



## **TARIFF POLICY 2022 / 2023**



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## PREAMBLE

WHEREAS Section 74 of the Local Government: Municipal System Act (Act 32 of 2000) provides that –

Kannaland Municipal 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. 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. 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.

THEREFORE, Kannaland Municipal Council adopts this policy to be known as ***“The Kannaland Municipal Tariff Policy”***.

## 1. DEFINITIONS

In this Policy, unless inconsistent with the context –

**“Accounting Officer”** means the municipal manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, (Act no, 177 of 1998) and being the head of administration and accounting officer in terms of section 60 of the Local Government: Municipal Systems Act (Act No. 32 of 2000;

**“Accommodation Establishments”** in relation to a property means the supply of overnight facilities to guests and tourists;

**“Additional residential units”** additional units erected on an erf zoned as single or general residential, it can form part of the main structure or be separated. The size of the additional units must vary between 30 and 120 square meters and does not have to have separate service connections. Loose standing units may only have a ground level structure. Each unit must have direct access from ground level;

**“Agricultural Property”** Means a property that is used primarily for agricultural purposes but, without derogating from section 9, of the Municipal Property Rates Act (Act 6 of 2004) excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

**“Availability charges”** An availability charge for electricity, water and sewerage as determined from time to time by the Council shall be levied and will be payable on all properties on a monthly basis, except in cases where the site has been declared inhabitable by the municipality, with or without improvements, whether or not the property is connected to the electricity reticulation / water network / sewerage network systems of the Council. Such fee shall be levied only if;

- a) a monthly Basic fee is not levied;
- b) the property is adjacent to such a service; and
- c) in the opinion of the Council, the services can reasonably be connected.

**“Average consumption”** means the average consumption by a customer of a municipal service during a specific period, which consumption is calculated by dividing the total measured consumption of that service over that period, by the number of periods;

**“Back yard dwellers”** a standalone building structure smaller than 30m<sup>2</sup> on an existing property where the main building / house is less than 60m<sup>2</sup>, where the occupant is a permanent resident;

**“Customer/user”** means any person to whom a service is rendered or made available by the council;

**“Dwelling”** a separate structure on a property, where a household lives as a permanent resident, with an authorized separate municipal service connection for water and / or electricity;

**“Households”** all persons older than 18 years that resides within a dwelling on a property within the jurisdiction of the Council regardless, whether the person rents or owns the property;

**“Indigent level 1 household”** means a household with a total monthly income of not more than two times the monthly Government old age pension;

**“Indigent level 2 households”** means a household with a total monthly income of more than two times, but less than four times the monthly Government old age pension;

**“Interest”** means a charge levied on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate;

**“Mining Property”** means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act. No. 28 of 2002);

**“Multiple purposes”** in relation to a property, means the use of a property for more than one purpose, subject to section 9 of the Municipal Property Rates Act (Act 6 of 2004);

**“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 1998 (Act no. 27 of 1998);

**“Municipal council”** means the council of Kannaland Municipality;

**“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 (Act no, 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 –
  - i) 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, 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; shall be deemed not to be an occupier of the immovable property concerned.

**"Office Bearer"** in relation to places of worship, means the primary person who officiates at services at that place of worship;

**"Official residence"** in relation to places of public worship, means –

- a) a portion of the property used for residential purposes; or
- b) one residential property, if the residential property is not located on the same property as the place of worship;

**“Owner”** –

- a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;

- b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered:
- i) in relation to a time-sharing interest contemplated in the Property Time-Sharing Control Act, 1983 (Act 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-Sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;
  - ii) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act 59 of 1980)
  - iii) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f) of the Municipal Property Rates Act, means the holder of the mining right or the mining permit.
- c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of the Municipal Property Rates Act be regarded by a municipality as the owner of a property in the following cases;
- i) A trustee, in the case of a property in a trust excluding state trust land;
  - ii) An executor or administrator, in the case of a property in a deceased estate;
  - iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
  - iv) A judicial manager, in the case of a property in the estate of a person under judicial management;
  - v) A curator, in the case of a property in the estate of a person under curatorship;
  - vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject of a usufruct or other personal servitude;
  - vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it;
  - viii) A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or
  - ix) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;



**“Person with a disability”** means someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day-to-day activities. This excludes caring facilities or old age homes.

