

POLICY DOCUMENT

TARIFF POLICY

Approved by Council: 25 May 2022

Resolution Number: 15439



POLICY F1.01

**TARIFF POLICY
CITY OF UMHLATHUZE
INDEX**

1. SECTION A: LEGISLATIVE REQUIREMENTS
2. SECTION B: SCOPE OF THE POLICY
3. SECTION C: DEFINITIONS
4. SECTION D: INTRODUCTION
5. SECTION E: OBJECTIVES
6. SECTION F: PRINCIPLES
7. SECTION G: CATEGORIES OF USERS
8. SECTION H: CLASSIFICATION OF SERVICES
9. SECTION I: COST ELEMENTS
10. SECTION J: REDISTRIBUTION/ CROSS-SUBSIDISATION
11. SECTION K: TARIFF TYPES
12. SECTION L: TARIFF STRUCTURES AND METHODS OF CALCULATIONS
13. SECTION M: WATER
14. SECTION N: ELECTRICITY
15. SECTION O: REFUSE REMOVAL /SOLID WASTE
16. SECTION P: SEWERAGE/ SANITATION/ WASTE WATER
17. SECTION Q: CALCULATION OF MINOR TARIFFS
18. SECTION R: PROPERTY RATES
19. SECTION S: SPECIAL TARIFFS
20. SECTION T: VALUE ADDED TAX (VAT)
21. SECTION U: INTEREST ON ARREARS
22. SECTION V: EFFECTIVE DATE OF THE POLICY
23. SECTION W: SHORT TITLE
24. SECTION X: CONCLUSION

SECTION A: LEGISLATIVE COMPLIANCE

1. In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA).
2. Section 160(2)(c) of the constitution states that the Municipal Council may not delegate the imposition of rates and other taxes, levies and duties.
3. Specific legislation applicable to each service has been taken into consideration when determining this policy.

SECTION B: SCOPE OF THE POLICY

- 2.1 It is intended that this Policy document guides the annual setting (or revision) of tariffs, hence the Policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Tariff of Charges, which must be read in conjunction with this Policy.
- 2.2 The Policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the City of uMhlathuze.
- 2.3 This Policy is also applicable to all Sundry Tariffs, as provided for in the Tariff of Charges of the City of uMhlathuze.

SECTION C: DEFINITIONS

In this policy:

Consumption-based Tariff” means a tariff set as a rand amount per measurable unit of service;

“CPIX” means the consumer price index excluding mortgage costs as measured by STATSSA.

"due date" –

- 1) in relation to accounts payable monthly on a recurring basis, the 15th day of the month which follows on the month during which an account is rendered;
- 2) in relation to accounts payable monthly on a recurring basis, the 30th day of the month which follows on the month during which an account is rendered;
- 3) in relation to accounts payable annually, 30th September unless otherwise provided by any other law; and
- 4) in all other instances, as and when demand for payment is made by the Municipality.

"economic services" means services in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers;

"educational institutions" means schools (unless otherwise stated), [crèches on municipal properties], colleges, universities and suchlike institutions;

"flat rates" means the unit charge.

"Indigent Households" are households referred to in the indigent policy of the municipality;

"municipal area" means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

"municipal council" means a municipal council referred to in section 157 of the Constitution and for this by-law includes a municipal local council;

"poor households" are those living in a household where there are earners of income within such household who have sufficient earnings to pay for basic services at a subsidised rate;

"Rates Tariff" Rates are levied in accordance with the Municipal Property Rates Act (MPRA) as a cent in the Rand.

"Surcharge" means a charge raised over and above a normal Tariff based either on a percentage and or a fixed amount;

"STATSSA" means Statistics South Africa, a body established in terms of section 4 of the Statistics Act, 6 of 1999, which consists of a Statistician-General, permanent and temporary staff referred to in the first column of Schedule 2 of the Public Service Act of 1994, and whose main function is to provide official statistics for use by organs

of state, business organisations and the public in planning, decision- making and other actions, and the monitoring and assessment of policies.

“**Sundry Tariff**” means a tariff set as a fixed rand amount charged for specific services and published in tariff of charges (TOC), adjusted from year to year.

“**special agreements**” means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and create job opportunities.

