

# Buffalo City Metropolitan Municipality Tariff Policy



## POLICY TITLE

### TARIFF POLICY

#### 1. DEFINITIONS

In this policy, unless the context otherwise indicates:

- “**Act**” means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA);
- “**Agricultural property**” means a farm or smallholding that is used for gain for the purpose of farming and forestry, e.g. rearing of livestock, planting and gathering of crops, but excludes the use of property for the purpose of eco-tourism or for the trading in or hunting of game.
- “**Agricultural purpose**” in relation to the use of a property, excludes the use (of a property for the purposes of eco-tourism or for the trading in or hunting of game);
- “**Average Historic Cost (AHC) of Sanitation**” means the total annual cost of the sanitation service (including capital charges, but excluding contributions to a capital development fund) divided by the total volume of sewage discharged for that year;
- “**Average Historic Cost (AHC) of Water**” means the total annual cost of the water service (including capital charges, but excluding surcharges and contributions to a capital development fund) divided by the total volume of billed water sales for that year;
- “**Commercial / Industrial Customer / user**” means consumers that are not defined as Domestic customers / users and includes halls, churches, schools, sports clubs, restaurants, theatres, consulting rooms, and all other commercial and industrial premises and residential establishments where a business license exists (such as hotels, bed and breakfast premises, hostels, retirement homes, etc);
- “**Commercial wastewater**” means the effluent discharged from a premise predominantly of a commercial nature (e.g. shops, offices, showrooms, service stations, hospitals, etc);
- “**Commercial water use**” means water supplied to premises predominantly of a commercial nature (e.g. shops, offices, showrooms, service stations, hospitals, etc);
- “**Connection fee**” means the fee payable as a contribution towards the cost of

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providing supply. This may be subsidised to facilitate the provision of services to poor households;

- **“Consumption based tariff”** means a tariff set as a Rand amount per measurable unit of service;
- **“Cost reflective tariff”** means a two part tariff consisting of a Service Charge and an Energy Charge or a three part tariff which includes a Demand Charge;
- **“Council” or “Municipality”** means the Buffalo City Municipality;
- **“CPIX”** means the consumer price index excluding mortgage costs as measured by Stats SA;
- **“Credit Meter”** means a meter where an account is issued subsequent to the consumption of the service (water or electricity);
- **“Demand Charge”** means the charge payable for each kilovolt-ampere (kVa) of the maximum demand supplied during any 30 consecutive minutes of the month;
- **“Domestic Customer / user”** means a customer in private residential establishments including houses, blocks of flats and town house complexes. It also includes *bona fide* residential establishments registered by the welfare Department;
- **“Domestic wastewater”** means effluent discharged from a premise not defined as commercial or industrial;
- **“Domestic water use”** means water that is used predominantly for domestic purposes, including garden irrigation;
- **“Education Institutions”** as defined in the Schools Act ( Act No 84 of 1996) including Schools and Independent Schools, Further Education and Training (FET) Colleges, as defined in the FET College Act, (Act No 16 of 2006) and Early Childhood Development Centers (ECD’s) functioning under the auspices of the National and or Provincial Department of Education;
- **“Energy Charge”** means a charge for each kilowatt-hour (kWh) of electrical energy;
- **“Green Energy”** means energy generated from a sustainable source such as solar, wind or wave;
- **“Formally Protected Areas”** means a formally protected area as defined in the National Environmental Management: Protected Areas Act, (Act No 57 of 2003) and the National Environmental Management: Biodiversity Act, (Act No 10); of 2004;
- **“Indigent fund”** means a budget provision, funded from National Government

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transfers and Municipal rates, used to subsidize basic services;

- **“Industrial wastewater”** means wastewater arising from mining, manufacturing, electricity generation, land-based transport, construction or any related activities (consistent with definition of disposal of industrial effluent in the Water Services Act);
- **“Industrial water use”** means water which is used in mining, manufacturing, generating electricity, land-based transport, construction or any related purpose (follows definition in Water Services Act);
- **“Low Voltage (LV)”** means 230 volts single phase / 400 volts three phase;
- **“Medium Voltage (MV)”** means the set of voltage levels greater than 1kV up to and including 44kV;
- **“Meter”** means a device that records the demand and / consumption of a specific service (water or electricity) and includes Credit and Prepayment meters;
- **“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);
- **“Municipal Owned Property”** refers to property that is registered in the name of the Municipality (***INCLUDING PORTIONS OF REGISTERED ERVEN***) and property vested by usage in the name of the Municipality whether it is used by the Municipality itself or made available to other entities without cost or in terms of a rental agreement. Municipal owned properties are used by the municipality in the execution of its Constitutional obligations, excluding properties used for trading services;
- **“Municipal Area”** means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 of 1998);
- **“Municipal Council”** means a municipal council referred to in section 157 of the Constitution and for this policy includes a municipal local council and a municipal district council, as the case may be;
- **“NERSA”** means the National Energy Regulator of South Africa;
- **“Other wastewater”** means effluent discharged from a premise not defined as domestic, commercial or industrial;
- **“Other water use”** means all water used not defined as domestic, industrial or commercial water use;
- **“Point of supply”** means the point determined by the Service Provider at which the