**"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 –

- a) registered in the name of the religious community;
- b) registered in the name of a trust established for the sole benefit of a religious community;
- or
- c) subject to a land tenure right

**“Private Open Space (POS)”** means vacant land belonging to private owners;

**“Property”** means-

- a) 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;
- b) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- c) A land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- d) Public service infrastructure;

**“Protected Area”** Those parts of a special nature reserve, national park or nature reserve within the meaning of the national Environmental Management Protected Areas Act, (Act no.57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management Biodiversity Act (Act no. 10 of 2004), which are not developed or used for commercial, business, agricultural or residential purposes.

**"Public benefit organisation (PBO)"** means properties owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the 'Ninth Schedule to the Income Tax Act;

**"Public Service Infrastructure (PSI)"** means publicly controlled infrastructure.

**“Public Service Infrastructure – Impermissible (PSII)”** means the national, provincial and local government properties that are phasing out for rates payment according to Sec 83 of the MPRA (full definition included under MPRA above);

**"Public Service Properties (PSP) (previously (GOV))"** in relation to the use of a property means property owned and used by an organ of state as –

- a) hospitals or clinics;
- b) schools, pre-schools, early childhood development centres or further education and training colleges;
- c) national and provincial libraries and archives;
- d) police stations;
- e) correctional facilities; or
- f) courts of law; but excludes property contemplated in the definition of "public service infrastructure (PSI);

**"Ratio"** in relation to section 19 of the Municipal Property Rates Act (Act No.6 of 2006), means the relationship between the cent in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;

**"Residential property"** means a property included in a valuation roll in terms of section 48(2)(b) of the Municipal Property Rates Act No.6 of 2004 (MPRA) in respect of which the primary use or permitted use is for residential purposes without derogating from section 9 of the MPRA.

**"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, (Act no. 32 of 2000); and

**"The Act"** means the Municipal Systems Act, (Act no, 32 of 2000);

## 2. OBJECTIVE

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

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

This Policy will cover the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements. In setting its tariffs the council shall at all times take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

The Kannaland Municipal Council has the overall responsibility of laying down the Tariff Policy.

## 3. TARIFF PRINCIPLES

A tariff policy must be compiled, adopted and implemented in terms of section 74(1) Local Government Municipal Systems Act No. 32 of 2000 and section 62(1)(f) of the Municipal Finance Management Act No. 53 of 2003.

In terms of section 74(2) of the Systems Act of 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) Indigent households have access to at least basic services through:
  - i) Special or life-line 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 indigent 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. A service is financially sustainable when it is provided in a manner that would ensure its 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;

- e) Provision is made in appropriate circumstances for a surcharge or a rebate on the tariff for a service;
- f) Provision is made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- g) The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives is encouraged; and
- h) The extent of subsidisation of tariffs for indigent households and other categories of users are fully disclosed;
- i) 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**

### **4.1 Revenue Adequacy and Certainty**

The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

- a) Fully utilize the available sources of revenue to meet its development objectives; and
- b) Be reasonably certain of its revenue to allow for realistic planning.

### **4.2 Sustainability**

Financial sustainability requires that the Municipality must ensure that its budget balances. This means that the Municipality must ensure that:

- a) Services are provided at affordable levels; and
- b) It is able to recover the costs of service delivery.

The Municipality realizes that no aid will be provided to it if it exceeds its budget or fails to establish proper financial management controls. Councillors will set realistic budgets. All members of the community have the right to have access to at least a minimum level of basic services. There are, therefore, a need to subsidize poor households, who are unable to pay even a proportion of service costs.

### **4.3 Effective and Efficient usage of Resources**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community. However, there are no mechanisms available to ensure that the Municipality's decisions will ensure effective allocation of resources. It is therefore important that the community provide the necessary checks and balances. They can do this by participating in the budget process. In addition, performance audits should be carried out by the office of the Auditor-General or outsourced to a private firm. Efficiencies in spending and resource allocation will ultimately increase the access of the poor to basic services.

### **4.4 Accountability, Transparency and Good Governance**

The Municipality must be accountable to the community for the use of its resources. Councillors must be able to:

- a) Justify their expenditure decisions; and
- b) Explain why and how the revenue necessary to sustain expenditure, is raised.

