Musina Local Municipality



DRAFT TARIFF POLICY

INDEX

A. Purpose

1. The Municipality adopts the following Tariffs Policy in compliance with:

- Section 74 of the Local Government: Municipal Systems Act, Act 32 of 200 which stipulates the that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and the tariff policy should reflect the principles as contained in Section 74(24) of the Act;
- The Municipal Finance Management Act, Act 56 of 2003, Section 28 (1) (6) which state that the municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan;

2 To enable the municipality to achieve the following objectives:-

- Comply with Section 74 of the Act;
- Set procedures for establishing and calculation of tariffs;
- Set a framework for tariff proposals to guide the municipality during the annual budget preparations.

3. Tariffs are determined annually the preparation and adoption of the budget, and the tariff schedule is published and implemented accordingly.

B. DEFINITIONS

"Finance Act: means the Municipal Finance Management Act, Act 56 of 2003.

"Municipal Area: means the area in respect of which the municipality has executive and legislative authority as determined by the Constitution and national

legislation and the area as demarcated by the Demarcation Act 1998 (Act 27 of 1998);
“Municipal Council” means a municipal council referred to in section 157 of the Constitution.
“Municipal Manager” means a person appointed under section 82 of the Municipal Structures Act (Act 177 of 1998) read with section 57 (1) of the Local Government: Municipal Systems Act, Act no 32 of 2000 as amended from time to time, and the person who is the head of administration and also the accounting officer for the municipality and where necessary includes an “acting municipal manager”

“Municipality”

a) Means an organ of state within the local sphere of government exercising legislative and executive authority in an area determined under the Local Government: Municipal Demarcation Act 1998 (Act 27 of 1998);
b) Consist of:
    (i) The political structures and administration of the municipality ; and
    (ii) The community of the municipality;
c) Functions in the area in keeping with the political, statutory and other relationships between its political structures, political office bearers and administration and its community; and
d) As a separate legal personality that excludes liability on the part of its community for the actions of the municipality.

“Poor households” means those household in the municipal area that cannot afford to pay either the entire tariff charge for municipal services, or part of it;

“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.

“tariff policy” means a tariff policy on the levying of fees, rates or taxes for municipal services provided by the municipality itself and that complies with the Local Government: Municipal Systems Act, Act 32 of 2000);

“The Act” means the Local Government: municipal Systems Act, Act 32 2000

C. PRINCIPLES

a) users of municipal services will be treated equitable in the application of tariffs;
b) The amount individual users pay for services will generally be in proportion to their use of that service;
c) Poor households will have access to at least basic services through-
    i. Tariffs that cover only operation and maintenance costs,
    ii. Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of services, or
    iii. Any other direct or indirect method of subsidisation of tariffs for poor households;
d) Tariffs will reflect the costs reasonably associated with rendering the services, including capital, operating, maintenance, administration and replacement costs, and interest charges;
e) Tariffs will be set at levels that facilitate the financial sustainability of the service, taking in to account subsidisation from sources other than the service concerned;
f) Provision will be made in appropriate circumstances for a surcharge on the tariff for a service;
g) Provision will be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
h) The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives will be encouraged;
i) The extent of subsidisation of tariffs for poor households and other categories of users will be fully disclosed;
j) Cognisance will be taken of the indigent policy when tariffs are determined;
k) The municipality will endeavour to differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
l) Due regard will be given to the protection of the environment.

D. COST ELEMENTS IN DETERMINING TARIFFS.

The following costs elements are used to determine tariffs for the various services:

a) Fixed cost consisting of capital costs (interest and redemption, on external loans as well as internal advances and/or depreciation, whatever is applicable, and any other cost of a permanent nature as determined by Council from time to time.
b) Variable cost including all variable costs in respect of the rendering of a service.

c) Total cost which equals the fixed plus variable cost.

