

Tariff Policy

Reviewed
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APPROVED

1. OBJECTIVE

1.1 The objectives of the Tariff Policy (Policy) are to ensure that –

- (a) All consumers within a specific category are treated equally and reasonably.
- (b) The income base of the municipality is optimally safeguarded by only approving exemptions, reductions and rebates that are reasonable and affordable.
- (c) The principles supporting the Councils Mission, Vision and IDP are supported.
- (d) Municipal tariffs are set in a manner that promotes the provision of reliable, sustainable and affordable services to all.

2. DEFINITIONS

2.1 In this Policy, unless the context otherwise indicates –

- (a) “**Availability tariff**” means where vacant properties are not connected to the municipal infrastructure but can reasonably connect to the service.
- (b) “**Accommodation 1-8 bedrooms**” means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the number of lettable bedrooms does not exceed 8.
- (c) “**Accommodation 9+**” means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the total number of lettable bedrooms exceeds eight or the property offers restaurant and/or bar and/or conference facilities.
- (d) “**Basic charge**” also referred to as a minimum charge, is the recovery of the distribution and billing-related costs, which include having a distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining customer records.
- (e) “**Business**” means the activity of buying, selling or trading in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.
- (f) “**Business unit**” in relation to any premises, means a building or section of a building occupied or used for shops, offices, hotel rooms and etcetera.
- (g) “**Industrial consumers**” means industrial undertakings, factories, warehouses, workshops, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers.

- (h) **“Community service”** means services in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature.
- (i) **“Consumer”** means the owner of a premises, regardless of whether it is domestic, commercial, industrial or any other type and who has entered into an agreement with the Municipality for the supply of a service. A consumer must only be the owner and not a tenant or lessee.
- (j) **“Council”** means the Bitou Municipal Council, and "Municipal Council" shall have a corresponding meaning.
- (k) **“Domestic consumers”** means residential properties, group housing, town houses, semi-detached houses and suchlike properties.
- (l) **“Due date”**–
 - (i) In relation to accounts payable monthly on a recurring basis, the 07th of the month which follows on the month during which an account is rendered;
 - (ii) In relation to accounts payable annually, 30 September unless otherwise provided by any other law; and
 - (iii) In all other instances, as and when demand for payment is made by the Municipality.
- (m) **“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.
- (n) **“Educational institutions”** means schools and suchlike institutions.
- (o) **“Fixed costs”** means costs which do not vary with consumption or volume produced.
- (p) **“Indigent households”** means households that are registered at the Municipality as such and meet the municipality's criteria in terms of its Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy and occupying a property within the jurisdiction of the Municipality and "poor households" shall have a corresponding meaning.
- (q) **“MFMA”** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
- (r) **“Minimum charge”** shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.
- (s) **“MSA”** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- (t) **“Owner”** in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors.

- (u) **“Premises”** means any erf, immovable property or property which is capable of receiving municipal services whether it is receiving such services or not and whether occupied or not.
- (v) **“Property”** means –
 - (i) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
 - (ii) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
 - (iii) A land tenure right registered in the name of a person or granted to a person in terms of legislation; and
 - (iv) Public service infrastructure.
- (x) **“Public benefit organisations”** means an organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.
- (y) **“Resident”** means a person who ordinarily resides in the municipal area.
- (z) **“Place of public worship”** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –
 - (i) Registered in the name of the religious community;
 - (ii) Registered in the name of a trust established for the sole benefit of a religious community; or
 - (iii) Subject to a land tenure right.
- (aa) **“Non-residential”** means all property other than those defined as residential.
- (bb) **“Service charge”** means the charged levied for the provision of a service on a daily, monthly or annual basis.
- (cc) **“Special agreements”** means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and that create job opportunities.
- (dd) **“Sport and recreation facilities”** means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption.
- (ee) **“Total cost”** means the sum of all fixed and variable costs associated with a service.

- (ff) **“Trading services”** means services referred to in Paragraphs 7.1(a), 9.2 and 9.3 in the Policy in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services.
- (gg) **“Units consumed”** means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Paragraphs 9.2 and 9.3 in the Policy.
- (hh) **“Variable costs”** means costs that vary with consumption or volume produced.
- (ii) **“VAT”** means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended.