Budgeting and the financial affairs of the Municipality must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent. Community participation in budgeting should include those groups in the community, such as women, who face particular constraints in participating. It must also include a capacity-building component to ensure that people understand the prioritization process (why resources are allocated to one area rather than another).

### **4.5 Equity and Redistribution**

The Municipality must treat members of the community equitably with regard to the provision of services.

### **4.6 Development and Investment**

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

## 5. SOURCES OF REVENUE

- a) In terms of section 229 of the Constitution of the Republic of South Africa, (Act no, 108 of 1996), the Municipality may impose:
  - i) Rates on property and surcharges on fees for services provided by or on behalf of the Municipality; and
  - ii) 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.
- b) 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.
- c) 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.

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. IMPLEMENTATION OF POLICY

### 6.1 Free Basic Services

The Municipality subscribes to the policy that all poor 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. The Municipality will aim to achieve the goal of providing free basic services by developing this Policy in conjunction with the Kannaland Indigent Policy. The specific services this relates to are:

- a) Water
- b) Domestic waste and sewage removal
- c) Domestic refuse removal
- d) Electricity

The Council is aware that it currently does not provide all these services to all residents within its municipal area. It is also aware that, some of the services is currently provided, or may be provided by other bodies, in which case, the Council commits to make representations and negotiate with those service providers to achieve its goal.

## **6.2 Affordable Tariffs**

The Council is aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. To ensure that tariffs remain affordable, the Council will ensure that –

- a) Services are delivered at an appropriate level;
- b) Efficiency improvements are actively pursued across the Municipalities' operations;
- c) A performance management system is introduced to ensure that plans that are devised are implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used; and
- d) 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 Municipality to maintain significant infrastructure and other facilities, are to be phased out, except where the Council is by law required to provide such a service.

To increase affordability for indigent persons, the Council will ensure that its equitable share of revenue raised nationally, will be used to subsidise a specified level of basic services for them.

## **6.3 Tariff Equality for Services and Property Rates**

The Council believes that all residents and ratepayers must pay the same tariff for the same level and quality of service. However different categories of properties can have different tariffs.

## 6.4 Rates

Property rates is an important source of discretionary revenue for the Municipality. It is used to finance services that cannot be apportioned to individual consumers and to balance the budget after service charges have been determined. It is therefore imperative that property rates must be levied, and is payable in respect of, all rateable properties within the municipal area. The Council will, as a first step, ensure that all properties are valued in terms of the Local Government Property Rates Act No. 6 of 2004.

The Municipality, like any other business enterprise is subject to continuous price increases in goods, materials, and other resources that it uses to perform its functions. Consequently, it is the policy of the Council:

- a) That tariffs for services and property rates will be reviewed at least once during every financial year;
- b) 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 functions; and
- c) Further the tariff for a particular service must be calculated in such a way that all relevant costs are covered. 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.

## 6.5 Payment for Services Rendered

Taking cognisance of Council's policy on a minimum amount of free basic services for all poor households, Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of 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 Council will develop a programme to install meters and charge for services and as in the case of free basic services, the consumption over and above the free units. It is also the Council's policy that the tariffs for such services must include all relevant cost factors as stated above.



## **6.6 Local Economic Development and Competitiveness**

The size of the property rates and service charges accounts presented to local businesses is a significant business overhead for any business enterprise in the municipal area. The overhead of a business is one of the factors that influence and chances of survival. The Council will take care that the municipal account presented to local businesses are fair. To ensure fairness toward local business, Council will when it determines tariffs, consider the desire:

- a) To promote local economic competitiveness; and
- b) To promote local economic development and growth.

## **6.7 Service Delivery Sustainability**

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 that 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, 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 the charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are recovered.

Where a trading and economic service is available to a property, an availability levy will be imposed if the occupier of the property does not use the service concerned, or if the property is vacant. The availability levy, if possible, will be adequate to cover the pro rata cost of the initial capital expenditure, interest thereon, depreciation and the maintenance of the infrastructure associated with service delivery.

## **6.8 Tariff Determination**

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and for rates on properties. Tariffs may be calculated in various ways, dependent upon the nature of the service being provided. Tariffs may be set to recover the full cost of the service being provided or to recover a

portion of those costs, or to bring about a surplus that can be utilized to subsidize other non-economical services.

