



NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

TARIFF POLICY



PREAMBLE

- (1) **WHEREAS** in terms of the provisions of the Constitution of the Republic of South Africa, 1996 (hereinafter referred to as “the Constitution”), and section 75A(1) of the Local Government: Municipal Systems Act, Act 32 of 2000 (hereinafter referred to as “the Systems Act”), the Ngaka Modiri Molema District Municipality (hereinafter referred to as “the Municipality”), is entitled to levy and recover fees, charges or tariffs in respect of any function or service of the Municipality;
- (2) **AND WHEREAS** in terms of the provisions of section 74(1) of the Systems Act, and the provisions of section 62(1)(f)(i) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as “the MFMA”), the Municipality must adopt a tariff policy on the levying of fees, charges or tariffs on municipal services provided by the Municipality itself or by way of service delivery agreements, where applicable;
- (3) **AND WHEREAS** this tariff policy reflects the principles referred to in terms of the provisions of section 74(2) of the Systems Act and addresses the matters referred to in terms of the provisions of section 74(3) of the same Act, as well as a schedule containing the municipal tariffs of the Municipality pertaining to the municipal services as set out in the tariff policy;
- (4) **AND WHEREAS** the municipal tariffs, as set out in the schedule of municipal tariffs annexed to this tariff policy, must undergo annual revision and must be tabled together with the Multi-Year Annual Tabled Budget to the Council of the Municipality for consideration and approval thereof, subject to public participation and comments obtained, annually before the 31st of March of each year in terms of the provisions of section 17(3)(a)(ii) read with the provisions of section 22 of the MFMA;

- (5) **AND WHEREAS** comments received from members of the public in terms of the public participation process in respect of the contents of the municipal tariffs have to be considered by the Municipality in terms of the provisions of section 23(1) of the MFMA, for the possible amendment thereof, annually in dealing with the annual financial budget before the 31st of May each year;
- (6) **AND WHEREAS** the adopted municipal tariffs apply to the Multi-Year Annual Budget in respect of a specific year during which the income is based on such adopted municipal tariffs, read with the general tariff principles contained in the tariff policy;
- (7) **AND WHEREAS** should any of the municipal tariffs or general principles contained in the schedule setting out the municipal tariffs or tariff policy be changed by a resolution of the Council of the Municipality, an Adjustment Budget must be prepared to reflect the consequent effect of such resolution;

NOW THEREFORE, the Municipality adopts this policy, that has been drafted in compliance with the provisions of section 74 of the Systems Act, and which must be read within the context of Chapter 4 of the MFMA, and in as far as required, supplemented and amplified by this chapter of the MFMA.

THE NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY: TARIFF POLICY

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CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words and expressions to which a meaning has been assigned in terms of the provisions of the Systems Act and the MFMA will have a corresponding meaning assigned thereto in terms of such legislation. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“Accounting Officer”	Means the Municipal Manager appointed in terms of the provisions of section 60 of the MFMA.
1.2	“annual budget”	Means the budget approved by the Council of the Municipality for any particular financial year, and shall include any adjustments to such a budget.
1.3	“annually”	Means once every financial year.
“B”		
1.4	“basic municipal service”	Means a municipal service necessary to ensure an acceptable and reasonable quality of life, which service, if not provided, would endanger public health or safety or the environment.
1.5	“bulk consumer”	Means a consumer of water or sewerage services for commercial or industrial purposes.
“C”		
1.6	“Chief Financial	Means a person designated in terms of the provisions of

	Officer	section 80(2)(a) of the MFMA.
1.7	“Constitution”	Means the Constitution of the Republic of South Africa, Act 108 of 1996.
1.8	“consumer”	Means a person or entity consuming or receiving municipal services, and may include a customer or a tenant of a customer irrespective of whether such a person has concluded a service agreement with the Municipality, and may also include a person who illegally and unlawfully connected to the municipal services infrastructure or who illegally and unlawfully gained access to or usage of the municipal services.
1.9	“Consumer Price Index excluding mortgage bonds” or “CPIX”	Means the CPIX as determined and gazetted from time to time by the South African Bureau of Statistics.
1.10	“cost to be recovered”	Means the cost reasonably associated with the rendering of a municipal service, including that the cost of purchasing or acquisition, the cost of processing, treatment or adoption of the product or service to be delivered or supplied, capital cost, operating cost, maintenance cost, replacement cost, administrative cost and support systems costs and interest and may include a determined over-recovery per unit consumed.
1.11	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.12	“customer”	Means the person or entity purchasing, or paying for, or receiving a subsidy for municipal services to be rendered by the Municipality to the person, entity or a property nominated by the person or entity, and may include a Registered Indigent.
“F”		
1.13	“financial year”	Means the period starting from 1 July in any year and