3. ABBREVIATIONS

Kg	Kilogram
Kl	Kilolitre or 1,000 litres
kVa	Kilovolt Ampere
kWh	Kilowatt Hour
m³	Cubic Meter

4. PURPOSE OF THIS POLICY

- 4.1 The Bitou Municipality wishes to achieve the following objectives by adopting this Policy –
- (a) To comply with the provisions of Section 62(1)(f) of the MFMA;
 - (b) To comply with the provisions of Section 74 of the MSA;
 - (c) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of Section 76(b) of the MSA; and
 - (d) To give guidance to the Executive Mayor regarding tariff proposals that must be submitted to the Council annually during the budget process.

5. TARIFF PRINCIPLES

- 5.1 In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.
- 5.2 The Municipality wishes to record that the following tariff principles will apply –
- (a) Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user of the

services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the relief measures for poor households and deserving categories of users approved by the municipality from time to time); and

- (b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

5.3 Tariffs for service charges rendered by the Municipality, namely –

- (a) Electricity;
- (b) Water;
- (c) Sanitation; and
- (d) Refuse;

And the Municipality shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff, which a particular consumer or user pays shall therefore be directly related to the cost to the municipality of rendering the services that are used or consumed.

5.4 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 consumers 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.

5.5 The Municipality's Policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.

5.6 The Municipality shall ensure that its tariffs shall be readily understandable by all users affected by the Policy.

5.7 The Municipality undertakes to render its service costs effectively in order to ensure the best possible cost of service delivery.

5.8 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 municipality must ensure that meters are functional and accurate to ensure that consumers are billed for their actual consumption. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

5.9 The Municipality shall levy monthly availability or basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies. Generally, consumers of water and electricity shall therefore pay two charges: one, which is unrelated to the volume of consumption and is to recover the distribution on costs; and another directly related to the consumption of the service in question.

- 5.10 In considering the costing of its water, electricity and sewerage services; the Municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The Municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.
- 5.11 The Municipality shall, by adopting what is fundamentally a two-part tariff structure, namely a fixed minimum charge coupled with a charge based on consumption, endeavour to address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 5.12 Part of the Municipality's Policy for electricity services will be 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. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.
- 5.13 A property used for multiple purposes must for purposes of these tariffs be assigned to a category determined by the Council for properties used for a purpose corresponding with the dominant use of the property if the Municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.
- 5.14 The different units on a single erf whether occupied as a residential unit or utilised as a business unit or any other use in line with this policy, will be levied for all basic services individually as provided for in the tariff structure in line with the use of such unit.
- 5.15 In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised annually depending on the defaults instances.

6. CATEGORIES OF CONSUMERS

- 6.1 Separate tariff structures may be imposed for the following categories of consumers (which the council may change) –
- (a) Residential consumers;
 - (b) Business or Commercial consumers;
 - (c) Industrial consumers;
 - (d) Municipalities;

- (e) Consumers with whom special agreements were made;
- (f) Educational institutions;
- (g) Public benefit organisations and suchlike institutions; and
- (h) Places of worship.
- (i) Agricultural consumers
- (j) State owned properties

- 6.2 Where substantially different demands are made on the infrastructure 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 Director, determine differentiated tariffs for the different consumers within the specific category.
- 6.3 The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.
- 6.4 If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users, the Chief Finance Officer 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.

7. SERVICE AND EXPENDITURE CLASSIFICATIONS

7.1 Service classification

The Chief Financial Officer may, subject to the guidelines provided by the National Treasury and the Mayoral Committee of the Council, make provision for the following classification of services:

(a) Trading Services:

- (i) Water; and
- (ii) Electricity.

(b) Economic Services:

- (i) Solid Waste; and
- (ii) Waste Water.