In special circumstances, such as significant increases in the wholesale price of goods and services that is relevant to the provision of services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Council's public participation process.

Immediately after the Council has determined or amended a tariff, the municipal manager must clearly display it at all the offices of the Municipality as well as at such other places within the municipal area, as she / he may determine.

The notice must state –

- a) The general purpose of the resolution;
- b) The date on which the determination or amendment comes into operation;
- c) The date on which the notice is displayed;
- d) 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
- e) 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.

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.

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 tariff, 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.

## **7. TARIFF STRATEGY**

The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

- 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 standards; and
- c) The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

### **7.1 Recovery of Cost**

Resource management expenditure is those activities that are required to regulate, manage and maintain the service.

### **7.2 Capital Costs & Depreciation**

Capital cost expenditure is the Council's obligation to meet the repayments on loans negotiated to finance the provision of the service. Depreciation as a capital cost represents the costs associated with usage over time.

### **7.3 Maintenance Costs**

These are normal running costs to maintain the service at the established level of service provision.

### **7.4 Consumption /Usage**

In the case of measurable services, the actual cost of usage of the services is easily determined. Where measurable services are provided without measuring devices being installed, the cost will be calculated by using the sectarian charge multiplied by the bulk registered consumption or estimated volume of consumption divided by the number of households/properties.

### **7.5 Cost of Immeasurable Services**

These services are normally community and subsidized services and the cost will be recoverable through a rating policy as determined from time to time. Recovery of costs will therefore be equalized over the total area of jurisdiction of the Council and the principle of collective payment will apply.

## **8. SERVICES CLASSIFICATION**

Traditionally, municipal services have been classified into four groups based on how they are financed. The four groups are as follows:

### **8.1 Trading Services**

Water and electricity provisions are trading services. Typically, the consumption of a trading service is measurable and can be apportioned to an individual consumer. These services are managed like businesses. The tariffs for these services are determined in such a way that a net trading surplus is realized. The trading surplus is used to subsidize the tariffs of non-trading services.

### **8.2 Economical Services**

Sewage and domestic household removal are economic services. 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.

### **8.3 Subsidized Services**

Subsidized services include firefighting, approving building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions. Subsidized services are those services where the consumption can be determined reasonably accurately and apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases these services are not only beneficial to the consumer but to the community as whole. A user charge is payable for using or the availability of the service, but the tariff is much lower than the real cost of providing the service.

### **8.4 Community Services**

Community services are those services the consumption of which cannot be determined nor apportioned to individual consumers. These services are typically financed through the imposing of rates on properties. Examples are the establishment, operation and

maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, management and maintenance of cemeteries.

The Municipality also provides services in support of the above-mentioned services. These are called staff functions and include committee services, records and archives, financial management accounting and stores, occupational health and human resources management. These services are financed through property rates.

## **9. CATEGORIES OF USERS**

The tariff structure of the Kannaland Municipality will make provision for the following categories of users:

- a) domestic;
- b) commercial;
- c) industrial;
- d) agricultural;
- e) government;
- f) rural;
- g) municipal services;
- h) indigents; and
- i) special agreements for users not falling in any of the above-mentioned categories.

Where there is a substantial difference between the standard of services provided to a specified category of users, the Council may determine differentiated tariffs within the specified category.

## **10. TARIFF CHARGES**

As part of this section, it should be noted that all notarial ties will be treated as if the property is consolidated and will only be applicable to adjacent properties registered in the same name.

### **10.1 Property Taxation**

The biggest source of local taxation is property tax (property rates), regulated by the Local Government Municipal Property Rates Act No. 6 of 2004. The owners of property in municipal areas must pay a tax based on a market related valuation of their properties

in order to finance certain municipal services. While this tax is by no means the sole source of municipal revenue, it is an important source of discretionary revenue for the Municipality and enables it to function effectively. For details of Property Taxation refer to the Property Rates Act, No. 6 of 2004, the Property Rates Policy and By-Laws of the municipality adopted in terms of the beforementioned act.

Categories, discounts, rebates and exemptions will be structured as set out in the municipal Council approved Property Rates Policy.