E. TYPES OF TARIFFS

The following options or a combination of options, maybe used by the municipality in the determination of applicable tariffs:

1. Single Tariffs: Consisting of a cost per unit used. All costs are recovered in a single tariff where costs and income break even. If during the budget approval process Council decides to generate a profit on certain services, such profit will be added to the fixed and variable cost of the services for the purpose of calculation of this tariff.

2. Cost related two-three share tariff: This tariff consist of two to three parts. Management, capital, maintenance and running costs recovered through a grouping of certain components. Management, capital and maintenance cost may be grouped together and recovered through a fixed tariff independent from the usage or categories of users while variable costs can be recovered through a tariff per unit used. The three part tariff will only be used to calculate tariff for electricity and to provide for maximum demand and consumption during restricted demand.

3. Increasing block tariff: This tariff is based on consumer levels categorised in blocks. Tariffs are determined and increased as the consumption increases. This tariff is only used to limit excessive use of a commodity. The first stage is calculated at break even point. Successive phase are calculated to generate profit and discourage excessive use of the commodity.

4. Decreasing block tariff: this tariff decreases as the consumption increases. The first phase is calculated by dividing the fixed and variable costs and the profit, as determined by Council from time to time, by the total consumption volume. This tariff is used only for special agreements.

5. Regulatory tariff: this tariff is of a regulatory nature and the municipality can recover the full or a portion of the cost attached to the rendering of the service.

F. PROVISION IN MADE FOR TARIFFS TO BE LEVIED FOR THE FOLLOWING TYPES OF SERVICES TO THE CATEGORIES OF USERS AS SPECIFIED:

1. Trade Services

Trade services are supplied to all residents residing in the municipal area of MUSINA subject to an application form being submitted, the payment of a deposit, where applicable, and tariffs being levied monthly and includes the following categories:

Water and Sanitation

Whilst the municipality is rendering a water and sanitation service on behalf of the Vhembe District Municipality, under a service level agreement, and until, if or when the Municipality is appointed as a Water Service Provider by the Vhembe District, the tariff and charges as determined by the Water Services Authority, namely Vhembe District Municipality, will apply.

Electricity

Categories of users.

Tariffs, in line with the principles stated above, will be prescribed annually for the supply of electricity and various matters connected thereto, to the following categories of users:

Single phase connection and supply;
Three phase connection and supply;
Temporary connections,
Reconnection fee;
Installation of test meter;
Replacement of padlocks;
Municipal department use;
Consumer deposit – new;
Conlog meter installation fee, and
Change from normal to Conlog electricity for categories
Residential, Agricultural, Government and Validator;
Industrial and industrial KVA meter;
Business (Bulk users)
Retirement homes;
Clubs.

A rebate will be determined for organisations registered for child welfare, elderly care and/or care of persons with disabilities.

Deposits will be payable before the commencement of the service. Deposit may be reviewed and adjusted from tome to time and the increase; a refund will be paid to the consumer.

Tariff structure and method of calculation to determine tariffs.

a. Tariff structure

Increasing block tariff: This tariff is based on consumer levels categorised in blocks. Tariffs are determined and increased as the consumption increases. This tariff is only used to limit excessive use of a commodity. The first stage is calculated at breakeven point. Successive phase are calculated to generate profit and discourage excessive use of the commodity.

i) Maximum demand (KVA) plus fixed tariff KWh used.
ii) Fixed tariff plus KWh used.
iii) Unit tariff (KWh used) (pre-paid maters)

b) Method of calculation:

i) The guidelines issued by the National Electricity Regulator from time to time will be used as the basic for calculation of tariffs.
ii) To recover the capital costs attached to the provision of electricity through payment of a levy will make the price of electricity unaffordable for lower unit users. Cross subsidisation between and within categories of users will be allowed based on the liability factor of the categories and the users within the various categories. Portions of the fixed costs will be transferred to the to the energy and time-of-consumption costs and recovered through a cent/KWh levy. The cost allocation basis, cost grouping, tariff component and tariff types as set out in schedules attached to this policy from time to time will be used to apply the above principle.

iii) The single-step energy tariff: All costs related to a single step tariff are expressed in a cent/KWh tariff. The proposed methodology to allocate costs to this tariff, is as follows:

- The rand/KVa month costs are allocated in a sent/KWh levy by taking into consideration the average liability factor of the type of user who normally make use of a single-portion energy tariff.

