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REVIEWED 2021/2022

## TARIFF POLICY

Council Resolution No: TBC

### Policy Objective

The objective of this Tariff Policy is to ensure the following:

- a) That Tariffs must conform to acceptable policy principles;
- b) That Municipal services must be sustainable;
- c) That Tariffs must comply with the applicable legislation; and
- d) That Tariffs should take poor people and limited consumption into consideration

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## 1. INTRODUCTION

- (a) In terms of section 74 of the Local Government: Municipal Systems Act, 2000, the Greater Giyani Council must adopt and implement a Tariff Policy that complies with the provisions of any [applicable legislation on the levying of fees for municipal services provided by or on its behalf.
- (b) The Tariff Policy may differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- (c) Section 75 of the Systems Act requires that the Council adopt by-laws to give effect to the implementation and enforcement of its Tariff Policy.

## 2. DEFINITIONS

In this Policy, unless inconsistent with the context: -

"Customer/user" means any person to whom a service is rendered or made available by the council

"Households" all matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

‘Indigent household" a Household qualify as indigent on the following conditions: Total monthly household income of or not more than R2, 000.00, irrespective of the source of income.

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

"Municipal council" means the council of Greater Giyani Municipality;

"Municipal manager" means a person appointed under section 82 of the Municipal Structures Act (Act 177 of 1998) and the person who is the head of administration and also the accounting officer for the municipality and where necessary includes an "acting municipal manager"; "Municipality" means:

- (a) an organ of state within the local sphere of government exercising legislative and executive authority in an area determined under the Local Government: Municipal Demarcation Act 1998 (Act 27 of 1998); (b) a municipality consists of:
  - i. the political structures and administration of the municipality; and
  - ii. the community of the municipality;

- (c) functions in the area in keeping with the political, statutory and other relationships between its political structures, political office bearers and administration and its community; and
- (d) as a separately legal personality that excludes liability on the part of its community for the actions of the municipality.

"Occupier" means the person who controls and resides on, or who controls and otherwise uses immovable property or a portion thereof; provided that-

- (a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof;
- (b) where husband and wife both reside on immovable property and one of them is an occupier thereof, the other shall also be deemed to be an occupier thereof, and
- (c) a person who<sup>(i)</sup> resides in or occupies a room or rooms in a boarding house, lodging house, home for elderly people (other than a person, and the husband or wife of such person, who, by paying a capital amount, has acquired and exercises a lifelong right to so reside in or occupy a room or rooms in a home for elderly people), hostel, hotel, motel, brothel, club mess, barracks, nurses home or other place of a like nature;
  - (ii) resides in or occupies a separate room or rooms on immovable property occupied by any relative of such person;
  - (iii) as a boarder or lodger, resides in or occupies a room or rooms on immovable property owned or occupied by any other person, or
  - (iv) occupies an area of land or building or portion of a building solely for the purpose of parking, leaving or storing any vehicle or craft thereon or therein;
  - (v) shall be deemed not to be an occupier of the immovable property concerned.

"Owner" means the person in whom the legal title to the premises is vested;

- (a) in a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator or other legal representative;
- (b) in any case where the Municipality is unable to determine the identity of such person, a person who is entitled to the benefit of such premises or a building thereof;

- (c) leased for a period of not less than 30 (thirty) years, whether the lease is registered or not, the lessee thereof;
- (d) in relation to – (i) a piece of land delineated on a sectional plan registered in terms of the Sectional titles Act 1986, (Act 95 of 1986), and without restricting the above provisions, the developer or the body corporate in respect of the common property, or (ii) a section as defined in such Act, the person in whose name such section is registered under a sectional title deed, including the lawfully appointed representative of such person;
- (e) any legal person including but not limited to:
  - (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973) Trust inter vivos, Trust mortis causa, a closed Corporations Act, 1984 (Act 69 of 1984), and a Voluntary Association;
  - (ii) any government department;
  - (iii) any council or board established in terms of any legislation applicable to the Republic of South Africa;
  - (iv) any embassy or other foreign entity
- (f) owned by a council and which has been disposed of, but which has not been transferred to the person it has been disposed of, from the date of the disposition concerned, such person; and
- (g) owned by or under the control or management of a council while held under a lease of any express or tacit extension thereof or under any other contract or under a servitude or right analogous thereto, the person so holding the immovable

