



The home of harmony, prosperity and growth

TARIFF POLICY

FINANCIAL PERIOD 2025-26

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1. Introduction and legislative requirements

- 1.1. In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a Municipality is responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the Municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.
- 1.2. In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements.
- 1.3. This policy has been compiled in accordance with:
 - 1.3.1. The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;
 - 1.3.2. Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;
 - 1.3.3. Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;
 - 1.3.4. Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;
 - 1.3.5. Ngwathe Municipality Property Rates Policy as reviewed annually.

2. Definitions

- 2.1. In the interpretation of these policy, words in the masculine gender include the feminine, the singular includes the plural and vice versa and the following words and expressions shall have the meanings respectively assigned to them hereunder, unless such meanings are repugnant to or inconsistent with the context in which they occur:

"Council" – the Ngwathe Local Municipal Council.

"Cost to be recovered" - the cost of purchasing, the cost of changing the product to the delivered, capital cost, administrative and support systems cost.

Domestic consumers Residential - in regard to the electricity services, includes private dwelling houses, residential flats and hostels if provided with a separate meter.

Business Consumers

1. **Small-business** – Businesses conducted from home
2. **Business** – All other businesses, not including Section 3 to 6 and 8 below.
3. **Supermarket** – All known Supermarket/Hypemarket brands such as Pick 'n Pay, Spar, Checkers, Woolworths, Shoprite, OK and other large supermarket stores deemed by Council to be included.
4. **Café/Restaurant** – Businesses where food preparation takes place for public consumption (excluding supermarkets and shops attached to filling stations)
5. **Guest house** – Businesses conducted for the purpose of providing overnight accommodation to visitors/tourists.
6. **Hotel** – Businesses with the sole purpose of being a Hotel/Motel.
7. **Parys CBD** – from Paulsen Street in the east to St Jan Street in the west. From Loopstreet in the South to President Street in the North. Including Rivershed Centre.
8. **Bulk** – Business whose maximum demand exceeds 100Kva per month for two consecutive months in a Financial year.

Industrial All business consumers whose main business is manufacturing.

Mining All businesses whose main business is mining.

Municipality – the N g w a t h e Local Municipality established in terms of Section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998, and includes any political structure, political office bearer, councilor, duly authorized agent thereof or any employee thereof acting in connection with this policy by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councilor, agent or employee;

Off-peak supply - it is an electricity supply on written request to bulk consumers during off peak hours or contributed to the Council's maximum demand whichever is the greatest.

Schools

1. **Crèches** - crèche means nursery where babies and young children are cared for during working day.

2. High school - High school is an educational facility that accommodate learners from grade 8 to grade 12 (secondary school, where teenagers are educated before proceeds their tertiary education, (college or university)

3. Primary school - Primary school is an educational facility that accommodate learners from grade R to grade 7.

Temporary consumers include builder's connections, carnivals, fairs, amusement parks and any consumer of a temporary nature.

Government Consumers includes all properties used by the State for Public Purposes, whether rental or owned by National or Provincial Government. Excluding section "Schools".

Agriculture – includes all consumers outside the normal town boundries. This includes all ST properties where Ngwathe Municipality does not render "normal services" as well as where special permission was granted by Council.

3. Purpose of the policy

- 3.1. The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying of tariffs by the Ngwathe Local Municipality.
- 3.2. The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

4. Scope of application

- 4.1. This policy applies to all tariffs charged within the defined boundaries of Ngwathe Local Municipality.

5. Basic principles to be considered in determination of a tariff structure

- 5.1. Service tariffs imposed by the Ngwathe Local Municipality shall be viewed as user charges and not 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 indigent relief measures approved by the Municipality from time to time).

- 5.2. The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 5.3. Tariffs for the four major services rendered by the Municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 5.4. 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.
- 5.5. The Municipality shall develop, approve and at least annually review an indigent support programmer for the municipal area. This programmer shall set out clearly the Municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and s in the municipal region.
- 5.6. 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 s 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.
- 5.7. The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of s or users shall be evident to all s or users of the service in question.
- 5.8. 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.
- 5.9. The Municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 5.10. In the case of conventional metering systems for electricity and water, the consumption of such services shall be properly metered by the Municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of

the service which they consume. In addition, the Municipality may levy a monthly fixed charge for electricity and water services.