(c) Community services:

- (i) Air Pollution;
- (ii) Firefighting Services;
- (iii) Local Tourism;
- (iv) Town Planning;
- (v) Municipal Public Works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
- (vi) Storm Water management system in built-up areas;
- (vii) Trading Regulations;
- (viii) Fixed Billboards and the display of advertisements in public places;
- (ix) Cemeteries;
- (x) Control of Public Nuisances;
- (xi) Control of undertakings that sell liquor to the public;
- (xii) Facilities for accommodation, care and burial of animals;
- (xiii) Fencing and fences;
- (xiv) Licensing and control of undertakings that sell food to the public;
- (xv) Local Amenities;
- (xvi) Local Sport Facilities;
- (xvii) Municipal Parks and Recreation;
- (xviii) Municipal Roads;
- (xix) Noise Pollution;
- (xx) Pounds;
- (xxi) Public Places;
- (xxii) Street Trading / Street Lighting;
- (xxiii) Traffic and Parking;
- (xxiv) Building Control;
- (xxv) Licensing of Motor Vehicles and Transport Permits; and

(xxvi) Nature reserves.

(b) Subsidised Services:

- (i) Libraries and Museums;
- (ii) Proclaimed Roads; and
- (iii) Street lights.

7.2 Expenditure classification

Expenditure will be classified in the following categories –

(a) Subjective Classification as per mSCOA Chart:

- (i) Employee Related Costs;
- (ii) Remuneration of Councillors;
- (iii) Bad Debt Impairment;
- (iv) Depreciation and Asset Impairment;
- (v) Finance Charges;
- (vi) Bulk Purchases;
- (vii) Other Materials;
- (viii) Contracted Services;
- (ix) Transfers and Subsidies;
- (x) Other Expenditure;
- (xi) Loss on Disposal of Property, Plant and Equipment; and
- (xii) Capital Expenditure for Capital Projects.

(b) Objective Classification:

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated per –
 - (aa) Department;
 - (bb) Division; and

(cc) Section.

- (ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

7.3 Cost elements

The following cost elements will be used to calculate the tariffs –

- (a) 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 and any other costs as determined by the Council from time to time;
- (b) Variable costs: This includes all other variable costs; and
- (c) Total costs: Consist of the fixed cost and variable cost.

8. TARIFF TYPES

8.1 In determining the type of tariff applicable to the type of service the municipality shall make use of the following options or a combination of the same.

- (a) Single Tariff:

This tariff shall consist of a cost per unit consumed.

- (b) Two to Three Part Tariff – Electricity:

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.

- (c) Inclining Block Tariff – Electricity:

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

(d) Declining Block Tariff – Electricity:

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit, determined by council from time to time, by the volume consumed. This tariff will only be used for special agreements.

(e) Regulating Tariff – Electricity:

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.

(f) Time-of-Use Tariff – Electricity:

This tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.

9. TARIFF STRUCTURES AND METHODS OF CALCULATIONS

9.1 Calculation of Tariffs for Major Services

(a) In order to determine the tariffs, to be charged for the supply of water and electricity, the municipality shall endeavour to include at least the operational costs of the undertakings concerned.

(b) To determine the basic or minimum charge the following categories within the operating budget will be included as a basis for calculation –

- (i) Capital costs (interest on loans);
- (ii) Maintenance of infrastructure and other fixed assets;
- (iii) Salary costs; and
- (iv) Depreciation expenses.

(c) To determine the unit charges the following categories within the operating budget will be used as a basis for calculation –

- (i) Cost of bulk purchases in the case of electricity;
- (ii) Distribution costs (General Expenses);
- (iii) Distribution losses;
- (iv) Administration and service costs, including –

- (aa) Service charges levied by other departments such as finance, human resources and legal services;
 - (bb) Reasonable general overheads, such as the costs associated with the office of the Municipal Manager;
 - (cc) Adequate contributions to the provisions for bad debts and obsolescence of stock; and
 - (dd) 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.
- (d) The intended surplus to be generated for the financial year, such surplus to be applied –
- (i) As an appropriation to capital reserves; and/or
 - (ii) Generally, in relief of rates and general services; and/or
 - (iii) The cost of approved indigent relief measures.
- (e) The Municipality shall provide the first 50 kWh of electricity per month to registered indigent, qualifying pensioners and qualifying disabled consumers free of charge. The Municipality shall further consider relief in respect of the tariffs for sewerage, water and refuse removal for such registered indigents, pensioners and disabled persons to the extent that the Council deems such relief affordable in terms of each annual budget. Multiple step inclining block tariffs are utilised to enable the consumer to exercise control over the cost to themselves.
- (f) The Municipality shall adhere the requirements of the National Energy Regulator insofar as the tariff modelling of the municipality is concerned and prepare and submit a cost of supply study to NERSA as and when required for the approval of the tariff structure to be implemented by the municipality.