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Service Provider supplies a specific service to any premises;

- **“Poor households”** means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it. It also means those households in the municipal area living in property with a municipal property valuation of less than the threshold as determined by Council from time to time and earn less than the monthly income as determined by Council from time to time;
- **“Prepayment Meter”** means a meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit;
- **“Public Benefit Organizations”** means organisations registered as PBO in terms of section 30 of the Income Tax Act. The MPRA Ratio regulations apply only to those PBOs who provide the type of services outlined in items 1, 2 & 3 of Part 1 of the Ninth Schedule of the Act, i.e. Welfare and Humanitarian Services, Health Care Services and Educational and Development Services;
- **“Public Service Infrastructure”** PSI means publicly controlled infrastructure of the following kinds:
  - (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
  - (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
  - (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
  - (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
  - (e) railway lines forming part of a national railway system;
  - (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
  - (g) runways or aprons at national or provincial airports;
  - (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and

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efficient navigation of vessels;

- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

- **“Rates and General account”** means a budget provision used to fund other Municipal services excluding the electricity, water, sanitation and solid waste services;
- **“Residential Property”** means a property included in a valuation roll in terms of section 48 (2)(b) as residential; and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. (Any such groupings shall be regarded as one residential property for rate rebate or valuation reduction purposes and clearance application purposes) and/or

A unit registered in terms of the Sectional Titles Act, 95 of 1986, included in a valuation roll in terms of Section 48(2) (b) as residential, including any unit in the same sectional scheme registered in the name of the same owner, which is used together with the residential unit as if it were one property, for example a garage or servants quarters. (Any such grouping shall be regarded as one residential unit for rate rebate and valuation reduction purposes and clearance application purposes;

- **“Residential Unit”** means a group of rooms, used for residential purposes, contained within a block of flats and which includes any undivided share of common property or any other portion of the property proportioned to that unit in terms of exclusive use, which shall include a garage or any other outbuildings;
- **“Rural Communal Land”** which includes State Trust Land as defined in the Communal Land Rights Act, the Provision of Land Assistance Act and the Communal Property Association Act;
- **“Schedule of Tariffs”** means a schedule containing details pertaining to levels and application of various tariffs as approved by the Municipality from time to time;
- **“Service Charge”** means a fixed charge to recover fixed costs such as capital, meter reading, billing, vending, maintenance, etc. It may be recovered as a daily or monthly charge, but it is not applicable to subsidised tariffs. It is applicable throughout the entire period during which the relevant premises are connected to the supply mains, irrespective of whether any services were used or not;
- **“Special Tariffs”** means a special tariff which may be introduced from time to time in

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terms of sub-paragraph 74(2)(g) of the Municipal Systems Act;

- **“Sundry Tariff”** means a charge for additional general services rendered such as reconnections, disconnections, meter testing, etc. These will be published in a tariff schedule, which may be adjusted from time to time;
- **“Tariff Policy”** means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);
- **“Total Municipal Account”** means a postulated current account based on medial bills for water, electricity, sanitation, solid waste services and rates. Sundry charges and interest on debt are excluded;
- **“Vacant Land / Property”** means land not in use and where no immovable improvements have been erected;
- **“Wheeling”** means the transport of electrical energy over the Service Provider’s network infrastructure.

## 2. PREAMBLE

One of the primary functions of a local authority is to provide services to the people resident within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilisation of services provided by the Municipality. These are calculated dependent on the nature of the service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidize other non-economical services.

## 3. LEGAL MANDATES AND REGULATORY FRAMEWORK

Section 74 of the Local Government: Municipal Systems Act, Act 32 of 2000, requires that Council adopt a Tariff Policy. The general financial management functions covered in Section 62 of the Local Government: Municipal Finance Management Act, Act 56 of 2003, includes the implementation of a tariff policy.

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Specific legislation applicable to each service has been taken into consideration when determining this policy.

## **4. PURPOSE OF THE POLICY**

This policy will help and guide the Buffalo City Metropolitan Municipality in funding services which is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies.

## **5. STRATEGIC OBJECTIVES**

The objectives of the tariff policy are to ensure that:

- 5.1 The tariffs of the Municipality comply with the relevant legislation prevailing at the time of implementation;
- 5.2 The Municipal services are financially sustainable, affordable and equitable;
- 5.3 The basic needs of the indigent, aged and disabled are taken into consideration through the relevant tariffs applicable to them;
- 5.4 There is consistency in how the tariffs are applied throughout the municipality; and
- 5.5 The policy is drawn up in line with the principles as outlined in the Act (see 6 below)

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## 6. POLICY PRINCIPLES

In terms of Section 74(2) of the Municipal Systems Act the following principles should at least be taken into account when formulating the Tariff Policy:

6.1 The users of municipal services must be treated equitably in the application of the tariffs;

6.2 AS far as possible, consumers must pay in proportion to the amount of services consumed;

6.3 All households, with the exception of the poor (indigent), must pay the full costs of services consumed. Poor households must have access to at least a minimum level of basic services through:

6.3.1 Tariffs that cover the operating and maintenance costs;

6.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service; or

6.3.3 Any other direct or indirect method of subsidizing of tariffs for poor households.

6.4 Tariffs must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges;

6.5 Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

6.6 Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

6.7 Provision may be made for the promotion of local economic development through a special tariff for categories of commercial and industrial users;

6.8 The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged;

6.9 The extent of subsidisation of the poor households and other categories of users should be fully disclosed;

6.10 In addition, the amount that users pay for services, as measured through the Total Municipal Account, should generally be affordable for different categories of users and annual tariff increases should be benchmarked against inflation measured by CPIX.