		ending on 30 June of the following year.
1.14	“fixed costs”	Means costs that do not vary with consumption or volume produced.
1.15	“flat rates”	Means the unit tariffs that are calculated by dividing the total cost by volume needed.
“I”		
1.16	“indigent household”	Means a household headed by a Registered Indigent.
1.17	“Indigent Policy”	Means the Indigent Policy, adopted by the council of the local municipality in the municipal area of the Municipality.
1.18	“indigent support”	Means the financial and other support, discounts, subsidies and assistance which the local municipality and Municipality renders to Registered Indigents and households headed by Registered Indigents.
“M”		
1.19	“Mayor”	Means, in terms of the provisions of section 1 of the MFMA, in relation to a municipality with an executive mayor, the councillor elected as the executive mayor of the municipality in terms of section 55 of the Structures Act.
1.20	“major services”	Represent the municipal services (water and sewerage), instituted by the Municipality to fulfil the basic municipal services allocated to the Municipality in terms of the provisions of Section 84 of the Structures Act.
1.21	“Municipal Finance Management Act” or “MFMA”	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
1.22	“Municipality”	Means the NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY, a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager,

		<p>as envisaged in terms of the provisions of section 115(3) of the Systems Act, at: c/o Carrington Street & First Avenue, Industrial Site, MAFIKENG, NORTH WEST PROVINCE, and may, depending on the context, include:</p> <p>(a) its successor in title; or</p> <p>(b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or</p> <p>(c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.</p>
1.23	“municipal service” or “services”	<p>Means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether –</p> <p>(a) such service is provided or to be provided by the Municipality through an internal mechanism contemplated in section 76 of the Systems Act or by engaging an external mechanism contemplated in section 76 of the Systems Act; and</p> <p>(b) fees, charges or tariffs are levied in respect of such service or not.</p>
1.24	“municipal tariff” or “tariff”	<p>Means a fee, charge or tariff for services which the Municipality may set for the provision of a municipal service to the local community, and includes a surcharge on such fee, charge or tariff.</p>
“N”		
1.25	“non trading services”	<p>Services for which tariffs are not necessarily expected to cover the full cost of service provision. Any losses on the provision of these services are financed out of the income generated from trading services and assessment rates.</p>

“P”		
1.26	“prepayment meter”	Means a meter whereby payment for municipal services is first made elsewhere and credit is transferred to such meters by means of a token or coded number or credit card and such meter is programmed and dispenses municipal services as it is consumed by the consumer at a predetermined rate and/or charge.
“R”		
1.27	“Registered Indigent”	Means a person registered as an indigent in terms of the Indigent Policy of the local municipalities situated in the municipal area of the Municipality.
“S”		
1.28	“Structures Act”	Means the Local Government: Municipal Structures Act, Act 117 of 1998 and promulgated regulations in line with the Act.
1.29	“subsidised services”	Means municipal services in respect of which the tariffs do not cover the costs of provision and in respect of which such costs are subsidised by property rates and the general revenue of the Municipality.
1.30	“Systems Act”	Means the Local Government Municipal Systems Act, Act 32 of 2000, as amended, by Act 44 of 2003 and any promulgated Regulations in line with the Act.
“T”		
1.31	“tariff policy” or “this policy”	Means the Tariff Policy of the Municipality adopted in terms of the provisions of section 74(1) of the Systems Act.
1.32	“Tariff Schedule”	Means a schedule containing details pertaining to levels and application of the various tariffs as approved by the Council of the Municipality from time to time.
1.33	“temporary customer”	Means a customer of water and/or sewerage services for a temporary period for specific project or occasion.
1.34	“total cost”	Is the sum of all fixed and variable costs.

1.35	“trading services”	Services which can, in principle, run as separate businesses, because tariffs can in theory be set in such a way as to yield a trading surplus. A key feature of trading services is that they can be provided by private enterprises. Consumers receive a direct <i>quid pro quo</i> for tariffs paid. Water and sanitation services are the only trading services rendered by the Municipality.
1.36	“two-part tariffs”	Are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of consumers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed.
“U”		
1.37	“units consumed”	Means the number of units consumed of a particular service and is measured in terms of the units of measurement reflected in this policy.
“V”		
1.38	“variable costs”	Are costs that vary with consumption at volume produced.