## **10.2 Services charges**

An important source of local own revenue is charges that are directly related to the provision of municipal services. The majority of these are utility charges, such as electricity and water, which have contributed significantly to the growth of the Municipalities' revenue. Cost recovery is an essential part of sustainable service delivery. In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with, or charged separately from a charge based on consumption. The municipality believes that it is properly attending to the demands which, both future expansion and variable demand cycles, and other fluctuations will have on service delivery.

### **10.2.1 Electricity**

10.2.1.1 All electricity tariff adjustments are subject to approval by the National Energy Regulator (NERSA).

10.2.1.2 Electricity will be measured in two ways, namely –

- a) *Pre-paid metering system* - This method is preferred for the poor households and the indigent and should be encouraged for all other consumers in the area. The first 50 kWh units for registered indigent consumers shall be free of charge with the first purchase of every month.

The pre-paid tariff structure makes provision for an inclining block tariff structure, with an increase in price that correlates with an increase in consumption.

The inclining block tariff structure that is applicable to residential, churches, halls, social and frail care centres, *pre-paid* electricity are structured as follow:

Block 1 0-350 kWh

Block 2 350-600 kWh

Block 3 >600 kWh

The inclining block tariff structure that is not applicable to *commercial pre-paid electricity*, with only a seasonal differentiation applicable as in the case of domestic pre-paid electricity.

The seasonal split that is intended to curb demand during the high demand season is aligned with the Eskom tariff structure and is structured as follow:

High Demand Season : June to August (3-month period)

Low Demand Season : September to May (9-month period)

The different pre-paid tariff categories are as follow –

i) Lifeline Tariff: 0-20 Ampere

This is a pre-paid category specifically structured for low consumption (less than 450kWh) and aimed at addressing the needs of the poor. A lower unit price is being charged but the Ampere limitation will limit capacity and is reserved for residential, churches, halls, social and frail care centres with low consumption.

ii) Prepaid Tariff: 0 - 100 Ampere

This category is aimed at medium and higher income groups and for residential use only.

iii) Commercial Pre-paid electricity with the following options available:

1) Commercial - Small to Medium Consumers [30A - 60A]

This service only has a seasonal differential split with no fixed charge and is aimed at small to medium business enterprises.

2) Commercial - Large Consumers [60A - 150A]

This service has a seasonal differential split with a fixed monthly charge and is aimed at larger business enterprises.

b) Conventional metering system – This method is mostly reserved for commercial customers and based a billed consumption and with an applicable monthly fixed charge.

- i) *Residential (Including Churches, Halls, Social and Frail Care Centres)* conventional electricity tariff structure is subject to an inclining block tariff structure as well as seasonal differentiation. The structure is as follow:
- a. Conventional Tariff: 0 – 59 Ampere-  
Usage Blocks:  
Block 1 0-350kWh  
Block 2 >350kWh
  - b. Conventional Tariff: 60 - 100 Ampere –  
Usage Blocks:  
Block 1 0-600kWh  
Block 2 >600kWh  
Basic – Fixed charge  
High Demand Season : June to August (3-month period)  
Low Demand Season : September to May (9-month period)
- ii) *Commercial* conventional electricity tariff structure makes only provision for seasonal differentiation with a fixed charge and the following options are available:
- 1) Commercial - Small to Medium Consumers [30A - 60A] Conventional meters
  - 2) Commercial - Large Consumers [60A - 150A] Conventional meters
- High Demand Season : June to August (3-month period)  
Low Demand Season : September to May (9-month period)
- iii) *Commercial Bulk* conventional electricity tariff structure makes only provision for seasonal differentiation, a kVA demand charge with a fixed charge and the following options are available:
- 1) Commercial Bulk Consumers < 500 kVA
  - 2) Commercial Bulk Consumers > 500 kVA
- To be structured as follow:
- Basic - Fixed charge per month
  - Demand - Cost per kVA
  - Energy Cost per unit [kWh] - Summer
  - Energy Cost per unit [kWh] - Winter



iv) *Bulk Time of Use (TOU)* electricity tariff structure is aimed to address the needs of larger commercial businesses and industry. The structure and two options available are the following:

- 1) Special Bulk Consumers Time of Use 50- 500 kVA
- 2) Special Bulk Consumers Time of Use > 500 kVA

Structured as follow:

Basic Charge / Day

Demand kVA : Actual kVA

Access kVA : kVA Capacity / Month

Peak Low : kWh consumed during the summer (low demand) peak time

Std Low : kWh consumed during the summer (low demand) standard time

Off-Peak Low : kWh consumed during the summer (low demand) off-peak time

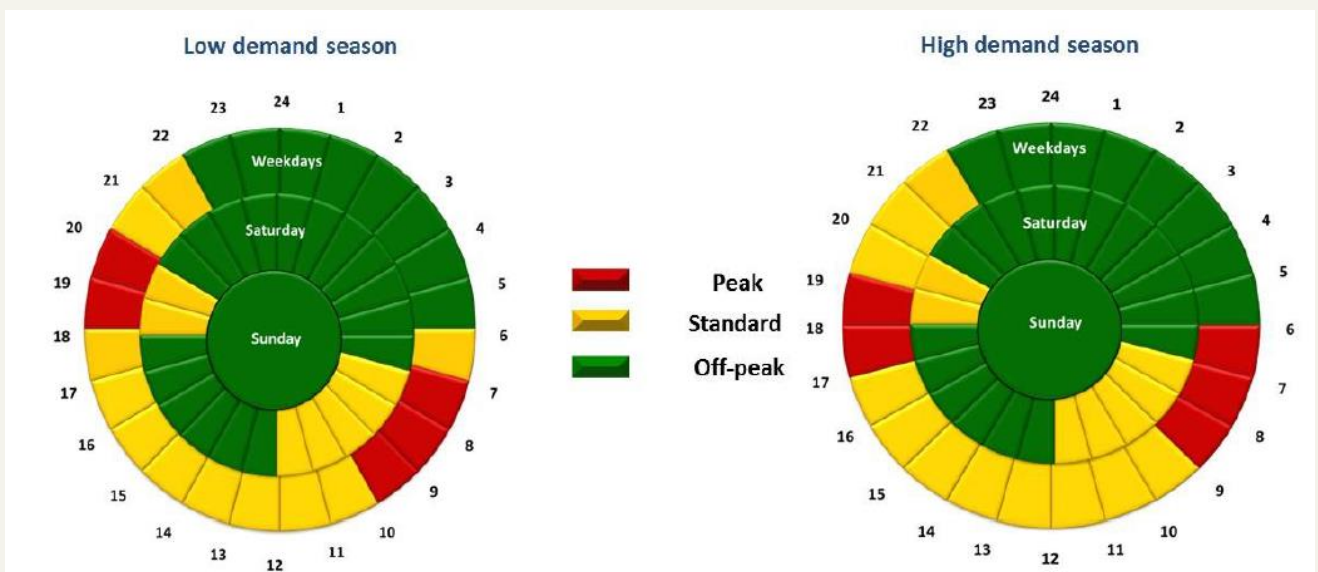
Peak High : kWh consumed during the winter (high demand) peak time

Std High : kWh consumed during the winter (high demand) standard time

Off-Peak High : kWh consumed during the winter (high demand) off-peak time

This structure is aligned with the Eskom Mega-Flex tariff structure for local government and is intended to transfer the increased cost during high demand to the consumer.

The structure that works according to the season, the day of the week and time of the day, can be depicted as follow:



#### 10.2.1.4 Sundry Charges

Sundry charges may include tariffs calculated on the following –

- *Standard Availability - Vacant Stands*  
Availability - Households  
Availability - Businesses
- *Pre-Paid Cards*  
Loss Card Replacement
- *Sundry Electricity Tariffs*
- *New Connections*  
Single Faze  
Three Faze  
Moving of meters on request
- *Conversions*  
Single Faze  
Three Faze
- *Bulk & Specialised Connections*  
*Cost plus 30%*
- *Reconnection Fees*  
Connection and Reconnection on request by Consumer
- *Reconnection Mel payment - Indigent*  
Reconnection Mel payment  
Reconnection Section 14 offence (Tempering)
- *Meter Services*  
Change of circuit breaker per Faze
- *Testing of meter on request*
- *Service Deposits- Electricity*
- Electricity service deposits per category as per budget tariffs.  
Residential  
Business  
Industrial
- *Departmental and Street Lighting*  
Maintenance Levy  
Energy Cost per kWh

- *Temporary Connection*

For example, a Building Site or temporary construction

Interest on arrears - Interest will be charged on all accounts not paid by the due date;

#### 10.2.1.5 General

Availability charges on vacant stands must be charged monthly.