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## **8. SCOPE OR APPLICABILITY OF THE POLICY**

8.1 It is intended that this policy document will guide the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Schedule of Tariffs, which must be read in conjunction with this policy.

8.2 The policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the Buffalo City Municipality.

8.3 This policy is also applicable to all sundry tariffs, as provided for in the Schedule of Tariffs of the Municipality.

## **9. GOVERNANCE ISSUES/AUTHORITY/DELEGATIONS**

### **9.1 The Administration**

The Accounting Officer must annually:

- a) Facilitate the revision of the Tariff Policy;
- b) Communicate and make this Policy accessible to all relevant stakeholders;
- c) Monitor and regularly report on the impact of the Tariff Policy; and
- d) Accounting Officer is responsible for the interpretation and administration of the Tariff Policy.

### **9.2 The Council**

- a) Councilors are required to familiarize themselves with the Tariff Policy's contents, make their constituencies aware of it and oversee its implementation by the officials; and
- b) Council to approve and adopt the Tariff Policy.

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**10. POLICY PROCEDURES/IMPLEMENTATION**

See Annexure A

**11. COMPETENCE AND CAPACITY TO IMPLEMENT THE POLICY**

11.1 The Policy should be available and communicated to all relevant staff and councillors.

11.2 All relevant staff and councillors must be aware of the prescriptions of the policy.

11.3 All relevant staff and councillors must be aware of the procedures contained in this policy.

11.4 Supervisors/Managers must ensure compliance with this policy

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**11. CLASSIFICATION TABLE**

<b>Governance</b>		
<b>Sub classification</b>		
<b>Title</b>	Tariff Policy	
<b>File Number</b>		
<b>Related Policies or Procedures</b>	<ul style="list-style-type: none"> <li>• Budgets and Medium Term Revenue and Expenditure Framework (MTREF)</li> <li>• Tariff Book</li> </ul>	
<b>Responsible Officer</b>	<ul style="list-style-type: none"> <li>• Accounting Officer</li> </ul>	
<b>Original Authors</b>	<ul style="list-style-type: none"> <li>• Chief Financial Officer</li> </ul>	
<b>Current Author</b>	<ul style="list-style-type: none"> <li>• Chief Financial Officer</li> </ul>	
<b>Date of Approval by Council &amp; Council Minute Number</b>	26 May 2017	
<b>Effective date</b>	1 July 2017	
<b>Last Review Date</b>	31 March 2017	
<b>Review Date</b>	<b>30 March 2018</b>	

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ANNEXURE A:

## POLICY PROCEDURES

### 1. DIFFERENTIATION FOR TARIFF PURPOSES

Section 74(3) of the Municipal Systems Act allows for the differentiation between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters for tariff purposes, as long as the differentiation does not amount to unfair discrimination. The nature and basis for differentiation for tariff purposes in Buffalo City Municipality is set out below. Each municipal service is not compelled to differentiate for tariff purposes, but where it does, the differentiation must be consistent with the framework set out below.

#### 1.1 Categories of Users

The following categories of user may be differentiated, provided that they are defined in the Municipality's Rates Policy:

- (a) Residential or Domestic;
- (b) Commercial or Industrial;
- (c) Agricultural or Farming;
- (d) Public Service Infrastructure;
- (e) Rural Communal Land;
- (f) Formally Protected Areas;
- (g) Education Institutions;
- (h) Vacant Properties;
- (i) Mining Properties; and
- (j) Museums, Libraries, National Monuments, National Botanical Gardens and Heritage Sites.

In addition, sub-categories of residential or domestic users may be differentiated based on any one or more of the following criteria in a manner defined in the Municipality's Indigent assistance scheme:

- (a) Settlement type;

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- (b) Property Value;
- (c) Service consumption level;
- (d) Payment levels;
- (e) Household income; and
- (f) Type of connection.

### 1.2 Categories of Service

Categories of service may be differentiated, but only if the basic service is defined for that municipal service in the Municipality's Indigent assistance scheme. The following criteria may be used in defining different categories of service:

- (a) Type of service;
- (b) Category of user;
- (c) Level of consumption;
- (d) Type of connection; and
- (e) Time of use.

Certain categories of service may be restricted to certain categories of user. The basic service will be restricted to residential / domestic users.

### 1.3 Categories of Standards of Service

Different categories of standards of service may be defined for different categories of users or services. They may be based on:

- (a) Access; and
- (b) Frequency.

Categories of basic service may not have different standards of service.



## **2. CLASSIFICATION AND PRICING STRATEGIES OF SERVICES**

There are basically three categories of municipal services (i.e. Trading, Rates and General and Housing services) which are discussed as follows:

### **2.1 Trading Services**

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities.