"Tariff Policy" means a Tariff Policy on the levying of fees, rates or taxes for municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

"The Act" means the Municipal Systems Act, 2000 (Act 32 of 2000).

### 3. GENERAL PRINCIPLES

#### (1) Objective

- (a) The objective of this Tariff Policy is to ensure the following:

- (i) Tariffs must conform to acceptable policy principles;
- (ii) Municipal services must be sustainable;
- (iii) Tariffs must comply with the applicable legislation; and
- (iv) Tariffs should take poor people and limited consumption into consideration

## (2) Responsibility / accountability

The Greater Giyani Municipal Council have the overall responsibility of laying down the Tariff Policy.

## (3) Tariff Policy principles

In terms of section 74(2) of the Systems Act 2000, the Municipality's Tariff Policy reflects the following principles:

- (a) Users of municipal services are treated equitably in the application of tariffs;
- (b) The amount individual users pay for services are generally in proportion to their use of that service;
- (c) Poor households have access to at least basic services through:
  - (i) Special or lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or
  - (ii) Any other direct or indirect method of subsidisation of tariffs for poor households.
  - (iii) Tariffs reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;
- (d) Tariffs are set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned.
- (e) A service is financially sustainable when it is provided in a manner that would ensure it's financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision;
- (f) Provision is made in appropriate circumstances for a surcharge or a rebate on the tariff for a service;
- (g) Provision is made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) The economical, efficient and effective use of resources, the recycling of waste and other inappropriate environmental objectives are encouraged; and
- (i) The extent of subsidisation of tariffs for poor households and other categories of users are fully disclosed.

- (j) It can be further stated that tariffs, rates and the employment of resources, in general, take into account the Council's IDP principles and goals.

#### 4. NEED FOR A TARIFF POLICY

##### (1) Revenue adequacy and certainty

- (a) The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:
  - (i) Fully exploit the available sources of revenue to meet its development objectives; and (ii) Be reasonably certain of its revenue to allow for realistic planning.

##### (2) Sustainability

- (a) Financial sustainability requires a budget that balances. This means that the Municipality must ensure that:
  - (i) Services are provided at affordable levels; and
  - (ii) It is able to recover the costs of service delivery.
  - (iii) It must be realised that no bailout will be provided if the budget is exceeded or if proper financial management controls are not established.
  - (iv) indigent members of the community have the right to have access to at least a minimum level of basic services.
  - (v) Therefore, there is a need to subsidise poor households, who are unable to pay for full service costs.

##### (3) Effective and efficient resource use

- (a) Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community.
- (b) However, there are no mechanisms available to ensure the effective allocation of resources.
- (c) It is therefore important that the community provide the necessary checks and balances.
- (d) They can do this by participating in the budget process.

- (e) Efficiencies in spending and resource allocation will ultimately increase the access of the poor to basic services.

#### (4) Accountability, transparency and good governance

- (a) The Municipality must be accountable to the community for the use of its resources. Councillors must be able to:
  - (i) Justify their expenditure decisions; and
  - (ii) Explain why and how the revenue necessary to sustain expenditure, is raised.
  - (iii) Budgeting and the financial affairs must be open to public scrutiny.
  - (iv) The community must have greater voice making decisions about how revenue is raised and spent. Community participation in budgeting must include those groups in the community who face particular constraints in participating.
  - (v) It must also include a capacity-building component to ensure that people understand the prioritisation process (why resources are allocated to one area rather than another).