- The rand/user/month fixed cost and KWh acquisition cost is also allocated to the cent/KWh levy in such a way that the total fixed cost, at a monthly consumption of 400 kWh, is recovered through the cent/kwh levy.

iv) The two-step tariff:

- The rand/kva month levy must be allocated to the cent/kwh levy by taking into consideration the average liability factor of the type of user who might prefer a two-portion tariff, the re-allocated costs are then added to the kwh acquisition levy.
- The rand/user/month levy is not re-allocated to other tariff elements.
- The tariff will consist of a fixed monthly levy plus a variable levy which is related to meter kWh consumption.

v) The two-step time-of-consumption tariff:

- The rand/kva/month levy must be re-allocated to different time-of-consumption cent/kwh levies by taking into consideration the liability factor of the user in relation to the liability factor of the provider. The re-allocated cost s must be added to the kWh acquisition levy.

vi) The three-step tariff:

- The rand/kwa levy is used to recover the capital costs. A portion of the costs must be re-allocated to different tariff elements.
- As a result the cent/kwh levy recovers the total variable costs and a portion of the re-allocated rand/kva costs.
- The rand/consumer/month levy is Notre-allocated.

vii) The three-step time-of-consumption tariff:

- As with the standard three-step tariff a portion of the rand/kva.month levy is re-allocated in the various time-of-consumption cent/kwh levies. The amount of the re-allocated costs must be in relation to the liability factor of the user. It is also necessary to take the time deviation of the capacity costs into consideration during the re-allocation of the rand/kva levy to the various time-of-consumption cent/kva levies.
- The cent/kwh levy recovers as a result the total variable costs and a portion of the re-allocated rand/kva levy.
- The rand/consumer/month levy is not re-allocated.

viii) Where Council decides to generate a profit on the rendering of a service, the profit will be added to the fixed and variable costs before the tariffs are calculated.

ix) Where a property is not connected to the electricity network, but can reasonably connected to it, an availability tariff will be payable. The tariff will be determined by adding a surcharge of 50% to the fixed costs payable by the various connected users per category.

2. Economic Services.

2.1 Refuse

2.1.1 <u>User Categories.</u>

Tariffs, and a basic charge, in line with the principles stated above will be determined annually for the rendering of a refuse service in the following categories:

Residential,
Industrial,
Business,
Government,
Beit Bridge,
Organisations registered for child welfare, elderly care and/or care of
Persons with disabilities,
Garden refuse removal,
Building rubble,
Dumping site, and
Municipal departmental use.

Tariffs may be divided into a tariff per holder, per load, per m2 or per month.

2.1.2 Tariff structure and method of calculation

a) Tariff structure

i) Removal by plastic bags. (volume)
ii) Removal by containers. (Volume).

b) Method of calculation

i) The cost per measuring unit is determined by dividing the total cost of the service with the total volume of refuse dumping per year. The total cost of the service includes the costs attached to the removal service plus the cost attached to the operation of the refuse site. The unit cost per cubic meter will be converted to cost per black bag. A cost per month for the average number at bags removed per week will be calculated for residential users.

ii) The cost attached to the removal of different types of containers will be determined by determining how many units of the smallest measuring unit can be absorbed in a specific container.

iii) A monthly rental tariff for the use of a bulk container will be determined by discounting the costs attached to the acquisition of a bulk container over 5 years at an interest rate coupled to the loan taken by the municipality.

iv) After consultation by Council with the owners or occupiers of trade and industrial concerns, who do not use standard black bags or bulk containers, the municipality must determine a tariff based on the loan estimated volume to be removed per month.

v) Ad hoc tariff for one-off removals will be calculated by recovering the cost attached to the removal plus a surcharge of 20%.