For this purpose full costs include:

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

### **2.2 Rates and General Services**

This service is further classified into 3 categories; i.e. Economic, Subsidised and Community services.

#### **(a) Economic Services**

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit; e.g. trade effluent includes commercial and industrial refuse

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removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:

- Full cost of providing the serviced as explained in 8.1 above; or
- The rate per unit is based on projected usage.

### **(b) Subsidised Services**

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

Therefore, user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service. These services include fire fighting, approval of building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions.

### **(c) Community Services**

These are services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates. These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

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In addition to the above services domestic refuse and sewage removal is also a community service provided directly to all the residents and for which costs form part of a balanced budget. The Municipality also provides support services such as committee services, records and archives, financial management accounting and stores, occupational health and human resources management, which are financed through property rates.

## 2.3 Housing and Hostel Services

These are usually grouped into three categories, namely letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic; i.e. the operating income should cover the operating expenditure. In addition these functions are being carried out on an agency basis as these are not deemed as Local Government functions.

## **3. POLICY PROPOSAL**

### 3.1 A minimum amount of basic services must be free

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

- Potable Water;
- Wastewater and Sewage Removal;
- Electricity; and
- Solid Waste / Refuse Removal.

The Council is aware that it currently does not provide these services to all residents within its municipal area. It is also aware that, more than likely, some of the services it currently provides in conjunction with the



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abovementioned services, may be transferred or assigned to other bodies. In the latter case, the Council commits itself to make representations and negotiate with those service providers to achieve its goal.

The Council realises that in order to achieve its goal, a minimum amount of basic services should be free to the poor, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to make good any shortfall resulting from free services and to ensure a balanced budget on the trading account. In order to ensure affordable services, the Council introduced a stepped tariff structure in which consumers that use more of a service (e.g. water) will pay progressively more for the higher consumption than those who consume less of the service.

### 3.2 Keeping Tariffs Affordable

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The Council is also aware that, due to historical reasons, many residents receive services at a level higher than what they can afford. In order to remain affordable the Council will ensure that:

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipalities' operations,
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it.

### 3.3 Introducing the "Consumer must pay principle"

Having regard for the abovementioned, Council's policy on minimum amount of free basic services for all poor households, the Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of services, the Council will install metering systems as in the case of water usage, and to take into account the free service element. In this regard the Council will maintain a

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programme to install meters in appropriate cases. Also it is the Council's policy that the tariffs for such services must include all relevant cost factors.

### **3.4 Redistribution / Cross-Subsidisation**

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidise those who pay less tax. The Council uses the trading surplus it realises on the trading account to bring relief with regard to property tax rates. Likewise the Council will ensure that the cross-subsidization occurs between and within services to further contribute to its redistribution objectives.

### **3.5 Promoting Local and Economic Competitiveness and Development**

The size of the property rates and service charges accounts presented to the 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 the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal accounts presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness; and
- To promote local economic development and growth.

### **3.6 Ensuring Financial Sustainability of Service Delivery**

The Constitution, Local Government Municipal Systems Act of 2000 and Water Services Act of 1997 require that the Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of the municipality will be achieved when it is financed in a manner that ensures that it exhibits, at least, a break-even position. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and

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maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

### 3.7 Indigents

The Indigent Assistance Scheme will apply to tariffs set by the Council. With regards to customer service agreements, deposits and guarantees, accounts and billing, and all other items pertaining to credit control and debt collection, related to tariffs, reference must be made to the Credit Control and Debt Collection Policy.

## **4. TARIFF DETERMINATION PROCESS**

In terms of Section 75(A) of the Municipal Systems Amendment Act, Act No. 51 of 2002, a municipality may operate such that:

- It can levy and recover fees, charges or tariffs in respect of any function or service of the municipality,
- Fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members.
- The proposed tariffs will be presented to the community during Council's consultations process for the IDP / budget.

Except in special circumstances, such as a significant increase in the wholesale price of goods and services the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Community consultation process about the budget.

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

The notice must state:

- The general purpose of the resolution;
- The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment;
- The date on which the notice is displayed;
- 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
- 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 or 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.



**PART 2**  
**WATER AND SANITATION**

**5. SPECIFIC POLICIES FOR WATER TARIFFS**

**5.1 Consumer Categories**

Water tariffs shall distinguish between at least three categories of consumers; namely Domestic water use, Industrial & Commercial water use and other water use.

**5.2 Domestic Consumer Categories**

Water tariffs for Domestic consumers shall distinguish between significantly different levels and standards of services provided and shall include at least the following four categories of Domestic consumers:

- (a) Communal : Consumers (households) with access to communal water services (e.g. a public standpipe or a water-tanker service);
- (b) Controlled : Consumers with access to a controlled volume of water supply;
- (c) Full : Consumers with access to an uncontrolled volume of water supply which is metered; and
- (d) Cluster : Consumers where one meter serves a multi-residential unit development.

**5.3 Metering**

All connections providing an uncontrolled volume of water supply shall be metered and tariffs shall be applied in proportion to water use. The amount of water feeding standpipes in informal settlements without title deeds should also be measured to assess the impact of this free water on the service, but should not be billed.

