



**TARIFF POLICY**  
**2018/2019 FINANCIAL YEAR**

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**ABBREVIATIONS**

MLM	Midvaal Local Municipality
AO	Accounting Officer
CFO	Chief Financial Officer
MFMA	Municipal Finance Management Act
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
PPE	Property, Plant and Equipment
SCM	Supply Chain Management
VAT	Value Added Tax
IBT	Inclining Block Tariff
kWh	Kilowatt per Hour (Kilowatt Hour)
KVA	Kilowatt Ampere
KL	Kilolitre
c/kWh	Cent per Kilowatt Hour
R/kWh	Rand per Kilowatt Hour

## **1. PURPOSE OF THIS DOCUMENT**

Apart from meeting legislative requirements, this policy also emanates from the objectives determined in Council's anti-corruption policy.

The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying of tariffs by the Midvaal Local Municipality.

The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. 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.

## 2. DEFINITIONS

**“Accommodation”** means accommodation in an accommodation establishment, a room, dwelling / house or second dwelling unit, self-catering room, self-catering apartment or free standing building let to transient guests consisting of three or more lettable units.

**“Accommodation Establishments”** – consists of one or more of the following lettable types of accommodation, consisting of three or more lettable units –

- (a) “Camping” (informal temporary accommodation in a unique environment) is defined by a property used for erection of tents or other temporary structures for temporary accommodation for visitors or holiday-makers, which includes ablution, cooking and other facilities that are reasonably and ordinarily related to camping, for use of such visitors, and includes a caravan park, whether publicly or privately owned, but which excludes the alienation of land on the basis of time sharing, sectional title share blocks or individual subdivision; and excludes resort accommodation or mobile homes;
- (b) “Bed and Breakfast” (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling in which the owner of the dwelling supplies lodging and meals for compensation to transient guests who have permanent residence elsewhere; provided that the primary use of the dwelling-house concerned shall remain for the living accommodation of a single family and where not more than 3 guest rooms are provided;
- (c) “Guest House” (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house (with a maximum of 10 rooms) or second dwelling which is used for the purpose of supplying lodging and meals to transient guests for compensation, in an establishment which exceeds the restrictions of a bed and breakfast establishment and may include business meetings, training sessions and conference facilities for resident guests;
- (d) “Self catering Accommodation” (accommodation for non-permanent residents and transient guests) is defined by a house, cottage, chalet, bungalow, flat, studio, apartment, villa, or similar accommodation where facilities and equipment are provided for guests to cater for themselves. The facilities should be adequate to cater for the maximum advertised number of residents the facility can accommodate;

- (e) “Self-catering Apartments” (accommodation for non-permanent residents and transient guests) is defined by a building or group of buildings consisting of separate accommodation units, each incorporating a kitchen/-ette facility, and which may include other communal facilities for the use of transient guests, together with outbuildings as are normally used therewith; which are rented for residential purposes and may include holiday flats; but does not include a hotel, dwelling-house, second dwelling or group house;
- (f) “Backpackers Accommodation” (accommodation and communal facilities in a building or free standing buildings for transient guests) is defined by a building where lodging is provided, and may incorporate cooking dining and communal facilities for the use of lodgers, together with such outbuildings as are normally used therewith and includes a building in which dormitories / rooms / beds are rented for residential purposes, youth hostel, and backpackers’ lodge; but does not include a hotel, dwelling house, second dwelling or group house;
- (g) “Boarding House” a dwelling–house or second dwelling which is used for the purpose of supplying lodging with or without meals or self-catering to non-permanent / permanent residents for compensation; provided that the primary use of the dwelling-house shall remain for the living accommodation of a single family;

**"Account"** means an account rendered specifying charges for municipal services provided by the **Municipality**, or any authorised and contracted service provider, and which account may include assessment rates levies;

**“Accounting Officer”** means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act;

**“Annual Budget”** shall mean the budget approved by the municipal council for any particular financial year, and shall include any adjustments to such budget;

**“Annually”** means once every financial year;

**"Arrangement"** means a written agreement entered into between the Municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act;

**"Arrears"** means those rates and service charges that have not been paid by the due date and for which no arrangement has been made;

**"Authorised Representative"** means a person or instance legally appointed by the Municipality to act or to fulfill a duty on its behalf;

**"Basic Municipal Services"** shall mean a municipal service necessary to ensure an acceptable and reasonable quality of life, which service – if not provided – would endanger public health or safety or the environment;

**"Billing Date"** means the date upon which the monthly statement is generated and debited to the customer's account;

**"Business and Commercial Property"** means -

- (a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
- (b) property on which the administration of the business of private or public entities take place.

**"By-law"** shall mean legislation passed by the council of the Municipality, and which shall be binding on the Municipality and on the persons and institutions to which it applies;

**"Calendar year"** shall mean 12 consecutive months of a financial year(s);

**"Category"** –

- (a) in relation to a property, means a category of properties determined in terms of section 8(2) of the Municipal Property Rates Act;

(b) in relation to the owners of property, means a category of owners determined in terms of section 15(2) of the Municipal Property Rates Act.