- 5.11. In adopting what is fundamentally a two-part tariff structure for electricity and water, namely a fixed basic charge coupled with a charge based on consumption, the Municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 5.12. In case of vacant stands, where the services are available but not connected, the Municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infrastructure available for immediate connection.
- 5.13. The Municipality's tariffs for electricity services will be determined 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 s during certain periods. These bulk consumers shall therefore pay the relevant demand charge as well as an energy charge directly related to their actual consumption of electricity during the relevant metering period.

6. Factors to be considered in the determination of a tariff structure

6.1. Financial Factors

- 6.1.1. The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service to avoid cross subsidising of services.
- 6.1.2. 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:
- 6.1.2.1. Cost of bulk purchases in the case of water and electricity.
 - 6.1.2.2. Distribution costs.
 - 6.1.2.3. Distribution losses in the case of electricity and water.
 - 6.1.2.4. Depreciation expenses.
 - 6.1.2.5. Maintenance of infrastructure and other fixed assets.
 - 6.1.2.6. Cost of approved indigent relief measures and cross subsidizing of low consumption.
 - 6.1.2.7. Administration and service costs, including:
 - (a) service charges levied by other departments such as finance, human resources and legal services;

- (b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
- (c) adequate contributions to the provisions for bad debts and obsolescence of stock; and
- (d) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area.

6.2. User groups

6.2.1. Users are traditionally divided into user groups as set out below:-Domestic (Residential);

6.2.1.1. Businesses/ Commercial;

6.2.1.2. Industries/Bulk customers;

6.2.1.3. Farm properties (agricultural);

6.2.1.4. Accommodation establishments (including guest houses);

6.2.1.5. Municipal consumption (departmental charges);

6.2.1.6. Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera; and

6.2.1.7. Special arrangements for specific developments as may be determined by Council from time to time.

6.2.2. A continuous effort should be made to group together those users who have more or less the same access to a specific service.

7. **Tariff structures for various services**

7.1. It is essential that a compromise be reached between the following needs with the determination of a tariff structure: -

7.1.1. The need to reflect costs as accurately as possible in order to achieve cost effectiveness;

7.1.2. The need to ensure equality and fairness between user groups;

7.1.3. The need for a practically implementable tariff;

7.1.4. The need to use appropriate metering and provisioning technology;

7.1.5. The need for an understandable tariff; and

7.1.6. The user's ability to pay.

7.2. The following main services are discussed and Council must levy charges for the delivery of services so that cost of Services to be recovered

7.2.1. Electricity.

7.2.2. Water.

7.2.3. Refuse Removal.

7.2.4. Sewerage.

7.2.5. Property Rates.

7.2.6. Services co-funded by property tax for which Council may charge regularity tariffs to recover cost to deliver the following services:

- (a) Cemeteries;
- (b) Nature Reserves;
- (c) Pleasure Resorts;
- (d) Fire Services, and
- (e) Information Services.

Council may adjust the service charges annually on 1 July each year.

7.3. Electricity Services

7.3.1. To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community, has to be taken into consideration. The principle of basic levies as well as a per unit tariff for electricity is determined by the cost structure. This cost structure consists of the following components:

7.3.1.1. **Fixed costs:** It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any electricity is used or not.

The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered.

7.3.1.2. **Variable costs:** It relates to the physical provision of electricity according to consumption/ demand and must be financed by means of a unit tariff which is payable per kWh/KVA electricity consumed.

7.3.2. The following tariff structures were basically used for the determination of tariffs:

7.3.2.1. Council may provide the number of units of electricity free to indigent households as determined in its Indigent Subsidy Policy.

7.3.2.2. Council may charge basic tariffs differentiated amongst various consumers.

7.3.2.3. Council may charge the following tariffs:

- (a) Availability charges based on consumption, type of stands and nature of consumers.
- (b) Consumption charges per KWH-
 - (i) Domestic Consumers;
 - (ii) Business Consumers;
 - (iii) Commercial and General Consumers;
 - (iv) Industrial Consumers;
 - (v) Mining Consumers
 - (vi) Schools;
 - (vii) Temporary Consumers;
 - (viii) Government Consumers;
 - (ix) Bulk Consumers;
 - (x) Selected bulk Consumers (up to 7% surcharge is applicable).
- (c) Consumption charges (per KVA demand) -
 - (i) Bulk Consumers;
 - (ii) Off-peak hours;
 - (iii) Selective bulk consumer (a surcharge of 7% is applicable).
- (d) Special charges –
 - (i) Test of meter;
 - (ii) Special reading;
 - (iii) Reconnection fees
 - (iii) Connection fees.
- (e) VAT is not included in the tariffs and must and be added.

