

# THEEWATERSKLOOF MUNICIPALITY



## TARIFF POLICY

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# **TARIFF POLICY**

## **THEEWATERSKLOOF MUNICIPALITY**

### **PREAMBLE**

**Whereas** 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;

**And whereas** the tariff policy at least should include the principles in section 74(2);

**And whereas** the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations does not amount up to unfair discrimination;

**Now therefore** the Municipal Council of the Theewaterskloof Municipality adopts the following tariff policy.

## 1. DEFINITIONS

In this tariff policy, unless inconsistency with the context, a word or expressions to which a meaning in the Act has been attached means:-

- 1) **“agricultural consumers”** include but are not limited to- farms, smallholdings and agricultural show grounds;
- 2) **“break even”** occurs where the volume sales are equal to the fixed and variable cost associated with the provision of the service;
- 3) **“charitable and welfare institutions and organisations”** include but are not limited to-  
any institution managed on a non-profitable basis by a church association or a registered charity organisation for example old age homes, pre-primary schools, care facility for preprimary children, old age facility, homes and/or care facilities for the homeless and children homes;
- 4) **“commercial consumers”** include but are not limited to-  
business undertakings, shops, offices, liquor stores, supermarkets, public garages, gathering places, nurseries, places of entertainment, service stations, hairdressings salons, banks, hotels, guesthouses, boarding houses and doctor- and dentist consulting rooms;
- 5) **“community service”** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature;
- 6) **“councillor for financial matters”** the councillor of the municipal council responsible for financial matters;
- 7) **“domestic consumers”** include but are not limited to-  
residence, group housing, town houses, semi-detached houses, and flats;
- 8) **“economic services”** are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;
- 9) **“educational and communal institutions”** include but are not limited to-  
schools, colleges, pre-primary schools not operated by a registered charity or welfare organisations, libraries, museums, churches, hospitals, clinics, correctional institutions, school hostels and community halls;
- 10) **“fixed costs”** are costs which do not vary with consumption or volume produced;
- 11) **“geographical areas”** areas identified as such by council due to service backlogs, social circumstances or any other similar reasons;

- 12) ***“indigent households”*** are households that are registered at the municipality as such and meet the criteria as stipulated in the credit control and debt collection policy and occupying a property within the jurisdiction of the municipality;
- 13) ***“industrial consumers”*** include but are not limited to- industrial undertakings, factories, warehouses, workshop, scrap yards, stores, wine cellars, abattoir, dairy processing plants and fish markets; or any consumer who’s volume of consumption of municipal services are of such a nature that it does not fall within the ordinary definition of a business consumer
- 14) ***“in season”*** refers to the period from Western Cape’s September Holidays until Easter Weekend;
- 15) ***“lifeline tariffs”*** a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units);A special electricity tariff introduced by council aimed at assisting low income earners to reduce electricity bills.
- 16) ***“municipal property”*** include but are not limited to- all properties registered in the name of the Theewaterskloof Municipality or controlled by the municipality including libraries, museums, and contagious diseases hospital and caravan parks;
- 17) ***“resident “*** a person who is ordinary resident in the municipal area;
- 18) ***“special agreements”*** are special tariff agreements entered into with consumers making significant economic contribution to the community and create job opportunities;
- 19) ***“sport and recreation facilities”*** include but are not limited to- properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption and caravan parks;
- 20) ***“the Act”***: the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);
- 21) ***“total cost”*** is the sum of all fixed and variable costs associated with a service;
- 22) ***“trading services”*** Are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services;
- 23) ***“two-part tariffs”*** are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed;

- 24) **“units consumed”** are the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Section 7;
- 25) **“variable costs”** are costs that vary with consumption or volume produced.

## 2. PURPOSE OF THIS POLICY

The Theewaterskloof Municipality wishes to achieve the following objectives by adopting this tariff policy.