2. ABBREVIATIONS

In this policy the following abbreviations will be used to signify the meaning or entity as indicated:

CPIX	Consumer Price Index Excluding Interest Rates on Mortgage Bonds
IBT	Incline Block Tariff
Kl	Kilolitre (1 000 litres)
MFMA	Local Government: Municipal Finance Management Act, Act 56 of 2003

3. AIM AND PURPOSE

The aim and purpose of this policy is:

- (a) to comply with the provisions of section 74 of the Systems Act and to guide and assist the Municipality to determine and levy tariffs for municipal services provided by the Municipality; and
- (b) to prescribe guidelines and procedures for calculating tariffs and the manner in which the municipality should ensure public participation regarding same, and publish the tariffs once it has been adopted by the Council.

4. TITLE AND APPLICATION

- (1) This policy is known as the Tariff Policy of the Municipality, and is applicable to the municipal area of the Municipality.
- (2) This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.
- (3) This policy further applies to all fees, charges or tariffs in respect of any municipal services provided by the Municipality.

5. COMMENCEMENT AND VALIDITY

This policy shall come into force and effect upon the acceptance hereof by the Council of the Municipality by resolution, as contemplated in terms of the provisions of section 24(2)(c)(v) of the MFMA.

6. RESPONSIBLE AUTHORITY

The responsible authority for the adoption, publication and implementation of this policy is the Municipality, and when applicable the Council of the Municipality.

CHAPTER 2

GENERAL PRINCIPLES

7. EMPOWERMENT TO LEVY AND RECOVER FEES, CHARGES OR TARIFFS

- (1) The Municipality is empowered in terms of section 75A(1) of the Systems Act to:
- (a) levy and recover fees, charges or tariffs in respect of any function or service of the Municipality; and
 - (b) recover collection charges and interest on any outstanding amount.

8. TARIFF PRINCIPLES

The Municipality shall apply the following tariff principles as set out in section 74(2) of the Systems Act, to the levying of fees, charges or tariffs for municipal services:

- (a) all consumers of municipal services shall be treated equitably in the determination, calculation and application of tariffs;
- (b) the amount individual consumers pay for municipal services will generally be in proportion to their use/consumption of municipal services or based on the availability of the municipal services;
- (c) indigent households shall have access to at least basic municipal services through:
 - (i) tariffs that cover only operating and maintenance costs;
 - (ii) special tariffs or life line tariffs for low levels of use or consumption of municipal services or for basic levels of municipal services; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for indigent households;

- (d) tariffs will reflect the costs reasonably associated with rendering the municipal service, including the costs to be recovered;
- (e) tariffs will be set at levels that facilitate the financial sustainability of the municipal service, taking into account subsidisation from sources other than the municipal services concerned;
- (f) provision can be made in appropriate circumstances for a surcharge on the tariff for municipal services;
- (g) provision can be made for the promotion of local economic development through special tariffs for categories of commercial and industrial consumer;
- (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 indigent households and other categories of consumers will be fully disclosed.

9. CATEGORIES OF CONSUMERS

(1) The Municipality may differentiate between different categories of consumers, as provided in section 74(3) of the Systems Act, as long as the differentiation does not amount to unfair discrimination. Such differentiation shall at all times be reasonable and may be as follows:

- (a) Residential/Domestic;
- (b) Business/Commercial;
- (c) Industrial/Bulk Customers;
- (d) Agricultural;
- (e) Institutional;
- (f) Rural;
- (g) Municipal;

- (h) State owned properties; and
 - (i) Special Category for specific consumers as may be determined by the Municipality from time to time.
- (2) A continuous effort should be made to group together those consumers who have more or less the same access to a specific municipal service.

10. PROPORTIONING OF COSTS

- (1) The Municipality must endeavour to render its municipal services cost effectively in order to ensure the best possible cost of municipal service delivery. The Municipality must further ensure that its fees, charges or tariffs shall be easily explainable and understood by all consumers affected by this policy.

11. PRINCIPLES FOR LEVYING AVAILABILITY CHARGES

- (1) The Municipality is entitled to levy certain fixed tariffs for the mere fact that the provision of municipal services are available to a property, premises or consumer. This tariff is unrelated to the use of the municipal service or the quantity of such service consumed, and is solely based on the availability of the municipal services.
- (2) In establishing the tariff for the availability of the municipal services the Municipality shall consider the costs associated with the provision, future provision, maintenance and future maintenance, as well as any other relevant factors impacting on and affecting the cost to the Municipality for the availing and rendering of the municipal services to property, premises or consumers. In considering the costing of its major municipal services (water and sewerage services), the Municipality shall take due cognisance of the

high capital cost of establishing and expanding such municipal services, and the resultant high fixed costs, as opposed to variable costs of operating these municipal services.

- (3) The Municipality must plan the management, maintenance and expansion of the municipal 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 municipal services operate at less than full capacity at various periods, and the cost of such surplus capacity must also be covered in the tariffs which are annually established to be levied monthly.