#### (5) Equity and redistribution

- (a) Members of the community must be treated equitably with regard to the provision of services.

#### (6) Development and investment

- (a) Meeting basic needs in the context of existing services backlogs will require increased investment in municipal infrastructure.

### 5. SOURCES OF REVENUE

- (l) In terms of section 229 of the Constitution of the Republic of South Africa 1996, Act 108 of 1996, the Municipality may impose:
  - (a) Rates on property and surcharges on fees for services provided by or on behalf of the Municipality.
  - (b) If authorised by national legislation, other taxes, levies and duties appropriate to local government, but it may not impose income tax, value-added tax, general sales tax or customs duty.

- (c) The power of the Municipality to impose rates on property, surcharges on fees for services provided by or on behalf of the Municipality, or other taxes, levies or duties:
  - (i) May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and
  - (ii) May be regulated by national legislation.
  - (iii) In terms of section 4(1)(a) of the Systems Act, the Council has the right, amongst other things, to finance the affairs of the Municipality by:
    - i. Charging fees for services; and ii. Imposing surcharges on fees, rates on property and to the extent authorised by national legislation, other taxes, levies and duties.
    - iii. Section 16 of the Systems Act requires the Municipality to establish appropriate mechanisms, procedures and processes to ensure community participation in, amongst other things, the preparation of its budget.

## 6. PRICING STRATEGY

- (1) The strategy must be to recover the full financial cost of rendering the services required by and delivered to the community from the community, including the cost of capital.
- (2) The points of departure pertaining to a pricing strategy are:
  - (a) The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;
  - (b) The second point will be to ensure a sustainable service delivery based on the set service level; and
  - (c) The third point will be the upgrading of services to higher levels in accordance with the level of affordability by the community and the ability to render the upgraded services in a sustainable manner.
- (3) The following must be considered in the pricing strategy in order to accurately determine and recover the cost pertaining to a service:
  - (a) Management cost
    - (i) Resource management expenditure is those activities that are required to deliver, regulate, manage and maintain the service.
  - (b) Capital costs

- (i) Capital cost expenditure is the obligation to meet the repayments on loans negotiated to finance the provision of the service.
- (c) Maintenance costs
  - (i) These are normal running costs to maintain the service at the established level of service provision.
- (d) Consumption / Usage
  - (i) In the case of a measurable service, the actual cost of usage of the service is easily determined.
  - (ii) Where measurable services are provided (usually to informal areas) without measuring devices being installed, the cost will be calculated by using the appropriate charge multiplied by the bulk registered consumption or estimated volume of consumption divided by the number of households / properties.
- (e) Cost of immeasurable services
  - (ii) These services are normally community based and subsidised services and the cost will be recoverable through a rating policy as determined from time to time.
  - (iii) Recovery of costs will therefore be equalised over the total area of jurisdiction and the principle of collective payment will apply.

## 7. CATEGORIES OF TARIFF CHARGES

### (1) Services charges

- (a) An important source of local own revenue is charges that are directly related to the provision of municipal services.
- (b) The majority of these are utility charges, such as electricity and water, which have contributed significantly to the growth of revenue of municipalities.
- (c) Cost recovery is an essential part of sustainable service delivery.
- (d) The system of revenue sharing within a service is aimed at subsidising the operating costs of basic services to indigent and low-income households.

### (2) Collection of levies

- (a) The municipality may in future be required to impose and collect levies for other authorities, such as a District Municipality, or community based organisations

- (b) Such levies are imposed as the result of provisions contained in acts or bylaws and individual service delivery agreements.

The municipality acts as an agent for such an organisation and may recover its cost by means of commissions or administration fees.