vi) Private dumping at the refuse site will be allowed subject to the payment of a tariff based on the estimated volume of the dumping material.

vii) A refuse removal tariff will be levied and payable by the owner or occupier of each developed site;

- that can be connected to the water supply or electricity network, of the municipality or any other service provider, or
- Where application has been made for such connection,

Whether or not the owner or occupier makes use of the refuse removal service,

- Or that are not connected to any of the aforementioned services, but to whom a refuse removal service is being rendered on demand.

viii) No refuse removal tariff will be rendered in areas where the municipality has not yet instituted a refuse removal service.

2.2 Sewerage (Sanitation)

Whilst the municipality is rendering a water and sanitation service on behalf of the Vhembe District Municipality, under a service level agreement, and until, if or when the Municipality is appointed as a Water Service Provider by the Vhembe District Municipality, the tariff and charges as determined by the Water Service Authority, namely Vhembe District Municipality, will apply.

3. Community and subsidised services

3.1 Miscellaneous Services

Tariffs will be determined annually for miscellaneous services, as follows:

Function/Service	*Tariff unit*
Administrative	
Interest on and debtors in arrears	*Fixed amount per enquiry per property*
Search fees	*Fixed tariff per hour*
Copies	*Fixed Tariff per copy*
Fax	*Fixed Tariff per page*
Information	*Fixed Tariff per page*

RD Cheques	*Bank charges*
Change of tenants or ownership within Municipal boundaries	*Fixed Tariff per entry*
Drafting contracts/deed of sale	*Deposit amount determined annually (Refundable on signing of contract)*
Clearance certificate	*Fixed tariff per certificate*
Clearance schedule	*Fixed tariff per schedule*
Valuation certificate	*Fixed tariff per certificate*
Approval of building plans Calculation of cost per 10m2 minimum charge	*Fixed tariff per building plan* *Fixed tariff per application*
Access to information Act: fees	
Copies A4 Printed copy A4	*As prescribed under the Access to information Act*
Stiffy each Compact disc each Visual images A4 fol Transcription of audio record Copy of audio record Requester fee Search fees per hour	
Town Planning	
Reasoning VAT incl.	*Fixed tariff per application*
Subdivision Vat incl.	*Fixed tariff per application*

Consolidations Vat incl.	*Fixed tariff per application*
Township establishment	*Fixed tariff per application*
Licensing of Business regulations	
Issue of licence Regulation 8	*Fixed tariff per application*
Duplicate of license Reg 9	*Fixed tariff per application*
Copies of documents Reg 23 (1) (a-b)	*Fixed tariff per application*
Endorsement Section 2 (7)	*Fixed tariff per application*
Endorsement Section2 (8)	*Fixed tariff per application*
Furnishing of reasons Reg 13	*Fixed tariff per application*
Hire of equipment	
Front end loader	*Fixed tariff per hour*
Compressor	*Fixed tariff per hour*
Compressor	*Fixed tariff per hour*
Back Actor	*Fixed tariff per hour*
Concrete Mixer	*Fixed tariff per day*
Sewerage Pump	*Fixed tariff per hour*
Trucks and Extension ladder vehicle	*Fixed amount per km or hour whichever is the greatest.*
Rental of Municipal Buildings / Sites	
Agricultural Hall	*Deposit and tariff per day*
Lapa	*Deposit and tariff per day*
Bar	*Deposit and tariff per day*
Cold storage room	*Deposit and tariff per day*