12. INDIGENT SUPPORT

- (1) Income is provided for in the budget of the Municipality as if a 100% payment level will be maintained. It is therefore important to continuously ensure that consumers pay promptly for municipal services. Non payment has a direct effect in that provision for bad debt, in accordance with the current payment levels, must be provided for as expenditure in the budget. Adequate provision should be made on an annual basis for bad debt.
- (2) However, it is a fact that there are consumers who are unable to pay for municipal services. The Municipality must therefore provide access to a minimum level of basic municipal services for all consumers in terms of this policy, which policy must be supplemented and amplified by the Indigent Policy of the local municipalities in the municipal area of the Municipality. This will ensure the sustainable delivery of basic municipal services to consumers who are Registered Indigents and who cannot pay for such basic municipal services.

- (3) Free basic municipal services refer to those municipal services necessary to ensure an acceptable and reasonable quality of life and which municipal service, if not provided, could endanger public health or safety to the environment. It is one of the objects of the Municipality in terms of the provisions of the Constitution to provide same.
- (4) A consumer who wishes to receive a subsidy on municipal services must provide proof to the satisfaction of the Municipality that he or she is a Registered Indigent in terms of the applicable Indigent Policy of a local municipality in the municipal area of the Municipality, and such subsidy is subject to the budgetary allocations for a particular financial year and the tariffs determined for each financial year.
- (5) The Municipality recognises the following categories of service charges to which indigent support may be applied:
- (a) Water;
 - (b) Sewerage;
 - (c) Pauper burials.

CHAPTER 3

TARIFF TYPES AND METHODS OF CALCULATION

13. FEE, CHARGE OR TARIFF TYPE

- (1) In setting the fees, charges or tariffs for municipal services, the Council of the Municipality must:
- (a) accurately reflect costs to achieve economic efficiency;
 - (b) ensure equity and fairness between different types and categories of consumers;
 - (c) utilise appropriate metering and supporting technology; and
 - (d) be transparent.
- (2) In determining the type of fee, charge or tariff applicable to the municipal service, the Council may make use of the following options, or a combination thereof:
- (a) Single tariff:

This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of break even consumption. Surpluses on trading services may be allowed subject to the approval of the Council.
 - (b) Two part tariff:

This tariff shall consist of two parts being the fixed cost per unit consumed and a monthly availability charge.
 - (c) Three part tariff:

This tariff shall consist of three parts being the fixed cost per unit consumed, a monthly availability charge as well as a capacity charge which relates to the capacity being avail to the consumer.

(d) Four part tariff:

This tariff shall consist of four parts being the fixed cost per unit consumed, a monthly availability charge, an access charge which relates to a fixed tariff levied for the capacity utilised or reserved and a demand charge which relates to the time when, and the extent of the demand for the municipal service is made.

(e) Inclining block tariff:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the municipal services.

(f) Declining block tariff:

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

(g) Availability charges:

This tariff is payable based on the availability of the municipal services and irrespective of whether the municipal services are connected to a property, consumed or used. Once the Municipality provides a connection or the municipal services are consumed or used, the normal tariffs for the consumption will apply with or without the availability charge.

(h) Special Tariffs:

This tariff shall be determined and approved by Council on application for specific developments and/or informal settlements which may motivate or necessitate a special tariff, not provided for in the tariffs referred to above.

14. FACTORS TO BE CONSIDERED IN DETERMINATION OF A TARIFF

In determining a tariff the Municipality shall consider the following factors:

(1) Financial factors:

- (a) The primary purpose of a tariff is to recover the costs to be recovered of a particular municipal service and to endeavour to avoid in as far as possible the cross subsidising of the municipal service.
- (b) In order to determine the fees, charges or tariffs that must be charged for the supply of the major municipal services (water and sewerage), the Municipality shall identify all the costs involved in the supply of the municipal service concerned (as costs to be recovered), including, the:
 - (i) cost of bulk purchases in the case of water;
 - (ii) distribution costs, including distribution losses in the case of water;
 - (iii) depreciation and finance charges;
 - (iv) maintenance of infrastructure and other fixed assets;
 - (v) cost of approved indigent support measures and cross subsidising of low consumption;
 - (vi) administration and municipal service costs, including:
 - (aa) service charges levied by other departments delivering support services;
 - (bb) general overheads;
 - (cc) contributions to the provisions for bad debts and obsolescence of stock; and
 - (dd) all other ordinary operating expenses associated with the municipal service concerned;

- (ee) intended surplus to be generated for the financial year, such surplus to be applied as an appropriation to capital reserves.