## 8. LEGISLATION

- (1) Section 160 of the Constitution determines that the Municipality may not delegate the power to impose taxes, tariffs and other charges.
- (2) Such tariffs must be approved by means of a decision of the majority of the Councillors in a Council, after taking all the required factors into consideration,

### (a) Water & Sanitation

- (i) In respect of the provision of water and sanitation services, the Water Services Act of 1997 determines that a Municipality or another water services provider must supply water and sanitation services in terms of conditions set by the Municipality.
- (ii) The condition that must be set, amongst other things, is to provide for the determination and structure of tariffs.
- (iii) These powers must be read with section 21 of the Act in terms of which the Municipality must pass bylaws that provide, amongst other things, for the determination and structure of tariffs and the payment and collection of money due for water and sanitation.

### (b) Other Services

- (i) In terms of section 74 of the Systems Act, the Council must adopt and implement a Tariff Policy that complies with the provisions of any applicable legislation on the levying for municipal services provided by or on its behalf.
- (ii) The Tariff Policy may differ between different categories of users, debtors, service providers, service standards geographical areas and other matters as long as the differentiation does not promote discrimination.
- (iii) Section 75 of the Systems Act requires that the Council adopt a bylaw effecting to the implementation and enforcement of its Tariff Policy.
- (iv) Such bylaws may differentiate between categories of users, debtors, service providers, services, service standards and geographical areas as long as such differentiation does not amount in discrimination.

## 9. CLASSIFICATION OF SERVICES

Traditionally, municipal services have been classified into five groups:

### (1) Trading services

- (a) Water provisions is trading services,
- (b) Typically the consumption of a trading service is measurable and can be apportioned to an individual consumer.
- (c) These services are managed like businesses.
- (d) The tariffs for these services are determined in such a way that a Net trading surplus is realised.
- (e) The trading surplus is used to subsidise the tariffs of non-trading services, in other words, to relieve property rates.

### (2) Economical services

- (a) Sewerage and refuse removal are economic services.

- (b) Whilst they are also managed like businesses, the tariffs for services are determined in such a way that user charges cover the cost of providing the service.
- (c) It is, however, common practice to set tariffs at a profit margin if possible subsidise tariffs on non-trading services.

(3) Subsidised services

- (a) Subsidised services include approving building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions.
- (b) The consumption of subsidised services can be determined reasonably accurately and apportioned to individuals and consumers.
- (c) However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it.
- (d) In most cases not only would the consumer benefit from using the service, but also other persons.
- (e) A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service.

(4) Community services

- (a) Community services are those services where the consumption cannot be determined nor apportioned to individual consumers.
- (b) These services are typically financed through rates.
- (c) Examples are the establishment, operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment management and maintenance of cemeteries and traffic regulation.

(5) Support services

- (a) The Municipality also provides services in support of the above-mentioned services.
- (b) These are staff functions and include secretarial and committee services, records and archives, financial-, technical- and corporate management, accounting and stores, Information Technology, occupational health and safety and human resources management.
- (c) These services are financed through property rates.

## 10. BASIC SERVICES SUBSIDY

(1) A minimum amount of basic services must be subsidised to the poor.

- (a) The Municipality subscribes to a policy that entitles poor households which includes indigent consumers to a minimum amount of subsidised 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. This goal is achieved by providing a minimum amount of subsidised basic services to such consumers through its policy on indigence.

(b) The specific services are:

- (i) Potable water;
- (ii) Domestic sewage removal;
- (iii) Domestic refuse removal; and
- (iv) Electricity

- (c) The determination of minimum levels of these services is influenced by national guidelines as well as local social and economic conditions.

- (d) The subsidies are financed from the Equitable Share allocations by National Treasury in terms of which the Division of Revenue Act must be determined in such a way that the sustainability of the special fund, created for this purpose, be guaranteed.
- (e) Council will strive to minimise the burden of shortfalls in subsidies in poor households. (f) Any shortfalls can be subsidised by Rates and Service charges.