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### 5.4 Consumption Tariffs – Domestic

- (a) Communal : Where communal water supplies provide water for domestic use and where this water is, on average, less than 6 Kl per household per month, then no charge shall be levied on domestic households for this water.
  
- (b) Controlled : Where water use is controlled to less than 6 Kl per connection per month then no charge shall be levied on domestic indigent households for this water. Where water in excess of 6 Kl per month is used a step tariff shall be applied to this additional water use, based on the AHC.
  
- (c) Full : Consumption tariffs for uncontrolled volume, metered domestic connections shall be based on an increasing block structure with the first block set at 6 Kl per indigent connection per month with a zero charge and the last block should be set at an amount that would deter unnecessarily high water use and would reflect the incremental cost that would be incurred to increase the water supply infrastructure to meet the incremental growth in demand. The rising block tariff structure should consist of at least five steps. The consumption level at which the last step begins should be at an amount that would encourage water conservation and should not be greater than 60 Kl per month.
  
- (d) Multi-Unit / Cluster : Consumption tariffs for multi-residential unit developments served by one meter will be set to recover at least the AHC once allowance is made for the free water allocation to the indigent. An allowance of 6 Kl per indigent unit will be available at zero cost upon submission of a signed affidavit stating the number of residential units supplied from that metered connection.

### 5.5 Consumption Tariffs – Industrial, Commercial and Other

Apart from instances where special tariffs are applied in terms of 6.7 above, the consumption tariffs for all other consumers should be set equal to at

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least the AHC. Separate consumption categories should be kept for Sporting Bodies / Schools and Municipal consumption to assist in Water Demand Management measures.

### 5.6 Consumption Tariffs – Schools, sports fields, clubs, churches, charities, etc.

The consumption tariff for these consumer groupings shall be the same as defined above for Industrial and Other.

*Note: Any subsidies to these groupings should be made through other transparent mechanisms so as to not distort the incentives for the wise and economical usage of water.*

### 5.7 Consumption Tariff for the provision of a Bulk Water Supply

The bulk water tariff is used to charge for bulk supply of potable water to consumers external to the Municipality, such as other local authorities who are dependent on part or all of their potable water supplies from Buffalo City Municipality and is also used as the basis for internal charges for the bulk supply of potable water within the Water and Sanitation Department.

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

### 5.8 Surcharge

The water tariff may include surcharges, subject to Council approval.

### 5.9 Fixed Charges – Domestic

There shall be no fixed monthly charge for consumers with uncontrolled volume connections. The domestic water tariff should, however, take into account and reflect these costs that are based on the cost of maintaining the water connection.

### 5.10 Fixed Charges – Industrial and Other

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Monthly fixed charges for Industrial and Other connections shall be related to the size of the connection. The charge shall be based on the historic costs of maintaining the connection. Cost allocations should be clearly set up to ensure that historical costs can be measured and used effectively to determine accurate tariff charges that are truly cost reflective.

*Note: It is essential that this component of the tariff be retained otherwise an important equity principle is compromised – domestic consumers pay for capacity expansion costs through the last step of the high marginal consumption block tariff.*

### 5.11 Connection Charges

Connection charges for all consumer categories, except domestic consumers with controlled access to water supply, shall recover the full costs of connection. Cost allocations should be clearly set up to ensure that historical costs could be measured and used effectively to determine accurate tariff charges.

### 5.12 Flow restriction for non-payment

Domestic consumers with uncontrolled volume connections who fail to pay shall, after due process, have their uncontrolled water connections restricted.

### 5.13 Illegal re-connections

Consumers who, after having been disconnected for non-payment, reconnect illegally shall forfeit the right to the free basic water allocation until such time as the outstanding debt has been paid in full.

### 5.14 Disconnections – Other

All consumers with uncontrolled volume connections shall be disconnected for failure to pay after due process has been followed.



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## 5.15 Water restriction tariffs

Special tariffs may be introduced during periods of water restrictions to reduce water use to within sustainable limits. A separate tariff schedule for water restrictions shall be developed.

## 5.16 Subsidies

Reasonable and appropriate cross-subsidisation may be applied between consumer categories. All applied subsidies (including those within and between consumer categories) must be disclosed to the extent that this is practical.

## 5.17 Departures

Departures from the above principles may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and / or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on Council and / or consumers. The reasons for any departures must be recorded in writing.

## 5.18 Availability Charge

An availability charge shall apply to serviced vacant or undeveloped land.

## **6. SPECIFIC POLICIES FOR SANITATION TARIFFS**

### 6.1 User Categories

Sanitation tariffs shall distinguish between at least three user categories; namely Domestic users, Industrial & Commercial users and Other users.

### 6.2 Domestic User Categories

The Sanitation tariff structure for domestic users shall distinguish between significantly different levels and standards of services and shall include at least the following five categories for domestic users:

- (a) Communal : Users (households) with access to communal sanitation facilities (Rudimentary sanitation and communal ablution facilities);

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- (b) Full : Users with waterborne sanitation and uncontrolled discharge to a sewer network;
- (c) On-Site Waterborne : Users with waterborne sanitation collected on site (Septic Tanks);
- (d) On-Site : Users with a non-waterborne system collected on site (Bucket, Container or VIP); and
- (e) Multi-Unit / Cluster : Users where one connection point serves a multi-residential unit development (Flats, Townhouses).