Chairs and Table	*Deposit and tariff per item per day*
Stables	*Tariff per horse per night*
Show Grounds	*Deposit and tariff per day*
Community Hall	*Deposit and tariff per day*
Stadium	*Deposit and tariff per day. Partnership percentage income*
Hawkers Stalls	*Application fee plus monthly fee per stall*
Old Age home rental	*Tariff per unit (No VAT)*
Old Age Home air conditioning	*Fixed tariff per unit*
Miscellaneous	
Advertising signs, posters, banners	*Application fees plus fixed tariff per sign*
Statutory notices and advert	*Direct cost plus 10%*
Dates	*Fixed tariff per punnet (VAT inc.)*
Plants / Nursery (VAT inc.)	*Fixed tariff per plant*
Top Soil	*Fixed tariff per load*
River Sand	*Fixed tariff per load*
Town Map	*Fixed tariff per Map*
Water connection new	*Tariff as determined by WSA*
Electricity connection new	*Cost plus 10%*
Sewerage connection new	*Tariff as determined by WSA*
Consumer deposit new (VAT) Exc. Residential, Business, Flat,	*Fixed tariff determined annually.*

Old Age Home,	
Conlog meter installation	*Cost plus 10%*
Change form normal to Conlog	*Cost plus 10%*
Extra meter reading	*Fixed tariff per application*
Wiring inspection fees	*Fixed tariff per inspection*
Grave fees	*Fixed tariff for residents/non residents*
If grave is dug by family	*Fixed tariff at discount*
Erection of grave stones	*Fixed tariff each*
Grazing	*Fixed tariff per type of animal*
Dog License	*No tariff*
Re-inspection fee for food premises	*Fixed tariff per inspection*
All other charges and tariffs not referred to in this schedule	*Cost plus 10% as determined by HOD*
Library	
Membership fee:	
Per Family	*Fixed tariff per family per registration payable in 12 instalments.*
Per single members	*Fixed tariff per single member payable in 12 instalments.*
Special cases (Adults / Children	*Tariff as per Council Resolution*
Visitors to Musina single or family	*Pro rata of the above tariffs for duration of stay*
Replacement of lost card	*Fixed tariff each*
Replacement of lost book	*Replacement value of book*
Penalty:	

First week per book	*Fixed tariff per book*
Second week per book	*Fixed tariff per book*
From 4th week per book	*Fixed tariff per book*
Photocopy	*Fixed tariff per A4 folio*
Fire Brigade	*Services rendered by Dist. Mun.*

4. Rates

Rates on fixed property will be levied annually in accordance with the Municipal Property Rates legislation for the following categories:

Residential, Government,
Business, Industrial,
Agricultural, Commercial,
Public Garage,
Public entertainment,
Residential (use for business purpose,
Special.
Educational (Non-government),
Government rebate.

Rates will be determined annually, and charged monthly as per the schedule of payment dates.

F. GENERAL CONDITION OF SUPPLY

1. No supply will be given to any installation / service point for any trade service unless and until the owner or occupier of the premises or some person acting on his behalf has completed a consumer's arrangement in the form prescribed by the Council.

2. The charge payable will be in accordance with the tariff contained in the prevailing tariff schedule.

2. The Council has the discretion to decide whether a consumer's agreement will be concluded with the owner or with the occupier of the premises, or some person acting on his behalf.

DEPOSITS

1. The deposit payable for any trade service will be reflected annually on the schedule of tariffs.

2. Every applicant for a service supply will deposit with the council a sum of money, as indicated in the prevailing schedule of tariffs. and may, if he/she so wishes deposits an amount greater than the prescribed deposit for any particular service.

3. The finance Manager may accept a guarantee from the consumer, as security for the average consumption per month for any service, provided that the amount so secured will not be less than the deposit amount as prescribed for that particular service in the schedule of tariffs.

4. The council may at any time when the deposit or guarantee is found to be inadequate require a consumer to increase the deposit made or guarantee furnished by him, in which event the consumer must pay the additional sum or additional guarantee, failing which the council may discontinue the relevant service.

5. Any sum deposited by or on behalf of a consumer shall, on being claimed, be refunded within 30 days after the termination of the consumer's agreement after deducting any amount due by the consumer to the council.

   If a deposit or part thereof has been refunded within the prescribed period, the council shall be absolved from any further liability in respect thereof.

   The consumers agreement may contain a provision that if a refund of any deposited by the consumer, has not been so claimed within 1 year of expiry or termination of the service agreement, such deposit will be forfeited.