“**Tariff**” means fees, levy, charges or a surcharge levied by the Municipality in respect of any function or service provided by the Municipality to the local community, and includes a surcharge on such Tariff but excludes the levying of rates by the Municipality in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);

“**tariff policy**” means policy of the council adopted in terms of section 74 (1) of Municipal Systems Act 2000 (Act 32 of 2000)

SECTION D: INTRODUCTION

One of the primary functions of a local authority is to provide services to the people within its municipal area. The funding of these services is made possible by levying property taxes and charging for municipal services rendered.

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

SECTION E: OBJECTIVES

1. The objective of the tariff policy is to ensure that:
 - 1.1 The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.
 - 1.2 The Municipal services are financially sustainable, affordable and equitable.
 - 1.3 The needs of the senior citizens, indigent and disabled are taken into consideration.

-
- 1.4 There is consistency in how the tariffs are applied throughout the municipality and to align, in a timeframe as practical as is possible, any deviations of the current tariff structure with this policy.
 - 1.5 Where appropriate, Interest on arrears is charged.

SECTION F: PRINCIPLES

1. In terms of S74 (2) of the Municipal Systems Act the following principles should at least be taken into account when formulating a Tariff Policy;-
 - 1.1 The users of municipal services should be treated equitably in the application of tariffs.
 - 1.2 As far as practically possible, consumers should pay in proportion to the amount of services consumed.
 - 1.3 All households, with the exception of the poor and indigent households, should pay the full costs of services consumed. Poor households must have access to at least a minimum level of basic services through:
 - 1.3.1 Tariffs that cover the operating and maintenance costs,
 - 1.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
 - 1.3.3 Any other direct or indirect method of subsidization of tariff for poor households.
 - 1.4 Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
 - 1.5 Tariffs must be set at a level that facilitates financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. Sustainability will be achieved by ensuring that:
 - 1.5.1 Cash inflows cover cash outflows. This means that sufficient provision for working capital will be made.
 - 1.5.2 Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
 - 1.6 Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.

-
- 1.7 Provision “**may**” be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.
Subject to Municipal discretion.
 - 1.8 The economical, efficient and effective use of resources will be encouraged through the use of rising block tariffs, time of use tariffs where appropriate.
 - 1.9 The extent of subsidisation of the poor households and other categories of users should be fully disclosed.
 - 1.10 Any estimated amounts for municipal services fees, surcharges on fees, property rates and other municipal taxes, levies and duties relating to the property, during the validity period of the certificate, shall be due and payable upon receipt of an application for a certificate in terms section 118 of the Systems Act.
 - 1.11 In terms of S74 (3) of the MSA, a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75(1) of the MSA provides for the municipal council to adopt bylaws.
 - 1.12 Monthly charges or basic charges are for the month billed and there will be no pro-rata except when there are property transfers.
 - 1.13 Interest

SECTION G: CATEGORIES OF USERS

1. Separate tariff structures may be imposed for the following categories of Users (which the council may change):
 - 1.1 Residential
 - 1.2 Business and Commercial;
 - 1.3 Industrial;
 - 1.4 Mining
 - 1.5 Public Service Infrastructure;
 - 1.6 Agricultural consumers
 - 1.8 Public benefit organisations;
 - 1.9 State Departments

2. Where substantially different demands are made on the infrastructure used to provide a service to a specific group of users within a category or the standard of services required by such users, the council may, after having considered a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumers within the specific category.
3. Services shall, by applying the closest match principle, determine the category under which the user or category of users fits in best taking into account the nature of the service concerned and the user or category of users involved.

SECTION H: CLASSIFICATION OF SERVICES

1. There are two categories of municipal services (i.e. trading and non-trading services (rates and general services), which are discussed as follows:

1.1 Trading Services

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised.

Examples of these services include water and electricity.

The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. Full costs include:

- 1.1.1 Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- 1.1.2 Depreciation / capital charges based on usage, life of buildings, plant and equipment and infrastructure used.
- 1.1.3 Financing outlays, which include loan service costs.
- 1.1.4 Allocated costs that include costs allocated through support services.

1.2 Non- Trading services (Rates and General Services)

This service is further classified into various categories listed hereunder.

1.2.1 Economic Services

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit e.g. trade effluent and also includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows: -

1.2.1.1 Full cost of providing the service as explained in 6.1 above.

1.2.1.2 The rate per unit that is based on projected usage.

1.2.2 Subsidised Services

These are services for which tariffs are compiled in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on their real cost, nobody would be able to afford it. In most cases it is not only the consumer who benefits from using the service, but also other persons.