(2) Socio-economic factors:

- (a) The determination of tariffs ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economics factors the various consumer categories and forms of subsidisation need to be considered. Tariffs should also support local economic development initiatives aimed at creating jobs or contribute to the economy of the municipal area.
- (b) In addition to the different categories of consumers as set out above, the Municipality must also take care when determining tariffs to differentiate between the following categories of consumers:
 - (i) consumers who are incapable of making any contribution towards the consumption of municipal services and who require to be fully subsidised;
 - (ii) consumers who are able to afford a partial contribution and who require to be partially subsidised only; and
 - (iii) consumers who can afford the cost of the municipal services in total.
- (c) In determining tariffs the Municipality must take into account the fact that the provision of municipal services must be subsidised in certain instances and that subsidies are mainly derived from the following two sources:
 - (i) Contributions from National Government:

National Government makes an annual contribution, according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it

may subsidise all indigent households who qualify in terms of the Indigent Policy of the Municipality.

(ii) Contributions from own funds:

The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the other categories of consumers. Any such subsidy must be made known publicly by means of the prescribed process for the adoption of the budget of the Municipality.

(d) To make provision for subsidisation, the Municipality will annually determine as part of the budget process:

- (i) free basic municipal services (within limits and guidelines) as determined by the Municipality from time to time;
- (ii) discounted tariffs for consumers who qualify in terms of particular guidelines, for example to recover the actual operational costs of the service only; and
- (iii) full tariff payable with a subsidy that is transferable from sources as mentioned above.

(3) Minimum service levels:

Minimum levels for the provision of municipal services shall be determined in order to ensure affordable tariffs.

(4) Levying of fees, charges or tariffs:

The levying of fees, charges or tariffs for municipal services should not be viewed separately, but jointly in order to determine the most affordable tariff that the consumers can pay in total. The basic costs of municipal services must first of all be recovered and then only can surpluses be introduced to

determine the most affordable tariff for the consumer with due allowance for any contingencies regarding a particular municipal service.

15. SERVICE- AND EXPENDITURE CLASSIFICATION AND COSTS ELEMENTS

(1) Municipal service classification

The Chief Financial Officer of the Municipality shall, subject to the guidelines of National Treasury and the Council, make provision for the following classification of municipal services.

(a) Trading Services or Economic Services:

Typically the consumption of trading services or economic services is measurable and can be apportioned to an individual consumer or user. These services are managed in a business-like manner. The tariffs for these services are determined in such a way that a netted trading surplus (profit) is realised. This surplus (profit) is used to subsidise the tariffs of the non-trading services referred to below. The following municipal services are trading services:

- (i) water provision;
- (ii) sewerage;

(b) Non-Trading Services or Community Services:

Non-trading services or community services are those municipal services the consumption of which cannot be determined, or accurately be determined, nor apportioned, or accurately be proportioned to individual consumers, or even if the consumption or use can be determined and apportioned to a consumer or user, the cost therefore will be so high that same will not be recoverable from the consumer or user, and thus needs to be subsidised. The tariff is determined based on the availing of the municipal service rather than the use of the particular municipal service, however, a charge may be payable for using the municipal service, but the tariff is much

lower than the real cost of providing the municipal service. The following municipal services are non-trading or community services:

- (i) child care facilities;
- (ii) control of public nuisances;
- (iii) fire fighting and emergency assistance;
- (iv) health and clinics;
- (v) licensing and control of undertakings that sell food to the public;
- (vi) local tourism;
- (vii) municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution, or any other law;
- (viii) municipal roads;
- (ix) pauper burials;
- (x) public places.

(2) Expenditure classification

- (a) The classification of expenditures into various expenditure groups by the Municipality is as follows:
 - (i) Salaries, wages and allowances;
 - (ii) Bulk purchases;
 - (iii) General expenditure;
 - (iv) Collection cost;
 - (v) Contracted services;
 - (vi) Grants and subsidies paid;
 - (vii) Repairs and maintenance;

- (viii) Depreciation on assets and interest expense;
 - (ix) Contribution to fixed assets;
 - (x) Contribution to provision for bad debts;
 - (xi) Contribution to reserves.
- (b) Gross expenditure = total (i) to (xi) above;
 - (c) Net expenditure = gross less internal charges;
 - (d) Surplus/deficit = income less net expenditure.

(3) Cost elements

The Municipality will use the cost elements, as set out regarding each of the specific municipal services below, to calculate the tariffs of the different municipal services. The predominant cost elements being:

(a) Fixed costs:

Fixed costs that consist of the capital cost (depreciation on assets and capital redemption and interest on external loans), and any other costs of a permanent nature as determined by the Municipality from time to time.

(b) Variable costs:

Variable costs include all other expenditure that has reference to the municipal services.

(c) Total cost:

Total cost is equal to the fixed costs plus variable cost.

