief programme. The municipality shall further consider relief in

respect of the tariffs for sewerage for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget.

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.

No availability charge shall be levied on properties where pre-paid meters have been installed.

PART 4: 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 or as soon as possible thereafter.

Categories of consumption and charges shall be:

- * All conventionally metered domestic water consumers 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 conventionally metered monthly water consumption, as set out below:
 - 7 – 20 kl
 - 21 – 50 kl
 - 51 – 120 kl
 - above 120 kl.

The tariff shall escalate from one consumption scale to the next in order to promote the conservation of the municipality's scarce water resources.

- * Tariffs for pre-paid domestic water consumption shall be based on the following monthly consumption scales: 7 – 20 kl, 21 – 50 kl and above. In addition, consumers shall be charged a nominal tariff per kl for the first 6 kl consumed per household per month.

- * Tariffs for conventionally metered and pre-paid commercial and other consumption shall be based on the following monthly scales:

CONVENTIONAL METERS

0 – 10 kl

11 – 30 kl

31 – 50 kl

51 – 120 kl

above 120 kl.

PRE-PAID METERS

0 – 6 kl

7 – 20 kl

21 – 50 kl

51 – 120 kl

above 120 kl.

Tariffs shall escalate from one consumption scale to the next in order to promote the conservation of the municipality's scarce water resources.

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 or as soon as possible thereafter.

Categories of usage and charges shall be:

- * Waterborne sewage disposal for domestic users: a flat rate per household per month.
- * Waterborne sewage disposal for commercial and other users: a flat rate per property per month.
- * Slopwater conservancy disposal: certain rate (as determined by council) per septic tank per household.

PART 8: DISASTER RELATED COST

PART 9: MINOR TARIFFS

All minor tariffs shall be standardised within the municipal region.
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All minor tariffs 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.

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 subsidised services, and the tariffs levied shall cover a reasonable percentage of the annual operating expenses budgeted for the service concerned:

- * rentals for the use of municipal halls (subject to the municipality's standing conditions for the hire of halls)
- * fire fighting services.

The following services shall be considered as community services, and purely nominal tariffs shall be levied for their use:

- * rentals for the use of municipal sports facilities
- * administration fees per house per month for all housing bonds administered by the municipality.

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

- * building plan fees
- * water, sewerage: new connection fees
- * search fees
- * copies of estimates
- * special consent use applications
- * applications for relaxation of building lines
- * clearance certificates.

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

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

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

PART 9: PROMULGATION OF BY-LAWS AND REVIEW OF POLICY

The council shall ensure that by-laws are promulgated to give effect to its tariffs policy.

The council shall further ensure that this policy is annually reviewed as part of the process of preparing the annual budget, and that any resultant amendments to the policy are consequentially effected in its by-laws.

PART 10: 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 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: 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 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 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.