9.2 Water

- (a) Fixed costs plus rising block tariffs will apply to all consumers.
- (b) The following blocks will apply:

DOMESTIC PROPERTY :-		
Residential Indigent, Pensioners and People with Disabilities		
Consumption Charge : First 0 - 6 Kl	per kl	As per Tariff Book
Consumption Charge: 7kl - 10 Kl	per kl	As per Tariff Book
Consumption Charge: 11kl -15 Kl	per kl	As per Tariff Book
Consumption Charge : 16kl - 25 Kl	per kl	As per Tariff Book
Consumption Charge : Above 25kl	per kl	As per Tariff Book
Residential Other		

Consumption Charge : > 0 -25 Kl	per kl	As per Tariff Book
Consumption Charge: 26kl - 30 Kl	per kl	As per Tariff Book
Consumption Charge: 31kl - 40 Kl	per kl	As per Tariff Book
Consumption Charge : 41kl - 50 Kl	per kl	As per Tariff Book
Consumption Charge : 51kl – 60kl	per kl	As per Tariff Book
Consumption Charge: 61 kl – 70 kl	Per kl	As per Tariff Book
Consumption Charge: Above : 70 kl	Per kl	As per Tariff Book
BUSINESS :-		
Service Charge per annum	per premises / per business unit/per shop unit /per Hotel room /per annum	
COMMERCIAL CONSUMPTION CHARGE		
Consumption Charge : > 0 - 60 Kl	per kl	As per Tariff Book
Consumption Charge: 61kl - 100 Kl	per kl	As per Tariff Book
Consumption Charge: 101kl -200 Kl	per kl	As per Tariff Book
Consumption Charge : Above 200kl	per kl	As per Tariff Book
AGRICULTURAL (RURAL)		
COMMERCIAL CONSUMPTION CHARGE		
Consumption Charge : > 0 - 20 kl	per kl	As per Tariff Book
Consumption Charge: 21kl - 30 kl	per kl	As per Tariff Book
Consumption Charge: 31kl -40 kl	per kl	As per Tariff Book
Consumption Charge : Above 40kl	per kl	As per Tariff Book

(d) Method of calculation

- (i) Indigent, pensioners and people with disability consumers will receive the appropriate 6 Kl free water.
- (ii) The fixed costs of the service shall consist of the costs indicated as such by the council per premises/per unit/ per dwelling.
- (iii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
- (iv) Where properties are not connected to the water service but can reasonably be connected to the service an **availability tariff** will be payable.
- (v) 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.

(e) Drought tariffs

(i) Drought Situation Stage 1

This tariff will be applied only if the **Roodefontein** Dam is at 80% - 60% volume

(ii) Drought Situation Stage 2

The tariff will be applied only if the **Roodefontein** Dam is at 40% or the river flow of the Keurbooms River is at 400 litres per second and **when consumption is more than 20kl per month**. The sliding scale will be charged from 21 - 30kl of consumption.

(iii) Drought Situation Stage 3

The tariff will be applied only if the **Roodefontein** Dam is at 25% or the river flow of the Keurbooms River is at 300 litres per second and **when consumption is more than 50kl per month**. The sliding scale will be charged from 16kl of consumption.

(iv) Drought Situation Stage 4

The tariff will be applied only if **the Roodefontein** Dam is at 35% - 21%. On **consumption greater than 15kl per month per household connection**. The sliding scale will be charged from 16kl of consumption.

(v) Drought Situation Stage 5

The tariff will be applied only if **the Roodefontein** Dam is at 20%. On **consumption greater than 15kl per month per household connection**. The sliding scale will be charged from 16kl of consumption.