CHAPTER 4

STRUCTURES FOR CERTAIN MUNICIPAL SERVICES AND SUNDRY TARIFFS

16. REQUISITES

When determining a tariff, the Municipality must strive to reach a compromise between the following requisites:

- (a) the requisite to reflect costs as accurately as possible in order to achieve cost effectiveness and an appropriate recovery from consumers;
- (b) the requisite to ensure equality and fairness between categories of consumers;
- (c) the requisite for a practically implementable tariff;
- (d) the requisite to use appropriate metering and provisioning technology;
- (e) the requisite for an understandable tariff; and
- (f) the requisite that the tariff must be affordable.

17. WATER

- (1) General principles regarding the calculation of the tariff for water:
 - (a) The Municipality shall align its fees, charges or tariffs with the prescribed norms and standards for tariffs to be regulated, from time to time, by the Minister of Water Affairs and Forestry and in terms of the provisions of section 10 of the Water Service Act, Act 108 of 1997.
 - (b) Tariffs for water shall be charged at the applicable tariff for various categories of consumers as set out in the Tariff Schedule and

approved by the Council during the process of the adoption of the annual budget.

- (c) Because water is a scarce national resource, the Municipality is committed to the prudent conservation of this resource. Tariff structures should therefore be aimed at the reduction of consumption of water, and to discourage excessive and wasteful usage.
- (d) In principle, the amount that consumers pay for water services should be in proportion to their consumption of water services. Tariffs must be set at levels that facilitate the sustainability of the service.
- (e) To calculate the tariff for water, the actual cost incurred in the supply of water to the consumer, has to be taken into consideration. The principle of an availability charge as well as a kilolitre tariff for water is determined by the basic cost structure.
- (f) The cost elements for water consists of the following components:
 - (i) Fixed costs:

Representing that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a unit tariff which is payable per kilolitre water consumed in order to ensure that these costs are covered.
 - (ii) Variable costs:

This component relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.
 - (iii) Profit taking:

The tariffs for these services are determined in such a way that a netted trading surplus is realised.

- (g) The following tariff structures shall be applied and used for the determination of tariffs for water:
- (i) Single tariff per unit consumed for consumers with pre-paid meters.
 - (ii) A fixed tariff per month for consumers with no meters.
 - (iii) An availability charge will be charged to consumers and/or properties not connected to the water network, should it be available. This charge aims to recoup capital and maintenance costs of networks, as well as certain fixed administrative costs in respect of such properties. If the consumer connects and improve the property the debit will be adjusted pro-rata from the date of the connection.
 - (iv) Special tariff arrangements determined and approved by Council from time to time for specific developments and/or consumers and/or informal settlements.
- (h) To calculate the tariff for water the Municipality must also take into account the minimum standard for basic water supply services, as prescribed in terms of regulation 3 of the Regulations Relating to Compulsory National Standards and Measures to Conserve Water, Published under Government Notice R509 in Government Gazette No 22355 of 8 June 2001 and promulgated in terms of the Water Service Act, Act 108 of 1997, which are as follows:
- (i) the provision of appropriate education in respect of effective water use; and
 - (ii) a minimum quantity of potable water of 25 (twenty five) litres per person per day or 6 (six) kilolitres per household per month:
 - (aa) at a minimum flow rate of not less than 10 (ten) litres per minute;
 - (bb) within 200 (two hundred) metres of a household; and

- (cc) with an effectiveness such that no consumer is without a supply for more than 7 (seven) full days in any year.
- (2) The amount of the tariffs so calculated will be set out and published in the Tariff Schedule, and shall be approved by the Council at the time of the approval of the annual budget of the Municipality.

18. SEWERAGE

- (1) General principles regarding the calculation of the tariff for sewerage:
- (a) Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.
 - (b) The following tariff structures shall be used for the determination of tariffs:
 - (i) The tariff levied for sewer charges is based on the market value of the property to which the service relates.
 - (ii) Special tariff arrangements determined and approved by Council from time to time for specific developments and/or consumers and/or informal settlements.
 - (c) To calculate the tariff for sewerage the Municipality must also take into account the minimum standard for basic sanitation services, as prescribed in terms of regulation 2 of the Regulations Relating to Compulsory National Standards and Measures to Conserve Water, Published under Government Notice R509 in Government Gazette No 22355 of 8 June 2001 and promulgated in terms of the Water Service Act, Act 108 of 1997, which are as follows:
 - (i) the provision of appropriate health and hygiene education;
and

- (ii) a toilet which is safe, reliable, environmentally sound, easy to keep clean, provides privacy and protection against the weather, well ventilated, keeps smells to a minimum and prevents the entry and exit of flies and other disease-carrying pests.
- (2) The amount of the tariffs so calculated will be set out and published in the Tariff Schedule, and shall be approved by the Council at the time of the approval of the annual budget of the Municipality.