### 6.3 Universal Billing

All users are to be billed, unless provided with a rudimentary or basic service such as communal facilities.

### 6.4 Tariffs – Domestic

- (a) Communal : No charge shall be rendered for the use of communal facilities.
- (b) Full : Sanitation tariffs for domestic users are based on the size of the erf.
- (c) On-Site Waterborne : Sanitation tariffs for this category of user are based on a clearance of at least once every 3 weeks per 4,5 kl load or part thereof.
- (d) On-Site : This tariff shall be a fixed charge where necessary in the informal areas, depending on the mechanism. Different tariffs may apply to different systems.
- (e) Multi-Unit / Cluster : Sanitation tariffs for users in multi-residential unit developments are based on the size of the property.

### 6.5 Tariffs – Industrial and Commercial

Sanitation tariffs for Industrial and Commercial users are based on a Pan charge per pan, plus an area charge based on the area of the land in square meters.

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### 6.6 Tariffs – Other: Schools, Hospitals, Churches, Halls, Sporting Bodies, Municipal users, etc

Sanitation tariffs for users in this category are based on a Pan charge per pan.

### 6.7 Surcharge: Extraordinary treatment cost

Where the pollution loading (quality) of wastewater discharged into the sewerage system exceeds the pollution loading of ordinary domestic wastewater, the specific user or industrialist will have to accept responsibility for the additional treatment cost.

This additional charge shall be based on the formulae as stipulated in the applicable sanitation by-law. This additional charge shall be billed monthly.

### 6.8 Connection Charges

Connection charges for all consumer categories shall recover the full costs of the sewer connection. Correct cost allocation should be set up in the financial system to ensure that costs are recovered by the relevant tariff and that no inappropriate subsidisation occurs.

### 6.9 Disconnections

Due to the health risk related to effluent, a sewerage connection should not be disconnected if a user fails to pay. The water supplied to the user may be restricted in terms of the Credit Control and Debt Collection Policy that in turn will minimize the effluent discharge.

### 6.10 Availability Charge

An availability charge shall apply to serviced vacant or undeveloped land.

### 6.11 Subsidies

Reasonable and appropriate cross-subsidisation may be applied between consumer categories. All applied subsidies (including those within and between consumer categories) must be disclosed to the extent that this is

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practical. Tariffs for the service should not be set high with the intention to achieve cross-subsidisation.

### 6.12 Departures

Departures from the above principles may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and / or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on Council and / or consumers. The reasons for any departures must be recorded in writing.



## **7. UNDERGROUND LEAKAGE REBATES ON WATER ACCOUNTS**

### 7.1 Philosophy

The Municipality should seek to address the problem of underground leaks on private property in a caring and understanding manner by granting an “underground rebate” for *bona fide* claimants of underground plumbing leaks and should share the costs on an equal basis with the consumer. Care needs to be taken to minimize the abuse of the rebate system by excluding leaks on plumbing to convenience fixtures such as irrigation systems and automatic filling systems to ponds, pools, fountains, etc., where the possibility of disconnection of those systems from the primary erf plumbing would have prevented the water waste in the first instance.

### 7.2 Plumbing leaks subject to the rebate system

Rebates shall only be granted in the case of leaks that are not visible to the eye on the erf’s primary plumbing which would normally be kept pressurized for normal household activity requirements.

### 7.3 Derivation of rebates for underground leaks

Rebates for underground leaks shall be determined by establishing the difference between the “average” consumption over a corresponding consumption period and the increased consumption resulting from the underground leak.

This difference shall then be halved and the consumer shall be charged for the half of the consumption associated with the underground leak at a rate deemed to be the reticulated water cost.

The reticulated water cost, (Rc), shall be derived as follows:

- $R_c (R / KI) = \text{Bulk Water Cost } (R / KI)$

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- plus estimated distribution cost (excluding contribution to any Rates, Tariff stabilization, Asset financing funds in Rands), divided by estimated water sales in Kl.

### 7.4 Time period over which the rebate will extend

It is considered reasonable that two months of actual metered high water consumption would be sufficient time to alert a consumer to the possibility of water leakage. A further month is considered a reasonable time to have the leak repaired. Accordingly, the total period over which the rebate will extend is defined as the period covering the last three municipal bills based on actual water meter readings.

*Note: This period may be in excess of three months if bills are based on estimated consumption.*

### 7.5 Steps to minimize the abuse of the rebate system

All rebate claims will be subjected to the production of a certificate by the claimant, detailing the exact location of the leak on the property, the nature of the leak and the steps taken to repair the leak. The Council reserves the right to inspect all leakage repairs that are subject to rebate claims. The Council also reserves the right to grant rebates at its sole discretion.

Each erf shall be limited to two rebate claims in each twelve-month period. A property shall also be limited to a maximum of three rebates.

All documentation around rebate claims shall be filed for audit scrutiny as and when required.