Therefore, a user charge is payable for using the service, but the tariff is lower than the real cost of providing the service. These services include, but are not limited to, firefighting, approval of building plans, leasing of municipal facilities, selling of burial sites and certain town planning functions.

1.2.3 Community Services

Community services are those services for which the Council is unable to accurately determine the consumption and consequently apportionment to

individual consumers. These services are normally financed through property rates.

These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and stormwater drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation. In addition to the above services, domestic refuse as well as sewage removal is also a community service provided directly to the residents and for which costs form part of a balanced budget.

The Municipality also provides support services such as committee services, records and financial management accounting and stores, occupational health and human resources management, which are financed through property rates.

1.2.4 Auxiliary Services

Fees, charges or tariffs for auxiliary services are based on recovery of the cost to provide the service.

Auxiliary services are those services that are reasonably necessary for, or incidental to, the effective rendering of municipal services. Auxiliary services include but are not limited to-

1.2.4.1 The lodging of an application;

1.2.4.2 The issuing of a certificate, direction, approval, consent or permission by the municipality;

1.2.4.3 The production or installation of an item or work by the municipality;

1.2.4.4 Utilising the service of a municipal official;

1.2.4.5 Hiring of municipal equipment; and

1.2.4.6 The utilisation of municipal infrastructure and amenities.

1.2.5 Inter-departmental Services

Inter-departmental services are those services that are centralised in one cost centre which are recovered from the individual department or separate cost centres on the basis of a determined unit price (e.g. office space rental charged per square metre, training, occupational health, recovered per staff member in the applicable department).

SECTION I: COST ELEMENTS

1. The following cost elements will be used to calculate the tariffs of the different services:
 - 1.1 Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service and any other costs of a permanent nature as determined by the Council from time to time.
 - 1.2 *Variable cost:* This includes all other variable costs that have reference to the service.
 - 1.3 *Total cost:* consist of the fixed cost and variable cost.

SECTION J: REDISTRIBUTION/ CROSS SUBSIDISATION

1. It is a fact that some members of the community are better able to afford to pay for the services that they use or benefit from than other consumers. The budget of the Municipality is an important device in ensuring redistribution within the community. Also, the Council uses the trading surplus it realises on the trading account to bring relief with regard to basic services. Likewise, the Council will ensure that cross-subsidisation occurs between and within services to further contribute to its redistribution objectives.
2. Cross subsidisation amongst tariffs is reflected in the Tariff of Charges
3. The Municipality subscribes to the policy that indigent households are entitled to access to at least basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. These basic services include:
 - 3.1 Domestic refuse removal;
 - 3.2 Electricity
 - 3.3 Water;
 - 3.4 Domestic Sewage disposal,

as contemplated in the Municipality's Credit Control and Debt Collection Policy

4. Unless determined by the National or Provincial legislation, or by the Municipal Council or the actual cost of supply, the following ratios may be applicable to cross subsidise between categories of users;

Category	Ratio to Residential Tariff
Residential Properties	1:1
Business/ Commercial	1:2,10
Industrial	1:2,20
Agricultural Properties	1:0,25
Public Service Purposes (State Owned)	1:1,10
Public Service Infrastructure	1:0,25
Public Benefit Organisation Properties	1:0,25
Mining Properties	1:2,30
Vacant Land	1:2,1

SECTION K: TARIFF TYPES

1. In determining the type of tariff applicable to the type of service the municipality shall make use of the following six options or a combination of the same.
 - 1.1 **Single tariff:** this tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer the council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.
 - 1.2 **Cost related two to three-part tariff:** this tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.
 - 1.3 **Inclining block tariff:** this tariff is based on consumption levels being categorized into blocks, the tariff being determined and increased as consumption levels increase. The first two tiers 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 commodity.
 - 1.5 **Regulating tariff:** this tariff is only of a regulatory nature and the municipality may recover the full or a portion of the cost associated with rendering the service.

- 1.6 Time-of-use tariff:** this tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.