G. PROCEDURE FOR DETERMINATION OF TARIFFS.

1. A database of users must be compiled reflecting the following categories:

a) Historically disadvantaged users by standards of municipal services;

b) Historically disadvantages users by their involvement as recognised participants in the system of local government;

c) Unintended beneficiaries of leakage funds;

d) Poor household requiring subsidisation of services;

e) Poor household requiring free services;

f) Industrial and commercial users;

g) Debtors;

h) Service providers;

i) Agricultural users;

j) Domestic users;

2. In compliance with sections 74(2) (d), (e), (f) and (g) of the Act, each municipal department must investigate and make recommendations regarding:

a) Availability of funds and budget allocations:
b) Cross-subsidisation mechanisms (analysis of present position and future projection with specific regard to cost, benefits and risks implicit in each approach):
c) Viability of surcharge tariffs;
d) The availability, if any, of special grant funding from national government for free basic services;
e) The availability, if any, of local government equitable share allocations;
f) Reasonable capital cost structure;
g) Reasonable maintenance and operational costs;
h) Reasonable administration costs;

i) Reasonable replacement costs;
j) Reasonable interest charges;
k) The monthly cost of delivering a basic package for services exclusive of capital costs of infrastructure installation;
l) Technical and demographic viability of various cross-subsidisation mechanisms and for the delivering of free basic services;
m) Present practices of under-pricing of municipal services, if any (excluding poor households, indigents etc)
n) The present use of ineffective billing and collection systems, if any;
o) The present practice of incorrect appointment of costs to various categories of consumers, causing the subsidising of all or some consumers in an untargeted manner, if any;
p) Ineffective and/or uneven spread of municipal service delivery and/or infrastructure, if any;
q) The demand and viability of different tariff charges for different categories of users.

3. Each department must recommend a strategy to the municipality council for the implementation of the most cost effective and technically viable tariff policy in which households can be assisted by cross-subsidisation mechanisms, delivering of free basis services and delivery of services exclusive of capital costs of infrastructure installation.

3.1 Any differentiation must not lead to different categories of users being singled out or arbitrarily discriminated against but must have the effect of merely calling on those users to meet their ordinary obligations.

3.2 If a significant difference exists in the infrastructure and/or standard of service rendered, to a specific group of users within a category of users, the municipality may, after consideration of a report from the Municipal Manager or the Head of Department, differentiate between the tariffs applicable to the different users within that category, provided that the differentiation is based on one or more of the following elements:

Infrastructure;
Costs,
Use,
Availability, and
Service standards.

4. After compilation by Head of Departments, of the extensive database and the tariff proposals with any further recommendations, to the Municipal Manager must:

Ensuring that any departmental tariff policies proposal is in keeping with this framework policy;
Provide further comments and recommendations to the tariff proposals and reports;
Consider proposals in view of political objectives;
Ensure that the tariff structures clearly differentiates between which services are free, subsidised, below cost and at cost and to which categories of users each differentiation applies;
May send the tariff proposals and reports back to the various departments for amendments;
Ensure that the recommended tariff proposals with the report are submitted to the following Council meeting for consideration.

4.5 The Municipal Council must either adopt the tariff proposals or refer it back for further consideration and amendments.

4.6 The Municipal Council must ensure that public participation takes place in keeping with the municipality's public participation policy and to ensure that:

- A communication strategy is developed and adopted where the full details on all subsidisation mechanisms adopted are disclosed to the public; and
- The public is permitted on a regular basis to monitor any subsidisation progress, provide comments and have their grievances heard at a special forum created for this purpose.

4.7 The Municipal Council must consider all objections from the community to the proposed tariff proposals and if necessary make amendments thereto.

4.8 Once the tariff proposals are adopted it is the duty of the Municipal Manager to ensure that this policy is disclosed to the community in the manner, which in the opinion of the municipal manager, is the most cost-effective and will reach the most people in the municipal area.