9.3 Electricity

(a) Tariff structure

- (i) Maximum demand (kVA) plus fixed tariff plus kWh consumed.
- (ii) Fixed tariff plus kWh consumed.
- (iii) Unit tariff (KWh consumed) (Pre-payment meters).
- (iv) Basic charge calculated in accordance with the size of connection (AMP Charge per ampère per month)

(b) Method of calculation

- (i) Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- (ii) 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 reflected in the following tables will be used.

Cost groupings	Underlying cost-allocation bases		
	Capacity costs: expressed as Rands/kVa/month	Variable costs: expressed as Cents/kWh	Customer specific costs: expressed as rands/ customer/month
Purchase cost	√	√	
Capital costs	√	√	√
Support costs	√		√

Tariff types	Tariff components			
	Fixed charge (rands/ customer/ month)	Energy charge (cents/kWh)	Time-of-use energy charge expressed as (cents/kWh)	Capacity charge expressed as (rands/kVa/ month)
One-part single energy rate tariff (Lifeline tariff)		√		
Two-part tariff	√	√		
Three-part tariff	√	√		√
Three-part time-of-use	√		√	√

- (iii) The one-part single energy rate tariff:

For the one-part single energy rate tariff, all costs are expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:

- (aa) The rands/kVa/month cost must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to use the one-part single energy rate tariff.

- (bb) The rands/customer/month fixed cost should also be allocated into the cents/kWh charge and allocated to the kWh purchase costs in such a way as to ensure that at a level of monthly consumption of kWh, the full amount of the fixed costs would have been recovered through the cents/kWh charge.

- (iv) The three-part tariff:
 - (aa) The rands/kVa charge recovers the capital cost elements. Some of this cost must be reallocated into different tariff elements.
 - (bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa costs.
 - (cc) The rands/customer/month charge is not reallocated.

- (v) The three-part time-of-use tariff:
 - (aa) As with the standard three-part tariff, a portion of the rands/kVa/month charge is reallocated into the various time-of-use cents/kWh charges. The amount of the reallocation takes place with regard to the customer's load factor. The time-variation of the capacity costs is taken into account in the reallocation of the rands/kVa charge into the various time-of-use cents/kWh charges.
 - (bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa charges.
 - (cc) The rands/customer/month charge is not reallocated.

- (vi) Where council decides to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

- (vii) Where properties are not connected to the electricity service but can reasonably be connected to the service an availability tariff will be payable. The Town Electrical Engineer will annually determine the tariff.

9.4 Solid Waste (Refuse removal)

(a) Tariff structure

- (i) Wheelie Bin or equivalent volume per number of removals per week.

(b) Method of calculation

- (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service.

- (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
 - (iii) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers, tariffs will be determined based on the estimated volume that will be removed per month.
 - (iv) Costs for once-off removals will be calculated per truckload.
 - (v) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
 - (vi) Compulsory use - A refuse removal tariff will be raised and is payable by all owners or occupiers of each situated on the waste removal network, irrespective of whether they making use of the service of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
 - (vii) No refuse removal tariffs will be raised in areas where council has not introduced a refuse removal service.
- (c) Reallocation of consumers due to excessive consumption
- (i) Where a consumer is found exceeding the tariff applicable to their category of solid waste for which they are levied –
 - (aa) They will be moved to the appropriate corresponding tariff category.
 - (bb) They may approach Council for reinstatement to the original tariff. Subject to evidence provided.

9.5 Waste Water (Sewerage/emptying of conservancy tanks)

(a) Tariff structure

- (i) Properties connected to the sewerage reticulation network.
- (ii) Tanker vehicle per load.

(b) Method of calculation

- (i) A fixed basic charge will be payable for each property connected to the sewerage reticulation network irrespective of number of toilets or size of business units. Per dwelling/ per unit/ per premises –

- (aa) Domestic
- (bb) Business
- (ii) Where properties are not connected to the sewerage network but can reasonably be connected to the service an **availability tariff** will be payable. The tariff will be calculated by adding a surcharge to the fixed costs applicable to connected consumers per category.
- (iii) An effluent charge will be charged to promote more efficient use of council's sewerage infrastructure.
- (iv) The cost of emptying conservancy tanks will be based on the load, During normal working hours, outside normal working hours, Sunday and Public holidays
- (v) For the operation of the septic tank effluent drainage system [STED] in Areas with septic Tanks and Areas with septic Tanks an annual sewerage charge shall be levied for the effluent discharged into the Council's sewer system.
- (vi) In respect of the vacuum tanker removals from the STED system no charge shall be levied by Council for such service.