SECTION L: TARIFF STRUCTURES AND METHODS OF CALCULATIONS

1. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE
 - 1.1 In order to determine the tariffs which must be charged for the supply of the four major services (water, electricity, refuse removal and sewerage) the municipality shall identify all the operational costs of the undertakings concerned, including specifically the following:
 - 1.1.1 Cost of bulk purchases in the case of water and electricity.
 - 1.1.2 Purification costs (water and sewer)
 - 1.1.3 Distribution costs.
 - 1.1.4 Distribution losses in the case of electricity and water.
 - 1.1.4 Depreciation expenses.
 - 1.1.5 Maintenance of infrastructure and other fixed assets.
 - 1.1.6 Administration and service costs, including:
 - 1.1.6.1 Service charges levied by other departments such as finance, Human resources and legal services;
 - 1.1.6.2 Reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - 1.1.6.3 Adequate contributions to the provisions for bad debts and obsolescence of stock;
 - 1.1.6.4 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 (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
 - 1.2 The intended surplus to be generated for the financial year, such surplus to be applied as an appropriation to capital reserves and/or general relief of rates and general services.

1.3 A minimum amount of basic services must be free

The Municipality subscribes to the policy that all indigent households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. These services include:

- 1.3.1 Residential Potable water
- 1.3.2 Residential wastewater
- 1.3.3 Residential refuse removal
- 1.3.4 Residential Electricity

The Council is aware that it currently does not provide these services to all residents within its municipal area.

The Council realises that in order to achieve its goal, a minimum amount of basic services should be free to the Indigents, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to make good any shortfall resulting from free services and to ensure a balanced budget on the trading account.

In order to ensure affordable services, the Council has introduced inclining block tariff structure in which consumers who use more of a service will pay progressively more for the higher consumption than those who consume less of the service. The inclining block tariff is not applicable to electricity where the 50 kWh is supplied.

The minimum level of free electricity (50kWh) per household per month not claimed will be forfeited at the end of each month/ billing cycle.

1.4 Keeping Affordable Tariffs

The Council is aware of the financial situation of most residents within the municipal area; therefore, the Council will strive to keep tariffs at affordable levels.

In order to remain affordable, the Council will ensure that:

- 1.4.1 Services are delivered at an appropriate level,
- 1.4.2 Efficiency improvements are actively pursued across the Municipality's operations,
- 1.4.3 A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used,

1.4.4 Any service that is provided for which there is little demand, be priced at the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities.

1.5 The “Consumer must pay principle”.

Having regard for the abovementioned Council’s policy on the minimum amount of free basic services, the Council believes that consumers of services must pay for the amount of services that they use.

Where it is possible to measure the consumption services, the Council intends to install metering systems, as in the case of water usage, and to take into account the free service element. In this regard the Council will develop a programme to install meters in appropriate cases. It is also Council’s policy that the tariffs for such services must include all relevant cost factors.

1.6 Rebates

All rebates are covered in their respective policies.

1.7 Ensuring Financial Sustainability of Service Delivery

It is a requirement in terms of the Constitution, the Local Government Municipal Systems Act, Act 32 of 2000 and the Water Services Act of 1997 that the Municipality must ensure that the services that it provides must be sustainable.

Financial sustainability of an enterprise will be achieved when it is financed in a manner which ensures that its financing is sufficient.

The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected.

The Council has therefore adopted and applied a Credit Control and Debt Management policy to ensure that property rates and service charges are fully recovered.

1.8 Corrections and adjustments

All corrections and adjustments are covered in their respective policies and bylaws.

1.9 Tariff Determination Process

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may levy and recover fees, charges or tariffs in respect of any function or service of the municipality.

The fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members, and the proposed tariffs will be presented to the community during Council's consultations process about the budget.

Except in special circumstances, such as a significant increase in the wholesale price of goods and services purchased by Council during a year to provide services, the Council will review its tariffs during the preparation of the annual budget. Proposed tariffs will be presented to the community during Council's consultations process about the budget.

Immediately after the Council has determined or amended a tariff, the municipal manager must cause to be conspicuously displayed at a place installed for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine a notice.

The notice must state:

- 1.9.1 The general purpose of the resolution,
- 1.9.2 The date on which the determination or amendment comes into operation, which may not be earlier than 30 days after the determination or amendment,
- 1.9.3 The date on which the notice is displayed,
- 1.9.4 That any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed, and
- 1.9.5 That any person who cannot write may come during office hours to Council's offices and he / she will be assisted by an official who will transcribe her / his objection.
- 1.9.6 If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council.
- 1.9.7 Where an objection is lodged, the Municipality will consider every objection. The Council may after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or

amendment will come into operation. After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

SECTION M: WATER

1) Tariff structure

a) Fixed costs plus rising block tariffs will apply to all consumers excluding consumers who are in a special agreement with Council. E.g.:

- i) Tronnox
- ii) Bulk Water Consumers.