(2) Keeping tariffs affordable

- (a) The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels as far as possible. In order to ensure that tariffs remain affordable, the Council will ensure that:
  - (i) Services are delivered at an appropriate level;
  - (ii) Efficiency improvements are actively pursued across all its operations;
  - (iii) 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 the appropriate service delivery mechanisms are used;
  - (iv) Any service that is provided for which there is little demand, that is priced under the actual cost of providing it, and which requires the maintenance of significant infrastructure and other facilities, will be phased out, except where the Council is by law required to provide such a service.

## 11. SOURCES OF REVENUE

(1) Fully exploiting sources of revenue

- (a) Property rates are an important source of discretionary revenue for the Municipality.
- (b) It is used to finance services that cannot be apportioned to individual consumers and to balance the budget after service charges have been determined.

- (c) It is therefore imperative that property rates must be imposed on, and is payable in respect of, all rateable properties within the municipal area.
- (d) All rateable properties will be subject to and liable for paying rates. Consequently it is the policy of the Council:
  - (i) That tariffs for service and property rates will be reviewed annually;
  - (ii) That tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by the Municipality to perform its function, as well as any specific costs relating to the supply of a service during a financial year; and
  - (iii) The tariff for a particular service must be calculated in such a way that all relevant costs are covered.
  - (iv) This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision — this is only applicable for Economic and Trading Services.

(2) Introducing the "Consumer Must Pay Principle"

- (a) Having regard for the above-mentioned policy on a minimum amount of subsidised basic services for the indigent, the Council believes that consumers of services must pay for the amount of services that they use.
- (b) Where it is possible to measure the consumption of services, the Council may develop a program to install meters in appropriate cases.
- (c) Also, it is the Council's policy that the tariffs for such services must include all relevant cost factors.

(3) Redistribution / Cross-subsidisation

- (a) Some members of the community are better able to afford to pay for the services that they use and have the benefit of, than other.
- (b) The budget of the Municipality is an important device in ensuring redistribution within the community.
- (c) Those that pay higher property rates based on the value of their properties, in fact subsidise those who pay less tax. The Council will ensure that the cross-subsidisation occurs between and within services to further contribute to its redistribution objectives.

(4) Promoting local economic competitiveness and development

- (a) The size of the property rates and service charges accounts presented to local business is a significant business overhead for any business enterprise in the municipal area.
- (b) The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival,
- (c) The Council will take care that the municipal account presented to local business is fair.
- (d) To ensure fairness toward local business the Council will, when it determines tariffs, take into account the desire:

- (i) To promote local economic competitiveness; and
- (ii) To promote local economic development and growth.

(5) Ensuring financial sustainability of service delivery

- (a) The Constitution, Systems Act and Water Services Act require that the Municipality must ensure that the services that it provides must be sustainable.
- (b) Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient.
- (c) 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.
- (d) However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that the charges to be levied must be collected.
- (e) The Council therefore adopted and applies a Credit Control policy to ensure that property rates and service charges are recovered.
- (f) Where a trading and economic service is available to a property, an availability levy is imposed if the occupier of the property does not use the service concerned or if the property is vacant.
- (g) The availability levy must be adequate to cover the pro rata cost of the initial capital expenditure and the maintenance of the infrastructure associated with service delivery.

(6) Determination process

- (a) Except in special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above,
- (b) Proposed tariffs will be presented to the community during the Council's consultations on the budget.
- (c) Immediately after the Council has determined or amended a tariff, the municipal manager must cause a notice in this regard to be 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.
- (d) The notice must state:
  - (i) The general purpose of the resolution;
  - (ii) The date on which the notice is displayed;
  - (iii) 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
  - (iv) That any person who cannot write may come, during office hours, to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe her/his objection.
- (e) 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.
- (f) Where an objection is lodged, every objection must be considered.

- (g) The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another tariff and the date on which the determination or amendment will come into operation.
- (h) After the Council has determined another tariff, it will again give notice of the determination, amendment or date as determined above and will also publish it prescribed.