**PART 3**  
**ELECTRICITY**

**8. SPECIFIC POLICIES FOR ELECTRICITY**

**8.1 Electricity Tariffs**

Electricity tariffs may consist of Cost Reflective tariffs, Connection Fees, Sundry tariffs, Special tariffs, Development Levies and Subsidised tariffs as contained in the Schedule of Tariffs.

Any approved increases in the tariff shall be applied to the monthly accounts on a pro-rata basis from the day on which the revised tariff is implemented.

**8.2 Categories of users**

Electricity consumption based tariffs shall distinguish at least between Domestic Customers and Commercial / Industrial Customers and shall have sub-categories for Domestic Customers based on levels of service consumption and / or type of connection. Domestic tariffs are not dependant on the type of meter installed.

**8.3 Categories of service**

Electricity tariffs shall be defined for different categories of service provided where these categories of service are based on:

- (a) Type of service (may include Wheeling and the supply of Green Energy);
- (b) Level of Service Consumption;
- (c) Type of Connection; or
- (d) Time of use.

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## 8.4 Application of tariffs

Electricity tariffs shall be applied consistent with the categories of users and categories of service, provided that final discretion resides with the Service Provider.

## 8.5 Consumption Based Tariffs

Electricity consumption based tariffs shall include cost reflective tariffs and subsidised tariffs.

## 8.6 NERSA Approval

Electricity consumption based tariffs shall be approved by NERSA.

## 8.7 Universal Metering

The supply of electricity shall be metered by means of a meter at the point of supply or at an alternate point determined by the Service Provider.

Where the supply to a premises is transferred to a different customer more than twice in a twelve-month period, e.g. holiday homes, or the credit risk is high, the owner of the property may be required to install a pre-payment meter.

## 8.8 Availability Charge

An availability charge shall apply to serviced vacant or undeveloped land.

## 8.9 Departures

Departures from the above principles may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and / or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on Council and / or consumers. The reasons for any departures must be recorded in writing.





## **PART 4**

### **SOLID WASTE MANAGEMENT (REFUSE REMOVAL)**

#### **9. SPECIFIC POLICIES FOR SOLID WASTE MANAGEMENT**

##### **9.1 Categories of users**

Council shall distinguish all waste collection services between three user categories, namely: Residential properties, Non-residential properties, Institutions and Vacant properties. Waste management tariffs for Council-provided services, or those provided by other entities on behalf of Council, shall accordingly distinguish between the same three user categories.

##### **9.2 Residential Properties**

A separate fixed monthly refuse removal charge, based on the costs of the service concerned, shall apply to all Domestic users for once weekly removal (Strictly two bags of refuse and one bag of Garden Refuse). Residential properties will be billed in terms of the prevailing service, irrespective whether the service is used or not, or whether no waste is generated.

In the event where the Resident has generated more waste than is stated above including bulky waste or excess refuse due to occupation of backyard and out buildings, they must inform the BCMM so that special arrangement for removal and disposal with an additional charge can be made. (Note: Bulky waste is waste that cannot be put in a refuse bag or wheelie bin where possible, e.g. old furniture, building rubble etc.).

In all instances the property owner will be billed and not the tenant. Council will not enter into an agreement for service delivery or additional service delivery with a tenant. Only in the case of Sectional Title developments will the Body Corporate be billed. Existing billing of tenants will be phased out.

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## 9.3 Non-residential Properties

The waste management tariff structure for Business and other users shall distinguish between five different levels and standards of service, namely:

- (a) Once weekly removal (85, 240 and 420L bins);
- (b) twice weekly removal (85, 240 & 420L bins);
- (c) thrice weekly removal (85, 240 & 420L bins);
- (d) 4 times weekly removal (85, 240 & 420L bins);
- (e) 5 times weekly removal (85, 240 & 420L bins); and
- (f) bulk consumers (6m<sup>3</sup> containers, 0.77 cubic meter and 1.1 cubic meter sprico's).

Billing categories will be per application and in accordance with the Credit Control and Debt Collection Policy. Non-residential properties will be billed in terms of a fixed agreement. The charges will not be variable, irrespective whether the service is used or not, or whether no waste is generated. In all agreements the property owner will be billed and not the tenant. Existing agreements with tenants will be phased out. It should be noted that non-residential property owners must be registered as waste generators with the Department of Solid Waste Management Services in order to determine the charge for their respective service.

## 9.4 Vacant Land/Properties

The waste management tariff structure for Vacant Properties provides for a fixed availability charge, irrespective of its current or future zoning. All vacant properties within the municipal area are considered to be serviceable. Billing is automatic and no service delivery agreement is required. The account is directly linked to the vacant erf number and served on the property owner.

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## 9.5 Waste disposal

### (a) Transfer Stations

Disposal of general waste at transfer stations are based on a fixed rate per mass of waste disposed, including an additional rate for transport, based on the mass of waste disposed or the carrying capacity of the vehicle.

### (b) Garden Transfer Station

Disposal of garden waste at transfer stations are based on a fixed rate per mass of waste disposed, including an additional rate for transport, based on the mass of waste disposed or the carrying capacity of the vehicle.

### (c) Disposal Sites (excluding Transfer Stations)

Disposal of general waste and treated healthcare risk waste at disposal sites (other than transfer stations) are based on a fixed rate per mass of waste disposed or the carrying capacity of the vehicle.