- (1) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- (2) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- (3) To give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

## 3. TARIFF PRINCIPLES

In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

The Theewaterskloof Municipality wishes to record that the following tariff principles will apply.

Service tariffs imposed by the local 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 indigent relief measures approved by the municipality from time to time).

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

Tariffs for the four major services rendered by the municipality, namely:

- \* electricity
- \* water
- \* sewerage (waste water)
- \* refuse removal (solid waste),

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

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 up to 20%. 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.

The municipality shall develop, approve and at least annually review an indigent 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.

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.

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

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.

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

In the case of directly measurable services, namely electricity and 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.

In addition, the municipality shall levy monthly basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability (which include the fixed cost related to making such service available) of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its water, electricity and sewerage services, the municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the

costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed basic charge coupled with 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 make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

Furthermore the following principles will also apply:

- (1) Free services will only be possible if the National Government pay to the municipality an equitable share subsidy which covers the full costs of the free services.
- (2) All users of municipal services will be treated equitably. The various categories of customers will pay the same charges based on the same cost structure.
- (3) The amount payable by consumers will be in proportion to usage of the service.
- (4) Indigent households must at least have access to basic services through lifeline tariffs or direct subsidisation.
- (5) Tariffs must reflect the total cost of services.
- (6) Within limits, customers should be free to choose from a range of applicable tariffs.
- (7) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
  - (a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
  - (b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- (8) Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be required during a national disaster and periods of droughts when a restriction of usage is required.



- (9) Efficient and effective use of resources will be encouraged by providing for penalties to prohibit exorbitant use.
- (10) The extent of subsidisation of tariffs will be disclosed.

#### **4. CATEGORIES OF CUSTOMERS**

- (1) Separate tariffs structure may be raised for the following categories of customers
  - a) domestic consumers;
  - b) commercial consumers;
  - c) industrial consumers;
  - d) agricultural consumers;
  - e) municipalities;
  - f) consumers with whom special agreements were made;
  - g) consumers in certain geographical areas;
  - h) sport and recreation facilities
  - i) educational and communal institutions; and
  - j) charitable and welfare institutions and organisations.
  - k) Governmental Institution
  - l) Other categories may defined and added to categories should the need arise to further differentiates during a financial year.
  - m) Township Tourism
- (2) Where there is a substantial difference between the infrastructure use to provide a service to a specific group of users within a category and/or standard of services provided, the Council can, after the considering a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumer within the specific category.
- (3) The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards, where applicable.

#### **5. SERVICE-, EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS**

##### **Service classification**

- (1) The Chief Financial Officer shall, subject to the guidelines provided by the National Treasury of the Department of Finance and Mayoral Committee of the Council, make provision for the following classification of services.
  - (a) ***Trading services***
    - (i) Water.
    - (ii) Electricity.
    - (iii) Camping facilities.

- (b) ***Economic services***
  - (i) Refuse removal.
  - (ii) Sewerage disposal.
- (c) ***Community services***
  - i) Air pollution.
  - ii) Firefighting services.
  - iii) Local tourism.
  - iv) Town planning.
  - v) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
  - vi) Storm water management system in built-up areas.
  - vii) Trading regulations.
  - viii) Fixed billboards and the display of advertisements in public places.
  - ix) Cemeteries.
  - x) Control of public nuisances.
  - xi) Control of undertakings that sell liquor to the public.
  - xii) Facilities for accommodation, care and burial of animals.
  - xiii) Fencing and fences.
  - xiv) Licensing of dogs.
  - xv) Licensing and control of undertakings that sell food to the public.
  - xvi) Local amenities.
  - xvii) Local sport facilities.
  - xviii) Municipal parks and recreation.
  - xix) Municipal roads.
  - xx) Noise pollution.
  - xxi) Pounds.
  - xxii) Public places.
  - xxiii) Street trading/street lighting.
  - xxiv) Traffic and parking.
  - xxv) Building control.
  - xxvi) Licensing of motor vehicles and transport permits.
  - xxvii) Nature reserves.
- (d) ***Subsidised services***
  - (i) Health and ambulance.
  - (ii) Libraries and museums.
  - (iii) Proclaimed roads.

