

**UMZINYATHI DISTRICT MUNICIPALITY**



**TARIFFS POLICY**

**01 JULY 2020 TO 30 JUNE 2022**

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## PART 1: GENERAL INTRODUCTION AND OBJECTIVE

- 1.1 A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.
- 1.2 The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.
- 1.3 In setting its annual 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.

## PART 2: GENERAL PRINCIPLES

- 2.1 Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).
- 2.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 2.3 Tariffs for the major service rendered by the municipality, namely:
  - the supply of water; and
  - sanitation ( septic tank clearing)Shall as far as possible recover the expenses associated with the rendering of such service. The tariff which a particular consumer or user pays shall therefore be directly

related to the standard of service received and the quantity of the service used or consumed.

2.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

2.5 The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

2.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

2.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question.

2.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

2.9 The municipality also undertakes to render its services cost reflective in order to ensure the best possible cost of service delivery.

2.10 In the case of directly measurable services, namely, water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

### PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of water and sanitation services, the municipality shall identify all the costs of operation of the undertaking, including specifically the following:

- Cost of bulk purchases in the case of water
- Distribution costs;
- Distribution losses;
- Depreciation expenses;
- Maintenance of infrastructure and other fixed assets;
- Administration and service costs, including:
  - service charges levied by other departments such as finance, human resources and legal services;
  - reasonable general overheads, such as the costs associated with the office of the municipal manager;

- adequate contributions to the provisions for bad debts and obsolescence of stock;
- all other ordinary operating expenses associated with the service concerned (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- The intended surplus to be generated for the financial year, such surplus to be applied:
  - As an appropriation to capital reserves; and/or
  - Generally in relief of rates and general services.
  - The cost of approved indigency relief measures.

#### PART 4: SANITATION

4.1 Sanitation and septic tank charges shall be charged at applicable tariffs as determined by council in each annual budget.

4.2 Sanitation (water born) shall be charged based on water consumption as per tariff of charges approved by Council during the annual budget.

#### PART 5: WATER

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

5.2 Tariff adjustments shall be effective from 1 July each year.

5.3 Categories of consumption and charges shall be as determined by Council in each annual budget.

- 5.4 A basic charge per water meter, as determined by the council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- 5.5 Where a meter exists at a residential complex, the tariff will apply to that meter and a number of units in the complex will not be taken into account when calculating the monthly water charge for the complex. Unless each unit has got its own water meter connection.
- 5.6 Availability charge will be charged on all vacant land where there are services near the vacant land.
- 5.7 6kl free will only apply to indigent customer only, when reaching 6kl free services will be charged.

#### PART 6: MINOR TARIFFS

- 6.1 All minor tariffs shall be standardised within the municipal region.
- 6.2 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 accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.
- 6.3 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 consumer price index, unless there are compelling reasons why such adjustment should not be effected.

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

- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.

**ANNEXURE: LEGAL REQUIREMENTS**

**LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000**



#### SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidization of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidization of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

#### SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

#### SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

**COUNCIL APPROVAL AND EFFECTIVE DATE**

**ACCEPTED AND ADOPTED BY COUNCIL BY VIRTUE OF RESOLUTION  
NUMBER \_\_\_\_\_ DATED \_\_\_\_\_**

The Policy shall be effective from the date: 1 July 2022