(Note: Only Roundhill Landfill Site is permitted to accept healthcare risk waste within the BCMM. For disposal of other wastes like condemned wastes, animal carcasses etc., special arrangements must be made.)

## 9.6 Area Cleaning

Illegal dumping and or cleaning before, at or after events will be based on actual cost plus a % for Administrative Costs.

## 9.7 Application for supply of services: Solid Waste

All property owners must complete the application form for the supply of services on registration of the property or anytime subsequent on change of service level requirements.

## 9.8 Adjustment to Accounts

An executive official shall have delegated authority to adjust accounts on documented proof of an amended service level (agreement, letter, etc) and

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the applicable date of change. If no proof of amended service level exists and the service level verified by Council is different to the financial billing, then it will be corrected from date of first report. It must be noted that it is the responsibility of the property owners to notify the Department of Solid Waste Management Services of any intention for the adjustment of the service level and termination of service.

### 9.9 Subsidies

Reasonable and appropriate cross-subsidisation may be applied between user categories. All applied subsidies (including those within and between user categories) must be disclosed to an extent where it is practical. Tariffs for the service should not be set high with the intention to achieve cross-subsidisation.

### 9.10 Departures

Departures from the above principles may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and / or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on Council and / or consumers. The reasons for any departures must be recorded in writing.

### 9.11 Terminations

Termination of service is to be done by letter, e-mail, fax or standard disconnection form. If this is not done, then the disconnection date of electricity supply may be taken as the date of termination.



**PART 5**  
**OTHER MINOR TARIFFS**

**10. SPECIFIC POLICIES FOR OTHER MINOR TARIFFS**

10.1 All minor tariffs shall be standardised within the municipal region;

10.2 All minor tariffs 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 be determined accurately, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

10.3 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 CPIX, unless there are compelling reasons why such adjustment should not be effected.

10.4 All minor tariffs shall be applicable to sundry services rendered by the Municipality and could be categorized as economic services, subsidized services or community services.

10.5 Minor tariffs will be set for, but not be limited to the following services:

- Administration services;
- Boat registration;
- Building plan fees;
- Burials and cemeteries;
- Clearance certificates;
- Connection fees in respect of electricity, water and sewerage;

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- Development planning services;
- Environmental services;
- Fees payable in terms of the Access to Information Act;
- Fire and Emergency services;
- Fresh produce market;
- Grave and garden of remembrance (cremations) maintenance;
- Housing rentals;
- Livestock and plant sales;
- Municipal Aquarium;
- Municipal botanical garden and all other parks and open spaces;
- Municipal hall and other premises rental(subject to the proviso set in [16.7] below);
- Municipal lending library (except for fines set out in [16.6] below);
- Municipal museum and Art gallery;
- Municipal reference library;
- Municipal sports facility rental;
- Municipal swimming pools and beaches;
- Municipal zoo;
- Municipal resorts and caravan parks;
- Photostat copies and fees;
- Refuse bag sales;
- Refuse bin sales;
- Scientific services;
- Stand / plot clearing services;
- Rental of bulk containers;
- Municipal facilities hire deposit (subject to the proviso set in [16.10] below);
- Atmospheric emission license and fines (Subject to Council approval – 31 May 2017)

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

- Fines for lost or overdue library books;

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- Advertising sign fees;
- Pound fees;
- Disconnection and reconnection fees for electricity and water;
- Penalty and other charges imposed in terms of the approved policy on Credit Control and Debt Collection;
- Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques

10.7 Market related rentals shall be levied for the lease of municipal properties at all times. If, however, in the case of rentals for the use of municipal halls and premises, 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, he / she may waive a portion of the applicable rental;

10.8 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;

10.9 The Municipal Manager shall maintain a list of all minor services indicating their unit of service for the purposes of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees charges and levies.

10.11 Municipal facilities hire deposits not claimed or refundable within a period of 90 (ninety) days from date of function will be forfeited to Buffalo City Metropolitan Municipality



**PART 6**  
**WAIVER OF TARIFFS**

The policy authorizes the Municipal Manager or the Executive Mayor to approve waiver of minor tariffs once an application has been made.

**11. ROLE PLAYERS AND STAKEHOLDERS**

**11.1 Directorates and departments**

- Responsible to prepare motivation and the waiver application form which must be signed by the HOD in terms of Systems of delegations and be supported by the Chief Financial Officer.
- Responsible to submit motivation and the waiver application forms to the office of the Municipal Manager for recommendation to the Executive Mayor to consider and approve any waiver application to minor tariffs up to R30 000.00.

**11.2 Municipal Manager**

- To recommend to the Executive Mayor to consider and approve any waiver application to minor tariffs up to R30 000.00.

**11.3 Executive Mayor**

- To consider and approve any waiver application to minor tariffs up to R30 000.00.



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### **11.4 Finance Directorate**

- The relevant department within the Finance Directorate will be responsible for the processing of the waiver application form after approval by the Municipal Manager or Executive Mayor of the municipality.

### **11.5 Conditions**

- Prior to approval of the waiver the applicant or beneficiary must meet the conditions that will be determined by the municipality.