### ***Expenditure classification***

(2) Expenditure will be classified in the following categories.

- (a) Subjective classification:
  - (i) Employee Related Costs;
  - (ii) Remuneration of Councillors;
  - (iii) Bad Debts;

- (iv) Collection Costs;
- (v) Depreciation;
- (vi) Repairs and Maintenance;
- (vii) Interest on External Borrowings;
- (viii) Bulk Purchases;
- (ix) Contracted Services;
- (x) Grants and Subsidies paid;
- (xi) General Expenditure;
- (xii) Contributions to fixed assets;
- (xiii) Contributions to funds, reserves & provisions;
- (xiv) Loss on disposal of Property, Plant and Equipment;
- (xv) Less: Inter Departmental Charges; and
- (xvi) Surplus / (Deficit)

(b) **Objective classification:**

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated:
  - a) Function.
  - b) Department.
  - c) Section.
- (ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

**Cost elements**

- (3) The following cost elements will be used to calculate the tariffs of the different services:
  - (i) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service and any other costs of a permanent nature as determined by the Council from time to time.
  - (ii) Variable cost: This includes all other variable costs that have reference to the service.
  - (iii) Total cost: consist of the fixed cost and variable cost.

## 6. **TARIFF TYPES**

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

- (1) **Single tariff:** this tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer the council may decide to approve profits on trading services during the budget

meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

- (2) **Cost related two to three part tariff:** this tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.
- (3) **Inclining block tariff:** this tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidise free basic services and prohibit the exorbitant use of a commodity.
- (4) **Declining block tariff:** this tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fix and variable cost and profit determined by council from time to time by the volume consumed. This tariff will only be used for special agreements.
- (5) **Regulating tariff:** this tariff is only of a regulatory nature and the municipality may recover the full or a portion of the cost associated with rendering the service.

## **7. TARIFF STRUCTURES AND METHODS OF CALCULATIONS**

### **7.1 CALCULATION OF TARIFFS FOR MAJOR SERVICES**

In order to determine the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- \* Cost of bulk purchases in the case of water and electricity.
- \* Distribution costs.
- \* Distribution losses in the case of electricity and water.
- \* 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 including, in the case of the electricity service, the cost of providing street lighting in the municipal area (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 per Council's Accounting Policy:
- as an appropriation to capital reserves; and/or
  - generally in relief of rates and general services.
  - The cost of approved indigent relief measures.

The municipality shall annually during the budget process decide on the units kWh electricity per month and the kl of water per month to be supplied free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief programme. The municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

Council may approve discounted tariffs for pre-paid meters.

The following tariff structure will, where possible, be used to determine tariffs:

#### **7.1.1 WATER**

##### **(a) Tariff structure**

- (i) Fixed plus rising block tariffs will be applied to all domestic consumers. Rising block tariffs will be applied to all other consumers.
- (ii) The following blocks will apply:

Domestic consumers:

- 0 to 6kl
- > 6 to 15kl

- > 15 to 30kl
- > 30 to 40kl
- > 40kl

Other/Non-domestic consumers:

- 0 to 30kl
- > 30 to 40kl
- > 40kl

Sports Clubs (for irrigation of sports fields only)

- 0 to 500kl
- > 501kl

Schools

- 0 to 500kl
- > 501kl

Proefplaas

- 0 to 167kl
- 168 to 222kl
- > 222kl

- (iii) A basic charge per water meter or unit in the municipal area, as determined by the Council from time to time, may be charged against all water consumers.