9.6 Calculation of minor tariffs

- (a) All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in Paragraphs 9.1 to 9.5 above) 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.
- (b) All minor tariffs over which the Municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.
- (c) The following services shall be considered as community services, and no subsidised tariffs shall be levied for their use –
 - (i) Municipal lending library (except for fines set out below);
 - (ii) Maintenance of graves and garden of remembrance (cremations);
 - (iii) Rentals for the use of municipal halls and other premises (subject to the proviso set out below).
 - (iv) Building plan fees;
 - (v) Clearance certificates for purposes of property transfers; and

- (vi) Town planning fees.
- (d) 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 –
- (i) Housing rentals;
 - (ii) Sales of plastic refuse bags;
 - (iii) Sales of refuse bins;
 - (iv) Cleaning of stands;
 - (v) New connection fees: electricity, water, sewerage; and
 - (vi) Photostat copies and fees.
- (f) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined at a reasonable level (with due regard to direct and indirect costs involved, need for discouraging undesirable practices and advantages enjoyed by user) in each annual budget –
- (i) Fines for lost or overdue library books;
 - (ii) Advertising sign fees;
 - (iii) Pound fees;
 - (iv) Disconnection and reconnection fees: electricity, water;
 - (v) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection; and
- (g) Market-related rentals shall be levied for the lease of municipal properties defined as investment assets.
- (h) In the case of rentals for the use of municipal halls and premises, if the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may allow a discount or exemption on the rental that would otherwise have applied.
- (i) The Municipal Manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.
- (j) Tariff structure:
- (i) The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.
- (k) Overdue Amounts
- (i) The municipality shall be entitled to levy an administration fee on a month-to-month basis on all overdue accounts subject to such maximum amount per month as the Council may determine.
 - (ii) The municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be

incorporated into an acknowledgment of debt in favour of the municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

10. CAPITAL CONTRIBUTIONS

10.1 For purposes of these tariffs the under mentioned words and expressions shall have the following meanings assigned to them unless the context otherwise requires –

- (a) “**capital contributions**” means the tariffs (augmentation fees) payable in respect of the water, electricity, sewerage, storm water, roads and refuse removal infrastructure of the Municipality as determined by Council and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure.

11. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

11.1 The tariffs will be approved as part of the annual budget.

11.2 The tariffs will come into effect as and when determined by the Council.

12. IMPLEMENTATION OF THE POLICY

12.1 The principles contained in this Policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Systems Act.

12.2 The Council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

13. ADJUSTMENT OF ACCOUNTS

13.1 Where incorrect debits were raised, the accounts under query will be rectified as necessary for the current financial.

13.2 Where the property rates levied on a particular property have been incorrectly billed or omitted or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted. Property rates will be adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll. Interest on the unpaid portion of the adjusted property rates payable shall be levied at the applicable prime interest rate plus 1% from the date the correction was made. This section does not prevent the Municipality from retrospectively levying rates where the Municipality is able to prove the claim in a normal legal process.

- 13.3 Where the property rates levied on a particular property have been incorrectly billed due to incorrect categorisation by the municipality, the property rates payable shall be appropriately adjusted. Property rates will be adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first incorrectly levied in terms of the current valuation roll.
- 13.4 Where the service charges levied on a particular property have been incorrectly billed to the detriment of the consumer, the correction will be made retrospectively from the date that charges were incorrectly levied. Where the municipality, through its processes discovers that a service has not been charged on a customer's account by error, due to the service not been activated or any other reason, the municipality may bill the service after having informed the customer retrospectively for up to three (3) years. This section does not prevent the Municipality from retrospectively levying service charges where the Municipality is able to prove the claim in a normal legal process.

14. SHORT TITLE

- 14.1 This policy is called the Tariff Policy of the Bitou Municipality.

APPROVED