7.3.2.4. Council may lower business tariffs in line with National Electricity Regulator policy and incentive schemes of Council.

7.3.2.5. All electrical supplies must be metered.

7.4. Refuse Removal

7.4.1. Council subsidises refuse removal to the indigent households as determined in the Indigent Subsidy Policy.

7.4.2. Council may charge the following rates:

- (a) Refuse removals from private dwellings, hospitals, churches, boarding houses, sport clubs, charitable institutions: once a week at fixed rate.
- (b) Block of flats: per flat, once a week at fixed rate
- (c) Removal from business premises, offices, industrial premises and government institutions: Parys CBD twice a week.
- (d) Vacuum tank services
 - (i) Special removals
 - (ii) Garden refuse
 - (iii) Building rubble or bulk refuse
 - (h) Removal of dead animals.
- (e) Cleaning premises of long grass, weeds, shrubs and accumulation of refuse.
- (f) Renting cleansing services out of town.
- (g) All other services for which provision has not been made.
VAT is not included and should be added.

7.5. Sanitation or Sewerage

7.5.1. Council may grant a subsidy for the indigents as defined in the Indigent Policy.

7.5.2. Council must apply the principle of equality for this service.

7.5.3. Council may charge the following tariffs:

- (a) Application fees (building plans);
- (b) Usage charges (operational charges) at fixed rate;
- (c) Availability charges -
 - (i) Based on size of land;
 - (ii) Special usage.
- (d) Work charges –
 - (i) Sealing openings;
 - (ii) Re-openings sealed;
 - (iii) Removing blockages;
 - (iv) Alterations to gullies;
 - (v) Connection to sewer;
- (e) VAT is not included and must be added.

7.6. Water Services

7.6.1. To calculate the tariff for water, the actual cost incurred in the supply of water to the community, has to be taken into consideration. The principle of basic levies as well as a kilolitre tariff for water is determined by the cost structure.

7.6.2. Similar to electricity, this cost structure consists of the following components: -

7.6.2.1. **Fixed costs**: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infra structure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered. means of a unit tariff which is payable per kilolitre water consumed in order to ensure that these costs are covered.

7.6.2.2. **Variable costs**: It 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.

7.6.3. The following tariff structures were basically used for the determination of tariffs:

7.6.3.1. Council may provide the number of 6KL free to indigent households as determined in its indigent policy.

7.6.3.2. Council may charge the following tariffs:

- (a) Availability charges;
- (b) Consumption charges-
- (c) Metered supply
 - (aa) A sliding scale will be applicable to domestic consumers and will be as follows and indigent will be provided in line with the indigent subsidy policy:

0-20KL
21-and more Kl.
 - (bb) With water restrictions an increased tariff may be charged on the following sliding scale and indigent will be provided in line with the indigent subsidy policy:

0-20KL
21 – and more Kl.
- (d) Metered supply

With water restrictions the sliding scale will be the same as mentioned in sub section (7.6.3.2)(b)(i)(aa).

- (e) Metered supply: Businesses and industries
The Council may charge a uniform tariff per KL for businesses and industries.
- (f) Charges for connections to the main.
- (g) Charges for connection of water supply.
- (h) Sundry charges:
 - (i) Testing of meters;
 - (ii) Special readings;
 - (iii) Any other services not mentioned;
- (l) Usage of a swimming pool.

7.7. Property tax

- 7.7.1. A subsidy is granted to indigent persons as defined in the Indigent Policy. Council may charge property tax on the site value only.
- 7.7.2. The different entities are charged differently on their respective valuation rolls.
- 7.7.3. Council shall compile a valuation roll for the whole area so that the whole area will be charged uniformly.
- 7.7.4. Council may allow discounts on the category Grand-in -Aid to registered welfare organizations, welfare organizations which performs charitable work institution for veterans, amateur sport grounds, Boy Scouts or similar organizations and institutions defined in the Cultural Institutions Act, 1968 (Act No. 119 of 1998).
- 7.7.5. Council may place a priority on property tax for collection of revenue not exceeding 25% of the budgeted revenue.
- 7.7.6. All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates and vacant stands are excluded from this reduction.

7.8. General services

Where the business is closed and not operation at least 40% of the basic service be levied provided that the consumer has applied for that rebate. Rates and taxes rebates levies will be dealt in line with the rates policy

8. Short Title

This Policy is called the Tariff Policy 2025-2026

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