(b) Method of calculation

- (i) Approved Indigent Households will receive free water up to 6kl per month at cost
- (ii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.
- (iii) The variable costs or unit charge will be calculated on the following sliding scales:

Domestic consumers:

- 0 to 6kl
- > 6 to 15kl
- > 15 to 30kl
- > 30 to 40kl
- > 40kl

Other/Non-domestic consumers:

0 to 30kl  
> 30 to 40kl  
> 40kl

Sports Clubs (for irrigation of sports fields only)

0 to 500kl  
>500kl

Schools

0 to 500kl  
>500kl

Proefplaas

0 to 167kl  
168 to 222kl  
>223kl

- (iv) Where properties are not connected to the water service or can reasonably be connected to the service an availability tariff will be payable except for Municipal vacant owned properties. The tariff will be a portional calculation of the deemed fixed cost. *The Council will not levy an availability rate on any private road or any other property where the market value of the property is equal or less than R15000 or such other amount as determined by Council from time to time.*
- (v) *The council will levy monthly an availability fee to Industrial/commercial consumers who has chosen to go off-grid or partially off-grid. The tariff will be calculated as per tariff list.*
- (c) Tariff structure and method of calculation “leiwat” maintenance  
Leiwat
- Fixed amount per minute per year
- (d) The council will levy a capital levy towards replacing ageing infrastructure and other service delivery needs for the use of water.

### 7.1.2 ELECTRICITY

- a) Price policy

Council decided on the following basis for determining electricity tariffs:

- Prices shall be determined in line with the nationally approved Electricity price policy.

- The level of tariffs shall be determined in such a way that the total electricity revenue shall cover the total cost of electricity provision, including the following:
  - The purchase cost plus any own generating costs.
  - The maintenance costs of the network.
  - The client services and administration involved in providing electricity services.
  - The necessary provisions such as bad debts, accumulated leave, etc.
  - Provision for capital for the expansion of the network and upgrading of the current outdated assets.
  - All services delivered by external parties or any other department of the Municipality in respect of electricity.
  - Minus any services delivered to other parties.
  - Plus a surcharge on electricity as contribution to municipal rates relief.
- The individual tariffs shall be determined as follows:
  - In respect of individual level and structures, tariffs shall as far as possible cover the structure and level of costs of provision:
    - Basic charges to cover the fixed monthly costs.
    - Capacity or maximum demand charges to cover network costs plus partial surplus.
    - Energy charges to cover energy costs per time of consumption plus partial surplus.
  - Tariff categories shall be charged according to the various client types, which shall primarily be determined by cost of provision and metering considerations.
  - Provision for 100% subsidising the poor shall be made as follows:
    - Clients who are willing to have their capacity restricted to 20
    - Ampère and who have been supplied with a prepaid meter.
    - The tariff shall have only one energy charge without any basic charge or capacity charge.
    - The energy rate shall be lower than the regular cost-reflective tariffs. The lower tariff will be applicable to the first 250 kWh.



- Council shall continue to maintain a list of indigents. These clients would have to comply with the conditions for subsidised tariffs after which they will receive 50 kWh/m (or as may be determined from time to time) free of charge, which shall be covered from the Equitable Share.
- Clients may be supplied with prepaid meters according to the policy as may be determined from time to time and the tariff shall be independent of the type of meter.
- The financial impact (loss) of subsidisation of the poor shall be borne by all electricity clients as an equal c/kWh surcharge.
- The tariffs shall be submitted to NERSA for approval. If NERSA's approval is not in line with National and Council policy, Council shall appeal against the decision.

b) Tariffs

Council sets the following tariffs:

TARIFF	COMPONENT METERING UNITS			
	Basic charge R/ Consumer / Month	Energy charge (c/kWh)	Time of energy consumption charges	Maximum demand/ capacity charges (R/kVA/month)
Single Tariff (energy costs only)		X		
Two-part Tariff (Basic & energy)	X	X		
Time of use Tariff	X		X	X

c) Single tariff (energy cost only)

This tariff is suitable for households and small business consumers.