19. SUNDRY TARIFFS

- (1) Various sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on the actual cost of supply, but individual tariffs may be set at:
 - (a) subsidised levels;
 - (b) levels reflecting actual cost; or
 - (c) levels producing surpluses.
- (2) The level at which the Municipality sets a sundry service tariff, takes into account factors such as:
 - (a) affordability;
 - (b) socio-economic circumstances;
 - (c) utilisation of amenities and resources;
 - (d) national and regional agreements and provisions; and
 - (e) any other factors influencing such decisions.
- (3) Sundry tariffs and structures will be revised at least once a year, during the annual budget process.

CHAPTER 5

MISCELLANEOUS PROVISIONS

20. THE CONTENTS OF THE TARIFF SCHEDULE

The Tariff Schedule may contain fees, charges or tariffs pertaining to matters which were not specifically dealt with or addressed in this policy, but which are calculated, established, determined, applied, levied or charged in terms of other legislation applicable to the Municipality, or in terms of other by-laws of the Municipality. Such fees, charges or tariffs are deemed to be levied or charged in terms of this policy and the general provisions contained in this policy regarding the levying or charging of fees, charges and tariffs apply *mutatis mutandis* thereto.

21. PUBLIC PARTICIPATION IN RELATION TO TARIFFS

- (1) The purpose of publishing tariffs is to assist the Municipality to communicate transparent and understandable tariffs to the local community, and also to provide the opportunity to all members of the community to make comments on and inputs regarding the calculation and establishment of the said tariffs.

- (2) In terms of the provisions of section 22 of the MFMA, the accounting officer of the Municipality must immediately after the annual budget is tabled in the Council, which may be no later than 90 (ninety) days before 1 July of each year, and in accordance with the provisions of chapter 4 of the Systems Act:
 - (a) make public the annual budget and the documents referred to in section 17(3) of the MFMA – such documents *inter alia* includes:
 - (i) the draft resolution imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and

- (ii) any proposed amendments to the budget-related policies of the Municipality.
 - (b) invite the local community to submit representations in connection with the budget, which includes the tariffs as proposed by the Municipality for the next budget year.
- (3) In terms of the provisions of section 21A of the Systems Act, all documents that must be made public by the Municipality, as referred to above, must be conveyed to the local community by:
 - (a) displaying the documents at the Municipality's head and satellite offices and libraries;
 - (b) displaying the documents on the Municipality's official website; and
 - (c) notify the local community of the place(s), including the website address, where detail particulars concerning the documents can be obtained.
- (4) The Municipality shall also notify the local community in terms of the provisions of section 21 of the Systems Act of the abovementioned by publishing a notice in a newspaper, circulating in its area and determined by the Council as a newspaper of record. The said notice must:
 - (a) inform the local community that the annual budget is tabled in the Council;
 - (b) inform the local community that a copy of the annual budget is available for public inspection during office hours in the main administrative office of the Municipality and other specified places as determined by the Municipal Manager;
 - (c) invite the local community to submit written representations in connection with the budget, within 30 (thirty) days after the date on which the notice was displayed;

- (d) inform the local community that any person who cannot write may come during office hours to the main administrative office of the Municipality or other specified places as determined by the Municipal Manager, where a staff member of the Municipality named in the invitation, will assist that person to transcribe that person's comments or representations; and
 - (e) inform the local community of the website address of the Municipality where detailed particulars concerning the budget documentation can be obtained.
- (5) A copy of the above mentioned notice must also be displayed at the municipal offices and other specified places as determined by the Municipal Manger of the Municipality.
- (6) The Municipality shall also, its resources permitting, seek, in terms of the provisions of section 21 of the Systems Act, to convey the information as contained in the notice, to the local community by means of radio broadcast covering the area of jurisdiction of the Municipality.
- (7) In terms of the provisions of section 23 of the MFMA, the Council shall consider any views of the local community on the budget, as raised during the public participation process referred to above.
- (8) Subsequent to the Council considering the views expressed by the community on the budget, the Council shall give the Mayor an opportunity to also respond to the submissions, and if necessary, to revise the budget and table amendments for consideration by the Council.