b) The rising block tariffs will apply:

1,1	DOMESTIC	TARIFFS
	<i>0-10kl per month</i>	
	<i>11-15kl per month</i>	
	<i>16-20kl per month</i>	
	<i>21-25kl per month</i>	
	<i>26-30kl per month</i>	
	<i>31-35kl per month</i>	
	<i>36kl+ per month</i>	
1,2	OTHER CONSUMERS	
	<i>0-15kl per month</i>	
	<i>16-30kl per month</i>	
	<i>31-60kl per month</i>	
	<i>above 60kl per month</i>	

c) The implementation of the emergency tariffs will depend on the level of the City of uMhlathuze water supply available to be billed as per the status of

Drought levels by the Department of Water Affairs (DWARF) during a drought period.

2) Method of calculation

- 2.1 Residential consumers using less than the applicable minimum per month will receive the appropriate 10 kl free water, whereas the residential consumers consuming above 10 kl will be billed for the entire consumption.
- 2.2 The fixed costs of the service shall consist of the costs indicated as such by the council.
- 2.3 The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
- 2.4 Where properties are not connected to the water service but can reasonably be connected to the service an availability tariff will be payable.
- 2.5 Where properties consume more than 10 kl's a month an additional basic charge will be payable
- 2.6 Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- 2.7 Other consumers consist of Business and Industrial consumers and will be charged at a commercial rate as determined in the Tariff of Charges.
- 2.8 Strategic grouping of water service tariffs, dividing them into groups as follows:
 - a) Tariff Structure 1 (T1) will be for indigent customers with consumption not exceeding 10 kl per month. These customers will not be liable for paying the basic charge and this applies to both the universal approach and the targeted approach
 - b) Tariff Structure 2 (T2) will be for households managing their consumption to be greater than 10 kl per month but not exceeding 25 kl per month
 - c) Tariff Structure 3 (T3) will be for all the customers not in (a) and (b) above, customers consuming above 25 kl per month. These customers will be billed from the first scale to the highest scale based on the consumption consumed using the applicable tariffs.
- 2.9 Cost of free basic services will be determined by the relevant department and billed accordingly.

Bulk Water Use:

The bulk water tariff is used to charge for the bulk supply of potable water to consumers external to the City such as other local authorities which are dependent for part or all of their potable water supplies from the City.

The bulk water tariff is set on an annual basis to ensure full cost recovery for the provision of the bulk water service as well as the long term sustainability of this service.

Consumers who use more than 30 mega-litres a month of water have the option to negotiate with the municipality a fixed and a variable tariff structure subject to Council approval.

SECTION N: ELECTRICITY

1. Tariff structure

- 1.1 Pre-payment meters.
- 1.2 Maximum demand (KVA) plus fixed tariff plus kWh consumed.
- 1.3 Fixed tariff plus kWh consumed.
- 1.4 Unit tariff (KWh consumed)

2. Method of calculation

Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.

To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users. Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle, the cost allocation basis, cost groupings, tariff components and tariff types will be used.

2.1 Prepayment meters

- 2.1.1 No refund for prepayment tokens will be given to clients that move to another address with a different prepaid meter.

2.1.2 No refund will be given to clients who purchased using the incorrect prepayment meter number.

2.1.3 The first two scales are subsidized by the higher scales.

2.1.4 The scales for tariffs are as follows:

Resflex / Residential
Resflex residential
Residential IBT 0-50
Residential IBT 51-350
Residential IBT 351-600
Residential IBT 601-1500
Residential IBT >1500

2.1.5 Theft and fraud

The responsibility for outstanding costs for meter tampering and penalties will be the responsibility of the owner of the property in cases where the tenants tampered with the prepaid meter.

SECTION O: REFUSE REMOVAL/ SOLID WASTE

1. Tariff structure

1.1 City of uMhlathuze Bin (240 litres)

1.2 Skips

2. Method of calculation

2.1 The cost associated with removal of bins (Solid Waste) is calculated based on the value of the property, the higher the value of the property the higher the fee to be paid towards refuse removal. Domestic Refuse is collected once a week in different days depending on the area and/or town.