- One part Pre-paid domestic Tariff
- Life line tariff: Prepaid limited to 20 Amps
- One part Pre-paid tariff for business consumers up to 20 ASF

d) Two-part tariff

This tariff is suitable for household consumers and business consumers.

- The basic charge must cover the estimated fixed client costs.
- Currently, the network, energy and surplus must be covered by the energy charge.

e) Time of use tariff

This tariff is suitable for larger clients. It is not only the most cost-reflective tariff, but also offers clients the opportunity of moving loads to cheaper times, thereby reducing their accounts. This tariff is available for clients  $\geq 50$  kVa and compulsory for clients  $\geq 100$  kVa. New clients  $\geq 500$ kVa to be on Time of use tariff Medium Voltage

- The basic charge must cover the estimated fixed client costs.
  - The capacity charge covers the estimated indivisible portion of the network costs. The charge is calculated on the greatest of the reported demand or the recorded maximum demand.
  - The maximum demand charge receives the joint portion of the network costs plus partial surplus and is calculated on the highest demand recorded in each month.
  - The energy charges cover the purchase cost and the rest of the surplus. The energy charges are determined on Eskom's purchase costs per time of consumption period plus the same c/kWh surcharge for all the periods.
  - The reactive energy charge is determined to cover the Eskom reactive energy charge as well as to send a price signal to council's clients to uphold their labour factor.
- (f) Where properties are not connected to the electricity service but can reasonably be connected to the service, an availability tariff will be payable except for Municipal owned vacant properties. The tariff will be a proportional calculation of the deemed fixed cost. *The Council will not levy an availability rate on any private road or any other property where the market value of the property is equal or less than R15000 or such other amount as determined by Council from time to time.*
- (g) The council will levy a capital levy towards replacing ageing infrastructure and other service delivery needs for the use of electricity.

### 7.1.3 REFUSE REMOVAL

(a) Tariff structure

(i) Removals per week.

1 Containers per week (volume)(240 litre)(1,1m<sup>3</sup>)

2 Establish dumping site rehabilitation reserve fund.

(b) Method of calculation

- (i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total number of users. The total cost of the service includes the removal cost plus the operating cost associated with the service. A cost per month will be calculated for domestic consumers based on the number of removals per week.
  - (ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.
  - (iii) Calculation for Capital Reserve Fund Purposes to be based as follow:
    - Projected rehabilitation cost amounts to be projected to dump site life- span e.g. years
    - Determine funding to be made from annual contributions to Reserve Fund at end of dump site life and capital funding to be made available from loans
    - identify or define quantity of current users to contribute to projected amount for contribution.
    - Calculate monthly/annual tariff using above information to make provision for contributions towards cash funded reserve only i.e. taking non-payment into consideration.
  - (iv) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers tariffs will be determined based on the estimated volume that will be removed per month.
  - (v) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.
  - (vi) A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.
  - (vii) No refuse removal tariffs will be raised in Tesselaarsdal, except where refuse removal is requested in writing.
- (c) Where properties can make use of a refuse removal service an availability tariff will be payable except for Municipal owned vacant properties. The tariff will be a proportional calculation of the deemed fixed cost. *The Council will not levy an availability rate on any private road or any other property where the market value of the property is equal or less than R15000 or such other amount as determined by Council from time to time.*
- (d) The council will levy a capital levy towards replacing ageing infrastructure and other service delivery needs for the use of refuse.

#### 7.1.4 SEWERAGE/EMPTYING OF CONSERVANCY TANKS

- (a) Unit of measurement
  - (i) Number of toilet pans or urinals.
  - (ii) Tanker load.
  - (iii) per half an hour or part thereof
- (b) Method of calculation
  - (i) Properties used for residential purposes will pay a fixed tariff per month irrespective of the number of toilet pans or urinals, such fixed tariff will also be applicable where no municipal sewerage network exists. This tariff will entitled owners of conservancy tanks to one removal per month.
  - (ii) All other categories (excluding industrial consumers) will pay a variable cost based on the number of toilet pans or urinals and the variable cost allocated to that particular category.
  - (iii) Residential properties, business premises and farms where no municipal sewer network exists shall pay a tariff per half-hour (30 minutes) or portion thereof.
  - (iv) Tariffs for the treatment of industrial effluent will be calculated according to the following formula:  $R = V [(A + B) + 10^{-3} Cs]$  and levied quarterly.