(7) Limiting of financial risk pertaining to new tariff options

- (a) In the course of the budgetary process tariffs are calculated at levels that will produce the income required to cover costs for a financial year or to reach the required surplus.
- (b) Any changes in tariff structures and the level of tariffs during the course of a financial year, will impact on income.
- (c) The amendment of tariff structures during a financial year should therefore take into account the effect thereof on the budget.
- (d) In order to regulate such amendments and to prevent a drastic impact on the budget, the following rules must be applied:
  - (i) The Council must consider and approve/not approve all requests for amendments.
  - (ii) Request for amendments must be accompanied by detailed calculations and estimates of the impact thereof on the budget. Such calculations should furthermore take into account all the relevant factors and be backed by data and projections over reasonable period. (iii) Such impacts must be verified by the department of the Manager: Financial Services
  - (iv) The Council may approve only amendments that can be accommodated in such a way that it will not have a detrimental effect on the operating budget.
  - (v) Any amendment to tariff structures, in respect of trading and economic services, that may impose a drastic impact on the present budget may only be considered for the next financial year and should form part of a new budgetary process.

(8) Zoning and Usage for Rates Purposes

(a) The rates tariff on a property will be applicable for the zoning or usage of a property. (b) Therefore, if a property is zoned or used as business, the business tariff will apply.

(9) Responsibility for payment of accounts

- (a) The owner will be liable for payment of rates and sewerage fees.
- (b) The occupier will be liable for the water, electricity and refuse removal services in all circumstances.
- (c) If an occupier does not pay the account, the owner stays responsible for the account.

## 12. TARIFFS FOR TRADING ECONOMICAL AND OTHER SERVICES

- (1) Water supply is treated as trading services, operated as separate account with the aim of producing a profit to be utilised as a subsidy for other services.
- (2) The supply of and tariff structures for these services is influenced by local condition as well as national guidelines and prescriptions by the Water Services Act.

- (3) Sewerage and refuse removal are treated as economical services.
- (4) Tariffs structures are only influenced by local conditions, but the cost of these services are influenced by regional and national regulations as well as minimum standards that must be conformed to.
- (5) Cost related to the provision of services can be grouped into two basic elements, i.e.
  - (a) Fixed costs can be regarded as basic cost and is used as a basis to calculate availability fees in respect of such a service, if applicable. These cost elements are not directly influenced by variances in demand for a service.
  - (b) Variable production costs, which consists of the direct production cost elements. Increases or decreases in production costs can directly be attributed to variances in demand for a service. These costs are treated as consumption costs of such services.

### 13. WATER TARIFFS

- (1) Water is supplied to end-users by means of the following specialised infrastructure:
  - (a) retaining and storage dams;
  - (b) supply lines;
  - (c) water purification plants;
  - (d) water reticulation networks; and
  - (e) Metered connections to the properties of consumers.
- (2) The variable cost of supply is, however, sensitive to prices of essential materials such as chlorine, which is used in the purification processes. Apart from normal price increases, the price is also influenced by exchange rates.
- (3) The supply of water is regulated by the Water Services Act 1997, Act 108 of 1997, but without a centralised regulatory body such as the NER. Certain minimum standards as well as guidelines for tariffs are contained in the Act.
- (4) Many aspects pertaining to water supply is influenced by the same factors as that of electricity supply. Due to this, only those factors unique to water supply and the accompanying tariff structure are discussed.

- (5) Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. For this reason, a declining block tariff structure is not an option.
- (6) Water is bought at a one-part tariff expressed in Rand per kilolitre. For this reason, it is found that water tariff structures for end-users follow the same trend. In order to cut consumption, an inclining block rate tariff structure with a basic fee is applied in Greater Giyani Municipality.
- (7) The first block rate represents the lifeline volume of 6 kl per month, which is supplied at no cost. Losses incurred in this tariff category are recouped by contributions from the higher tariff categories, conforming to the principle of cross-subsidisation.