### 10.2.2 Water

#### 10.2.2.1 Water consumption can be measured in two ways namely -

- a) *Pre-paid metering system* - Although this system is not yet used in the jurisdiction of the Municipality, this system may however be implemented and used to save water and improve the cash flow of the Municipality. This method is preferred for the poor households and the indigent, to be applicable to all properties served with a pre-paid meter and the tariff should be calculated in an affordable manner. Once pre-paid water is introduced it will be obligatory for indigent households.
- b) *Conventional metering system* - This tariff will be calculated during the budget process and based on the costs associated with the rendering of the service and must include capital, operating, maintenance, administration, replacement costs and interest charges. A clear distribution or break down of the tariff per cost component must be indicated when the tariff is calculated to enable the user to see how his/her payment is utilized. There must be a differentiation between the following categories of users pertaining to the tariff for the supply:
  - i) Residential
  - ii) Small Business
  - iii) Medium to Large Business
  - iv) Institutions (School, Hospital, Old Age Homes)
  - v) Institutions (Churches)
  - vi) Industrial
  - vii) Availability Vacant Stands
  - viii) Municipal use

10.2.2.2 The categories of water consumers as set out below shall be charged at the applicable tariffs, as approved by the council with each annual budget. Tariff

adjustments shall be effective from 1 July each year. Categories of consumption and charges shall be –

- i) A monthly rental, based on a fixed amount according to the meter capacity, is applicable to all water meters;
- ii) All registered indigent domestic water consumers shall receive free the first 6 (six) kl of water consumed per month. Thereafter a stepped tariff per kl as determined by the council from time to time shall be applicable on metered water consumption, as set out in this policy;
- iii) All other consumers, including commercial, industrial and institutional consumers shall be charged for actual water consumption, with residential usage being subject to an inclining block tariff structure and all other consumers to a fixed price per kilolitre (kl);
- iv) The municipality's departmental water consumption shall be charged at cost.

#### 10.2.2.3 Sundry Charges

Sundry charges may include tariffs calculated on the following -

- i) Irrigational water;
- ii) Purified sewerage water;
- iii) Connection fees;
- iv) Disconnection fees;
- v) Re-connection fees;
- vi) Testing of meters;
- vii) Moving of meters on request;
  - i) Special meter readings;
  - ii) Tampering with meters and connections;
- iii) Interest on arrears - Interest will be charged on all accounts not paid by the due date;
- iv) Availability charges;
- v) Penalties relating to meter tampering;
- vi) Penalties relating to water by-laws and drought restrictions; and
- vii) Water service deposits per category as per budget tariffs.

#### 10.2.2.4 General

Availability charges on vacant stands must be charged monthly. The Municipal Manager is authorized to have delegated authority to impose water restrictions in any area within the municipality in instances of water shortages. Drought tariffs has been

built into the municipal budget and will be applicable when a drought has been declared by Council.

#### 10.2.2.5 Klein Karoo Water Scheme

The tariff structure applicable to this category will be subject to an inclining water tariff structure with no fixed charge applicable. The relevant drought tariff structure will be enforced during the declaration of a drought by Council – The take-over of this water scheme from Oudtshoorn Municipality, is still to be finalized and tariffs will only then become applicable.

### 10.2.3 Refuse Removal

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

- i) Residential and Small Business – Where there is more than one residential and/or business unit per property, a fixed fee per unit will be charged.
- ii) Business
- iii) Hotels, B&B's and Guest houses (Including self-catering)
- iv) Old Age Homes and Frail Care centres
- v) Refuse Cages
- vi) Factories
- vii) Abattoir
- viii) Building Rubble
- ix) Garden Refuse

Tariff adjustments shall be effective from 1 July each year.

10.2.3.1 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

- i) Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge. The Indigent policy will provide the details applicable to a specific year but shall never be less than the abovementioned 50% discount.