Where

R is the amount in cents due to the Council per cycle;

V equals the total volume of industrial effluent discharged from the premises during the cycle concerned in kiloliters;

A is the capital cost (depreciation) plus maintenance costs for the cycle concerned on the sewage treatment works, divided by the total flow in  $M^3$  received at the works during the cycle, (in cents. $M^3$ );

B is the capital cost (depreciation) plus maintenance costs for the cycle concerned on the pipe system as used by the consumer, divided by the total flow for the cycle (in cents/ $M^3$ );

C is the cost of treating on kl of sewage (in cents/ $M^3$ ), and

S is the average chemical oxygen demand in (mg/l) measured on the industrial effluent during the cycle.”

- (c) Industrial consumers will pay an ordinary sewage tariff, calculated on the same basis as business sewage plus an additional amount for the treatment of their industrial effluent.
- (d) Where properties are not connected to the sewerage service or can reasonably be connected to the service an availability tariff will be payable except for Municipal owned vacant properties. This will be a proportional calculation of the deemed fixed cost. *The Council will not levy an availability rate on any private road or any other property where the market value of the property is equal or less than R15000 or such other amount as determined by Council from time to time.*
- (e) That sewerage blockages be effected free of charge at indigent households.
- (f) That sewer blockages at non-indigent households be effected before payment. If the household is unable to pay in advance, the account must be debited with such charges.
- (g) A Sewerage tariff will be raised and is payable by all owners or occupiers of each developed property connected to the water and electricity distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the sewerage service or not or those who are not connected to the distribution networks to whom a sewerage service is rendered on request.
- (h) The council will levy a capital levy towards replacing ageing infrastructure and other service delivery needs for the use of sewerage.

## **7.2 CALCULATION OF MINOR TARIFFS**

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.

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.

The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:

- burials and cemeteries
- rentals for the use of municipal sports facilities

The following services shall be considered as community services, and nominal tariffs shall be levied for their use:

- municipal swimming pool
- municipal museum and art gallery
- disposal of garden refuse at the municipal tip site
- municipal reference library
- municipal lending library
- municipal botanical garden, and all other parks and open spaces.

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:

- maintenance of graves and garden of remembrance (cremations)
- housing rentals
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags
- sales of refuse bins
- cleaning of stands
- electricity, water, sewerage: new connection fees
- sales of livestock and plants
- photostat copies and fees
- clearance certificates
- removal of garden and other refuse
- town planning applications
- Camp-site tariffs

Council may annually during the budget process determine a different tariff for hall rentals depending on the purpose of the rental or the organization by which it is rented by.

Penalty charges for the submission of dishonoured debit orders and direct deposits. All costs charged to the municipality will be charged to the default consumer.

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

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- internal legal fees (75% of magistrates fees)
- electricity, water: disconnection and reconnection fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- penalty charges for the submission of dishonored debit orders and direct deposits.
- flea market stands
- traffic pound and storage charges
- traffic escort services
- parking fees

Market-related rentals shall be levied for the lease of municipal properties.

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's sustaining damages as a result of the use of the facilities concerned.

(a) Tariff structure:

The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.

(b) Method of calculation

These tariffs will be adjusted annually by increasing the tariff that applied during the previous financial year by a percentage increase as determined by the majority councillors present at the meeting where the budget is approved.