**(8) Categories of consumers:**

- (a) Residential /Domestic consumers
- (b) Medium consumers
- (c) Bulk consumers
- (d) Special Agreements
- (e) Agricultural
- (f) Industrial
- (g) Commercial
- (h) Governmental (Hospitals and Schools etc)
- (i) Place of worship(churches)

**(9) Leakages**

- (a) A consumer may qualify for a reduction on his/her account in the event of a water leakage, if:
  - (i) The leakage was underground and not easily detectable;
  - (ii) The leakage was repaired within 48 hours after detection;
  - (iii)The consumer has not applied for discount within the previous 12 months;
- (b) A authentic certificate must reach the municipality within 10 days after completion of repairs done and must contain the following:
  - (i) The date of the invoice and repair work
  - (ii) Confirmation that surface leakage was not visible

- (iii) Certify that the leakage originated from pipes listed on the schedule of approved pipes held by the City Engineer

(c) Miscellaneous

- (i) An availability fee will be charged on users and/or properties not connected to the water network, should it be available.
- (ii) This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties.
- (iii) If the owner connects the service with the intention to improve the property, the debit will be adjusted pro-rata from the date of the connection.
- (iv) A certain quantity of water is distributed free of charge every month. (v) This is decided on by council during the budgetary process.

(d) A fixed tariff is charged for:

- (i) water connections
- (ii) upgrading of water meters to a larger connection
- (iii) special readings
- (iv) testing of meters
- (v) installation of taps after the meter
- (vi) moving of meters
- (vii) opening of meters inaccessible for reading
- (viii) damage to, or tampering with meters

(e) Properties with more than one consumer and where a bulk meter is installed will pay:

- (i) A basic charge according to the size of the connection and/or consumption.
- (ii) Metered consumption according to the consumers tariff, linked with the size of the connection and/or consumption (if more than 1000 kl consumed for a 2-month period per year).

(f) Flats and other complexes with more than one consumer and with one joint meter will pay:

- (i) The basic per consumer according to domestic tariff
- (ii) Metered consumption according to the consumers tariff, linked with the size of the connection and/or consumption

(g) Water delivery in rural areas:

- (i) A fixed predetermined amount will be charged to cover the transport cost.
- (ii) In the case of registered indigent consumers, the cost will be recovered from the applicable grant.
- (iii) Only 61<1 water per household will be delivered per month.
- (iv) Delivery per area will only be made according to a fixed schedule.

(h) General

- (i) Tariffs as well as the minimum levels of deposits will be revised annually during the budgetary process.
- (ii) The minimum levels for deposits may be increased for individual consumers at the discretion of Chief Financial Officer, should consumption levels or other risks necessitate it.
- (iii) It is the consumer's responsibility to ensure that the meter is readable and accessible for meter readers.

#### 14. REFUSE REMOVAL TARIFF STRUCTURES

(1) The factors and principles that impact on tariff structures are:

- (a) Operating cost of vehicles;
- (b) The cost of labour, fuel and maintenance of vehicles.
- (c) This is a labour intensive service and changes in any of these cost elements may have a drastic influence on the total cost;
- (d) National and regional standards in respect of dump sites and transfer stations must be adhered to and may necessitate additional expenditure;

(3) In general refuse volumes are influenced by the following factors:

- (a) The number of occupants on a property;
- (b) Garden refuse that is produced;
- (c) The nature and volumes of business and industrial refuse; and

- (d) Habits of consumers and facilities available to them.
- (e) Each consumer pays for the privilege to have a certain volume of refuse removed from his/her premises.
- (f) Should certain consumers have a need for increased volumes, they must bear the additional cost themselves.
- (g) This principle has the result that a more affordable service is supplied to the average consumer, while large consumers pay for their additional volumes.
- (h) A consumer who chooses to do his/her own refuse removal will still be liable for paying the refuse tariff, as the service is available to all consumers.
- (i) Tariffs are based on units of refuse removal.
- (j) One unit is defined as one bag of refuse removed once a week.
- (k) A refuse fee will be charged to all occupiers/owners of improved properties once a electricity meter has been installed.
- (l) A refuse levy will be payable by the owner where a building/house is unoccupied.