- ii) A fixed monthly charge shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.
- iii) The Council further reserves the right to determine a tariff whereby casual consumers are charged for the removal of bulk refuse per cubic meter (m3)

10.2.3.2 A charge for the removal of garden refuse building rubble, shall apply as follows:

- Per load but can be determined to be in terms of volume and/or weight

10.2.3.3 A tariff for the sale of plastic refuse bags shall be fixed for the following categories:

- Black bags;

Interest on arrears - Interest will be charged on all accounts not paid by the due date;

#### **10.2.4 Sewerage**

The categories of sewerage users as set out below shall be charged monthly at the applicable tariff as approved by the council in each annual budget. Tariff adjustments will be effective from 1 July each year. It should be noted that there is a tariff for two different types of sewerage systems, those connected to a sewerage plan and septic tanks that needs to be pumped.

Categories of usage and charges shall be:

- i) Businesses [ 1 to 15 pans]
- ii) Businesses [16 and more pans]
- iii) Hotels B&B's and Guest Houses
- iv) Schools and Hostels (1 to 15 pans)
- v) Schools and Hostels (16 and more pans)
- vi) Churches and Social Service centres

10.2.4.1 A fixed monthly charge shall be charged for domestic users per residential unit (per dwelling). Where there is more than one residential unit on a property, a monthly charge will be charged per unit. Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed for this service. The Indigent policy will provide the details applicable to a specific year but shall never be less than the abovementioned 50% discount.

10.2.4.2 A fixed monthly charge based on the number of toilets shall be charged to all guest houses, businesses, industries and institutional users.

10.2.4.3 A fixed monthly charge based on the number of toilets and urinals shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

10.2.4.4 An effluent fee shall further be payable by factories and other industrial users where the wastewater emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of the purification. This component is subject to inclusion in the budget tariffs, accuracy of measurement and treatment options available.

10.2.4.5 A basic (availability) charge per month shall be charged for undeveloped erven, irrespective of their permitted or intended use.

10.2.4.6 Sundry charges may include tariffs calculated on the following:

- i) Connection fees;
- ii) Removal of blockages;
- iii) Emptying of sewage tanks.
- iv) Capital contribution to specialised connections cost + 30%
- v) Interest on arrears - Interest will be charged on all accounts not paid by the due date;

### **10.3 General Tariffs**

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) Town planning - application fees
- ii) Building plan fees
- iii) Technical- and Administrative Department service fees
- iv) Public resort and –recreation entrance fees
- v) New connection fees: electricity, water, sewerage
- vi) Photostat copies and fees
- vii) Hire of Community Centres and Sports facilities

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- i) Advertising sign fees;
- ii) Sale of graves;
- iii) Disconnection and reconnection fees: electricity, water;
- iv) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection;
- v) Charges relating to the provision of fire services;
- vi) Property valuation, clearance & zoning certificates;
- vii) Search fees;
- viii) Tender document fees; and
- ix) Hawker stands.

## **11. UNIT OF MEASUREMENT**

The following units of measurement will, where possible, be used to determine tariffs:

### **Water**

- i) Cost per unit (kilolitres consumed).
- ii) Basic cost, plus cost per unit charge (kilolitres consumed)
- iii) Availability Charge

### **Electricity**

- i) Cost per unit kWh
- ii) Basic charge, plus cost per unit (kWh)
- iii) Basic Charge, kVA charge and unit charge (kWh)
- iv) Basic Charge, Access Charge, kVA charge and unit charge (kWh)
- v) Availability Charge

### **Refuse removal**

- i) Fixed charge per Residential unit and Small Business
- ii) Business
- iii) Hotels, B&B's and Guest houses
- iv) Old Age Homes and Frail Care centres
- v) Refuse Cages



- vi) Factories
- vii) Abattoir
- viii) Building Rubble per load / volume / weight
- ix) Garden Refuse per load / volume / weight

#### **Sewerage**

- i) Business: Per toilet or urinal
- ii) Residential: Fixed rate per unit (toilet and/or urinal)
- iii) Septic tank pump

### **13. RESPONSIBILITY/ACCOUNTABILITY**

The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal Manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.

#### **ADOPTED BY RESOLUTION OF THE MUNICIPAL COUNCIL OF KANNALAND:**

Version 1 – 17 January 2011

Version 2 – 30 May 2012

Version 3 – 30 May 2013

Version 4 – 28 May 2014

Version 5 – 6 July 2021

Version 6 – xxxxx 2022

## DOCUMENT CONTROL

Summary: This document describes the Tariff Policy that will be applicable to Kannaland Municipality, with effect from 01 July 2022.

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Municipal Manager

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Mayor

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Signature

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Signature