## **8. NOTIFICATION OF TARIFFS, FEES AND SERVICE, CHARGES**

- (1) The council will give notice of all proposed tariffs considered at the annual budget meeting (where the draft was tabled) 10 working day succeeding the date of such a meeting.
- (2) A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for objections will be displayed by the municipality at a place installed for that purpose.
- (3) All tariffs approved must be considered at the annual budget meeting.
- (4) A resolution levying rates in a municipality will be promulgated by publishing in the Provincial Gazette.
- (5) Notification of outcome of objections and furnishing of reasons:  
Tariffs according work done in terms of S53 of the MPRA:  
Prescribed fees will be calculated on the actual cost of the Valuer cost plus 15% administration fee.

## **9. IMPLEMENTING AND PHASING IN OF THE POLICY**

- (1) The principle contained in this policy will be reflected in the various budget proposals submitted to council on an annual basis, service bylaws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Act.
- (2) The council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of council.

## **10. SHORT TITLE**

This policy is the Tariff Policy of the Theewaterskloof Municipality.

## **11. ADJUSTMENT OF ACCOUNTS**

Where incorrect debits were raised regarding service charges, the accounts under query will be rectified for the current financial year and two preceding years where applicable. The Municipal Manager may extend the period of corrections in cases of incorrect debits due to administrative errors.



## **12. CHARGING OF INTEREST ON ARREAR ACCOUNTS**

Interest to be calculated at PRIME Rate plus 1%, becomes owing and payable on any balance which is outstanding after the date the month end run will be conducted. A portion of a month will be deemed to be a full month.

## **13. SERVICES DEPOSITS**

- 13.1 A consumer deposit will be required for every new service agreement. The deposit will be calculated as follow:
- to include the basic fees of sewerage and refuse to be charged on a monthly basis to this account for two (2) months
  - in the case of conventional (Read) meters the expected consumption for water and/or electricity for two months
    - (i) Household (20 kl) electricity (500kwh)
    - (ii) Businesses as per comparable business or upon advice from Technical Services
- 13.2 The deposit to be accepted as a general municipal services deposit and will not be service specific.
- 13.3 Cash and bank guarantees acceptable as service deposits.
- 13.4 No service deposit will be required for indigent consumers.
- 13.5 In the event that a consumer failed to pay the consumer deposit for a new or existing service agreement, a deposit will be calculated in accordance with this policy and be debited to the consumer's account.
- 13.6 The deposit, less any outstanding amount due to the municipality, will be refunded to the consumer, on request from the consumer, after termination of the agreement or date of transfer in ownership of the property concerned. Should the consumer fail to request a refund after a period of three years after date of termination of the agreement or date of transfer in ownership of the property concerned, such deposit will cede to the municipality and the consumer will have no claim to a refund of the deposit.

## **14. LEGAL REQUIREMENTS**

### **SECTION I: WATER SERVICES ACT NO. 108 OF 1997**

### **SECTION 10: NORMS AND STANDARDS FOR TARIFFS**

A municipality, in its capacity as a water services institution, must apply a tariff for water services which is not substantially different from any norms and standards which the

Minister of Water Affairs and Forestry, with the concurrence of the Minister of Finance, has prescribed in terms of the present Act.

## **SECTION 21: BY-LAW**

A municipality, in its capacity as water services authority, must make by-laws which contain conditions for the provision of water services, and which provide for at least the following (inter-alia):

- the standard of the services;
- the technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;
- the determination and structure of tariffs in accordance with Section 10 of the present Act.

If the municipality, in its capacity as water services authority, has imposed conditions under which water services are provided, such conditions must be accessible to consumers and potential consumers.

If the municipality, in its capacity as water services authority, provides water for industrial use, or controls a system through which industrial effluent is disposed of, it must make by-laws providing for at least the following:

- the standards of the service;
- the technical conditions of provision and disposal;
- the determination and structure of tariffs.

## **SECTION II: 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 subsidisation 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 subsidisation 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 subsidisation 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.