All properties with a value less than R160 000 will not pay for refuse, then properties with a value R200 000 and less will receive 25% rebate

The scales for tariffs are as follows:

Refuse
Refuse valuation sliding scale, Residential Property value < R 160 000
Refuse valuation sliding scale, Residential Property value R 160 000 - R 200 000 less 25% rebate
Refuse valuation sliding scale, Residential Property value R 200 001 - R 500 000
Refuse valuation sliding scale, Residential Property value R 500 001 - R 700 000
Refuse valuation sliding scale, Residential Property value R 700 001 - R 900 000
Refuse valuation sliding scale, Residential Property value R 900 001 - R 1 100 000
Refuse valuation sliding scale, Residential Property value R 1 100 001 - R 1 600 000
Refuse valuation sliding scale, Residential Property value R 1 600 001 and above

- 2.2 The cost associated with Business refuse removal will be calculated using a size of a skip multiplied by the rate, multiplied number of times the skip will be collected in a week.
- 2.3 A monthly rental for the usage of a bulk container will be as detailed in the Tariff of Charges (TOC).
- 2.4 All developed properties will be liable for refuse charges whether the owner or occupier uses the refuse removal service or not as per bylaw.
- 2.5 Refuse removal in Traditional areas will be billed as per point 2.2 above but will be subsidized by the equitable share.

SECTION P: SEWERAGE/ SANITATION/ WASTE WATER

1. Tariff structure

Formula driven waterborne tariff.

2. Method of calculation

- 2.1 The cost associated with domestic sewerage (Waste Water) will be calculated on the flat rate multiplied by 20 kl.

All properties with a value less than R160 000 will not pay for sewerage, then properties with a value R200 000 and less will receive 25% rebate

- 2.2 The cost associated with Business sewerage will be calculated using a rate multiplied by the number of water consumed by the business. In most instances sewer will be 100% of water consumed not unless

there is a prior arrangement with Council where a portion of water will be used to calculate Business sewerage charges.

- 2.3 Undeveloped sewer will be calculated by multiplying a rate with the kl's determined by Council.
- 2.4 All developed properties will be liable for sewer charges whether the owner or occupier uses the sewer service or not
- 2.5 The discharge shall be a minimum of 20 cubic meters as determined by the bylaw

SECTION Q: CALCULATION OF MINOR TARIFFS

- 1. All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to above and in the Tariff of Charges shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

The following services shall be considered as subsidised services

- 1.1 Burials and cemeteries.
 - 1.2 Rentals for the use of municipal sports facilities.
 - 1.3 Municipal swimming pool.
- 2. The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:
 - 2.1 Sales of refuse bins
 - 2.2 Cleaning of stands
 - 2.3 Electricity and water new connection fees
 - 2.4 Clearance certificates for purposes of property transfers
- 3. The following charges and tariffs shall be considered as regulatory or punitive:
 - 3.1 Fines for lost or overdue library books.
 - 3.2 Pound fees.
 - 3.3 Electricity, water: disconnection and reconnection fees.
 - 3.4 Penalty and other charges imposed in terms of the approved policy on credit control and debt collection.

-
- 3.5 Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.
 - 3.6 Industrial Effluent.
 - 3.7 All tariffs as approved in terms of the drought relief program.
 - 3.8 Fines- All relevant fines to be implemented by Council.

SECTION R: PROPERTY RATES

Property rates are levied as determined by Council from time to time and covered in the Property Rates Policy and Bylaw of the Municipality

Land Sales and leases will be covered by the Land Disposal policy

SECTION S: SPECIAL TARIFF

In the case of special events, such as the Fun Walk, etc. the services for such events will be provided based on the actual costs incurred plus the twenty percent (20%) mark-up. Also any tariffs not determined during the budget process will be at cost plus twenty percent.

SECTION T: VALUE ADDED TAX (VAT)

Where applicable, VAT is excluded in the tariffs and must be adjusted up or down depending on the rate in terms of VAT legislation.

SECTION U: INTEREST ON ARREARS

Interest be charged on **arrear rates only**, except in instances where there is a special agreement with Council. This is in line with MFMA 64(2)(g).

SECTION V: THE EFFECTIVE DATE OF THE POLICY

The tariff policy takes effect from the start of the municipal financial year on 1 July 2015. Any amendment during the budget review process in the ensuing years will apply from the 1st day of the new financial year.



SECTION W:SHORT TITLE

This policy is the Tariff Policy of uMhlathuze Municipality.

SECTION X: Conclusion

In terms of Section 75(1)(b) of the MFMA the above policy is to be placed on Council's website. In addition to Section 21A of the MSA, this policy will be reviewed annually and adopted by Council before the Budget is finalised.