(1) Categories of consumers

- (a) Domestic consumers
- (b) Special Agreements
- (c) Caravan Parks.
- (d) Removal on Request
- (e) Businesses on Residential Properties
- (f) Additional Removals
- (g) Medium consumers
- (h) Bulk consumers
- (i) Governmental

(2) General

- (a) Tariffs as well as units to be removed from categories of consumers will be revised annually during the budgetary process.
- (b) Only refuse in the prescribed black plastic bags should be removed.
- (c) An additional service should be available upon special request for the removal of garden refuse.
- (d) Spare capacity of vehicles and teams could be utilised for this purpose.
- (e) Tariffs should be at such a level that total cost is recovered.
- (f) Consumers should be encouraged to do their own removals. Contractors should pay a dumping fee.
- (g) In the event of business being conducted from a residential property business tariff will be levied for refuse removal.
- (h) Refuse levy will be payable on properties used as storage or vacant properties.

## 15. SEWAGE TARIFF

(1) The following services are rendered in the Municipal area:

- (a) An internal water borne sewage system consisting of reticulation network and sewage works;
- (b) A limited number of properties are serviced by a bucket removal system. (c) A small number of properties are serviced by a septic tank service.

- (2) A fixed rate structure is applicable, which only differentiate between groups of properties:
- (a) Single residential
  - (b) Sectional title units
  - (c) Business and other properties
  - (d) Chalets and caravan parks
  - (e) Granny Flats
  - (f) Special agreements
  - (g) Availability charges on vacant properties
  - (h) Churches
  - (i) Bucket Removal systems
  - (j) Governmental

## 16. MISCELLANEOUS

- (1) An availability fee will be charged on vacant properties not connected to the sewage system should it be available.
- (2) This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties.
- (3) If the owner connects the service with the intention to improve the property, the debit will be adjusted pro-rata from the date of the connection.
- (4) A fixed tariff is charged for:
  - (a) sewage connections
  - (b) larger connection
  - (c) inspections for blockages
  - (d) opening of sewage blockages
  - (e) emptying of septic tanks
  - (f) industrial effluent

## 17. GENERAL

- (a) Tariffs shall be revised annually during the budgetary process.
- (b) Sewerage is levied annually and divided into twelve equal monthly instalments.

## 18. SUNDRY SERVICE TARIFF STRUCTURES

- (1) A variety of sundry tariffs are applied to recoup costs of sundry services provided to the public.
- (2) All such tariffs are based on cost of supply, but individual tariffs may be set at:
  - (a) subsidised levels;
  - (b) levels reflecting actual cost; or (c) levels producing profits.
- (3) The level, at which the Council 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.

(4) These tariff structures and tariffs will be revised at least once a year, during the annual budgetary process.

## 19. ADJUSTMENTS OF SERVICES

Where incorrect debits were raised regarding services, the accounts under query will be rectified for the year, in which the error has occurred, subject to the provisions in the Prescribed Act.

## 20. CONCLUSION

- (a) Tariffs represent the charges levied by Council on consumers for the utilisation of services provided by the Municipality and rates on properties.
- (b) Tariffs may be calculated in various ways, dependent upon the nature of the service being provided.
- (c) Tariffs may be set in such a manner so as to recover the full cost of the service being provided or to recover a portion of those costs.
- (d) The same principles stipulated in this policy will unilaterally apply in Trading-, Economical-, Subsidised and Community Services.

SIGNED BY:

MAYOR: CLLR SHIBAMBU B.A

SIGNATURE

DATE

**Council Resolution No:**