

# **AMAHLATHI MUNICIPALITY**

## **TARIFF POLICY**

### **[1] Objective of this Policy**

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) of the Municipal Systems Act No. 32 of 2000.

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.

All tariffs will be indicated in a tariff schedule, which will be an Addendum to this policy and will be reviewed and amended by Council annually during its IDP and Budget process.

### **[2] Definitions**

**“accounting officer”** - Means in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act No. 56 of 2003; or in relation to a municipal entity, means the official of the entity referred to in section 93 of the Municipal Finance Management Act No. 56 of 2003 and includes a person acting as the accounting officer;

**“basic sanitation”** - means the prescribed minimum standard of services necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic waste-water and sewage from households, including informal households

**“basic water supply”** - means the prescribed minimum standard of water supply services necessary for the reliable supply of a sufficient quantity and quality of water to households, including informal households, to support life and personal hygiene

**“chief financial officer”** - means a person designated in terms of section 80(2) (a) of the Municipal Finance Management Act No.56 of 2003.

**“consumer”** - means any end user who receives water services from a water services institution, including an end user in an informal settlement as well as consumers receiving electricity from the municipality.

**“consumer installation”** - means a pipeline, fitting or apparatus installed or used by a consumer to gain access to water services and includes a meter attached to such pipeline, fitting or apparatus, as well as electricity connected and metered by the municipality as well as any other service installation .

**“councilor”** - means a member of a municipal council

**“indigent”** - means an indigent household whose total household income is less than such an amount as determined by Council annually during the budget process

**“local community”** has the meaning assigned to it in section 1 of the Municipal Systems Act

**“local municipality”** - means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality

**“mayor”** - a municipality with an executive committee, means the councilor elected as the mayor of the municipality in terms of section 48 of that Act

**“municipal council”** or **“council”** - means the council of a municipality referred to in section 18 of the Municipal Structures Act

**“municipality”**:

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)

**“municipal manager”** - means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act

**“municipal service”** has the meaning assigned to it in section 1 of the Municipal Systems Act

**“Municipal Structures Act”** - means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)

**“Municipal Finance Management Act** – means the Local Government: Municipal Finance Management Act, No. 56 of 2003

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

**“municipal tariff”** - means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff

**“municipal tax”** - means property rates or other taxes, levies or duties that a municipality may impose

**“official”**, in relation to a municipality or municipal entity, means:

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee

**“person”** includes a water services institution amongst others

**“sanitation services”** - means the collection, removal, disposal or purification of human excreta, domestic waste-water, sewage and effluent resulting from the use of water for commercial purposes

**“water services”** - means water supply services and sanitation services

**“water services institution”** - means a water services authority, a water services provider, a board and a water services committee

**“water services intermediary”** - means any person who is obliged to provide water services to another in terms of a contract where the obligation to provide water services is incidental to the main object of that contract

**“water services provider”** - means any person who provides water services to consumers or to another water services institution but does not include a water services intermediary

### **[3] 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 four major services 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.

The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. 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 i.e. developed in consultation with ward committees, 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 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 electricity and water, the consumption of such services may be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis.

In the case of communal water service points, the consumption of the specific points will be metered. The charges levied on consumers shall be proportionate to the quantity of the service, which they consume.

In addition, the municipality may levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the policy.

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 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.

It is therefore accepted that 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 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**

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
- Capital Charges
- Maintenance of infrastructure and other fixed assets
- Administration and service costs, including:
  - service charges levied by other departments such as finance, human resources and legal services
  - reasonable general overheads, such as the costs associated with the office of the municipal manager
  - adequate contributions to the provisions for bad debts and obsolescence of stock
  - all other ordinary operating expenses associated with the service concerned including 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).

If a surplus is generated for the financial year, such surplus must be applied to:

- generally in relief of rates and general services

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.

Because water is a scarce national resource, and this municipality is committed to the prudent conservation of such resources, the council will consider restrictive measures in case of water shortages.

The tariff for domestic consumption shall be based on a specific tariff for the first 6 kilolitres, a specific tariff for the consumption from 7 kilolitres to 20 kiloliters and a specific tariff for the consumption from 21 kilolitres to 30 kilolitres and a specific tariff for the consumption from 31 kilolitres and more.

## **[5] Electricity**

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

Tariff adjustments shall be amended 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
- The tariff for domestic consumption of electricity shall not exceed the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh
- All domestic electricity consumers of the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month free.
- All consumers except for in the case of prepaid meters shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charged a normal tariff which is equal to that of businesses.

## **[6] 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 amended from 1 July each year or as soon as possible thereafter. Categories of consumption and charges shall be:

- All domestic water consumers registered with the municipality shall receive free the first 6 (six) kl of water consumed per month.
- The tariff applicable to domestic consumption of water shall not exceed the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kl, irrespective of the volume of water consumed
- A basic charge per water meter, as determined by the council from time to time, shall be charged on all business ,industrial and institutional consumers
- The local municipality's departmental water consumption shall be charged at a normal tariff which is the same as business.

- Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned or as per Council resolution

## **[7] Refuse Removal**

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget. Tariff adjustments shall be amended from 1 July each year or as soon as possible thereafter.

Regardless of whether the service is being utilized or not, 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:

- Domestic and other users (once weekly removal)
- Business and other users (twice weekly removal)
- Commercial and industrial entities shall be charged per volume of refuse removed.

A fixed monthly charge shall be charged to the local municipality's departments equal to the business tariff. Registered indigents may receive such discount on this charge as the council deems affordable when approving the annual budget.

## **[8] 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 amended from 1 July each year or as soon as possible there after.

Categories of usage and charges shall be:

- Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget
- A fixed monthly charge based on the costs of the service shall be charged for domestic users
- A fixed monthly charge based on the costs of the service per sewer point/toilet shall be charged to all businesses, industries and institutional users
- A fixed monthly charge per sewer point/toilet shall be charged to the local municipality's departments equal to the lowest (business) tariff.
- An availability charge shall be applicable in those areas where the Conditions of Township Establishment make provision.

## **[9] 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 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.

The following services shall be considered as subsidised services and tariffs must be determined by Council annually:

- burials and cemeteries
- rentals for the use of municipal sports facilities

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

- disposal of garden refuse at the municipal tip site
- municipal lending library (except for fines set out below)
- 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:

- 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 re-connection fees
- photostat copies and fees
- clearance certificates
- town planning issues
- search fees

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

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- electricity, water: disconnection and re-connection fees
- 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. In addition the council may implement tariffs for any other service not included in the above mentioned. 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 reduce 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.

## **[10] Annexure: Legal Requirements**

### **SECTION I: WATER SERVICES ACT NO. 108 OF 1997**

#### **SECTION 10: Norms and Standard 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.