- (9) The Council of the Municipality must at least 30 (thirty) days before the start of the budget year (i.e. 1 July of each year) consider approval of the annual budget.
- (10) An annual budget must be approved by the Council, before the start of the budget year.
- (11) An annual budget must be approved together with the adoption of resolutions as may be necessary, setting, *inter alia*, any municipal tariffs for the budget year, and approving any changes to the Municipality's budget-related policies. The municipal tariffs set will be contained in the Tariff Schedule.
- (12) After the annual budget is approved by the adoption by the Council of the abovementioned resolutions with a supporting vote of a majority of its members, the Municipal Manager shall without delay:
- (a) conspicuously display a copy of the resolution, imposing tax and setting any municipal tariffs as may be required for the budget year, for a period of at least 30 (thirty) days at the main administrative office of the Municipality, and at such other places within the area of jurisdiction of the Municipality to which the public has access as may be determined by the Municipal Manager;
 - (b) publish a notice, in a newspaper of general circulation within the area of jurisdiction of the Municipality, containing the following information:
 - (i) confirmation that the resolution, imposing municipal tax and setting any municipal tariffs as may be required for the budget year, has been passed by the Council;
 - (ii) that a copy of the abovementioned resolution is available for public inspection during office hours in the main

- administrative office of the Municipality and other specified places as determined by the Municipal Manager; and
- (iii) the date on which the levying of the fees, charges and tariffs will come into operation.
- (c) seek to, its resources permitting, convey the information as contained in the notice, to the local community by means of radio broadcasts covering the area of jurisdiction of the Municipality.

22. REVISION AND PHASING IN OF FEES, CHARGES OR TARIFFS

- (1) The Municipality must annually review the fees, charges or tariffs set out in the Tariff Schedule of the Municipality, which process will take place prior to the annual budget being tabled before the Council at the meeting of the Council to be held no later than 90 (ninety) days prior to the commencement of the financial year.
- (2) Once the Council approved the fees, charges and tariffs at its meeting to be held no later than 30 (thirty) days prior to the commencement of the financial year, the Municipality may not, in terms of the provisions of section 28(6) of the MFMA, increase the fees, charges or tariffs during a financial year, except when required in terms of a financial recovery plan.
- (3) Where the newly calculated fees, charges or tariffs differ substantially from the current tariffs, the Council may resolve to phase in the differences over a period of time.
- (4) The Municipality may levy and charge the fees, charges and tariffs approved by Council when Council adopted the annual budget of the Municipality from the commencement of the financial year i.e. 1 July, unless Council has

resolved to phase the fees, charges and tariffs in over a period of time as referred to above.

23. BY-LAWS

The principles contained in this policy will be given effect to and implemented by the Tariff By-Law of the Municipality, which By-Law shall be adopted in accordance with the provisions of section 13 of the Systems Act.

24. IMPLEMENTATION AND REVIEW OF THIS POLICY

- (1) This policy shall be implemented once approved by Council as part of the budgetary policies of the Municipality, as referred to in the provisions of regulation 7 of the Municipal Budget & Reporting Regulations, 2008, and section 17(3)(e), section 21(1)(b)(ii)(bb), section 22(a)(i) and section 24(2)(c)(v) of the MFMA.
- (2) In terms of the provisions of section 17(1)(e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

25. AVAILABILITY OF POLICY AND BY-LAWS

- (1) A copy of this policy and the Tariff By-Law of the Municipality shall be included in the Municipality's Municipal Code as required by the provisions of section 15 of the Systems Act.
- (2) The Municipality shall take all required legal steps to inform consumers, debtors, owners and occupiers of the content of this policy.

- (3) A copy of this policy and the Tariff By-Law of the Municipality shall be available for inspection at the offices of the Municipality at all reasonable times.
- (4) A copy of this policy and the Tariff By-Law of the Municipality may be obtained from the Municipality against payment of an amount as determined by the Council.

26. SHORT TITLE

This policy shall be called the Tariff Policy of the Ngaka Modiri Molema District Municipality.



SCHEDULE "A"
DRAFT TARIFF SCHEDULE

NUMBER	SERVICE FOR WHICH TARIFF IS LEVIED	RESIDENTIAL / DOMESTIC	COMMERCIAL / INDUSTRIAL	STANDARD RATE / FLAT RATE
1.	WATER TARIFF FLAT RATE			R16/kl
2.	YARD CONNECTION FEE			R3 555.00
2.	16kl			R14/KM (?)
3.	SERVICE TRUCK			R350.00
4.	SUCTION FOR CONSERVANCY TANK			R350.00
5.	SUCTION SERVICE PER KM			R13.00/KM
6.	TENDER DOCUMENTS: 6.1 R200 000.00 TO R500 000.00 6.2 R500 001.00 TO R1 000 000.00 6.3 R1 000 001.00 TO R2 000 000.00 6.4 R2 000 001.00 TO R10 000 000.00 6.5 ABOVE R10 000 000.00			R200.00 R300.00 R500.00 R1 500.00 R2 500.00