**"Chief Financial Officer"** means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee;

**"Consumer Price Index"** shall mean the CPIX as determined and gazetted from time to time by the South African Bureau of Statistics;

**"Consolidated Account"** means an account which is a consolidation of any separate accounts of a person who is liable for payment to the Municipality;

**"Council"** means the Council of the Midvaal Local Municipality;

**"Councillor"** shall mean a member of the Council of the Municipality;

**"Credit Control"** means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services;

**"Customer"** means the occupier of any premises to which the Municipality has agreed to supply or is actually supplying municipal services, or if no occupier can be identified or located, then the owner of the premises and includes any customer of the Municipality;

**"Day / Days" means** calendar days, inclusive of Saturdays, Sundays and public holidays;

**"Debt Collectors"** means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein;

**"Defaulter" means** any person who owes arrears to the Municipality;

**"Delivery Date"** shall mean the date on which the periodic account is delivered to the customer or 3 days after **the** date the account was posted, whichever is the first;



**"Director Income"** Means the Senior Official in a division of the Municipality's Finance Department, overall responsible for the collection of monies owed to the Municipality and / or any other official to whom he / she has delegated duties and responsibilities in terms of this policy;

**"Domestic Customer or User"** of municipal services shall mean the person or household which municipal services are rendered in respect of "residential property" as defined below;

**"Due Date"** in relation to -

(a) rates due in respect of any immovable property, means:-

- the date for payment indicated on the account, in the case where rates are levied on a monthly basis are the 7<sup>th</sup> of the month; or

(b) should such day fall on a Saturday, Sunday or public holiday the due date will remain the 7<sup>th</sup> of the month.

**"Dwelling"** means a building, structure or place of shelter to live in or conduct business from;

**"Electricity Charges"** means service charges in respect of the provision of electricity;

**"Financial Year"** shall mean the period starting from 1 July in any year and ending on 30 June of the following year;

**"Immovable Property"** also includes -

(a) an undivided share in immovable property, and

(b) any right in immovable property.

**"Implementing Authority"** means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act 32 of 2000;

**"Indigent Customer"** means the head of an indigent household:-

(a) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the Municipality; and

(b) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

**"Indigent Support Policy"** means the Indigent Support Policy adopted by the Council of the Municipality;

**"Indigent Support Programme"** means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Support Policy;

**"Integrated Development Plan"** shall mean a plan formulated and approved as envisaged in Section 25 of the Municipal Systems Act 2000, as amended;

**"Industrial Property"** – means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity;

**"Interest"** means the charge levied on arrears, calculated as the prime rate, charged by the bank which holds the Municipality's primary bank account, plus two percent or such other percentage as may be determined by Council from time to time;

**"Local Community"** – in relation to the Municipality –

(a) means that body of persons comprising –

- the residents of the Municipality;
- the rate payers of the Municipality;
- any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the Municipality; and
- visitors and other people residing outside the Municipality, who, because of their presence in the Municipality, make use of services or facilities provided by the Municipality; and

(b) includes, more specifically, the poor and other deprived sections of such body of persons;

**“Market Value”** – in relation to a property, means the value of the property determined in accordance with section 46 of the Municipal Property Rates Act;

**“Month”** means one of twelve months of a calendar year;

**"Monthly Average Consumption"** means the monthly average consumption in respect of a property calculated on the basis of the average consumption over the preceding twelve months on the respective property or should it be a newly developed property a projected average consumption per month for a property in the Municipality having a similar sized development thereon;

**“Municipality”** or **“Municipal Area”** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act 27 of 1998 as the municipal area pertaining to the Municipality;

**“the Municipality”** means Midvaal Local Municipality;

**“Municipal Council”** or **“Council”** shall mean the municipal council of Midvaal Local Municipality as referred to in Section 157(1) of the Constitution;

**"Municipal Pay Point"** means any municipal office in the area of jurisdiction of the Municipality designated by Council for such purposes, or any such other places as the Chief Financial Officer may from time to time designate;

**"Municipal Manager"** means the Municipal Manager of the Midvaal Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with the concurrence of the Council;

**"Municipal Services"** means services provided either by the Municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement;

**“Municipal Tariff”** shall mean a tariff for services which the Municipality may set for the provision of a service to the local community, and may include a surcharge on such service.

*Tariffs for major services* shall mean tariffs set for the supply and consumption or usage of electricity, water, sewerage and refuse removal, and minor tariffs shall mean all other tariffs, charges, fees, rentals or fines levied or imposed by the Municipality in respect of other services supplied including services incidental to the provision of the major services;

**"Occupier"** means any person who occupies, controls or resides on any premises, or any part of any premises without regard to the title under which he or she so occupies it;

**"Open Space"** - means land that is used as a park, garden, for passive leisure or maintained in its natural state and that is zoned as open space;

**"Owner"** in relation to immovable property means -

- (a) the person in whom is vested the legal title thereto provided that:-
- the lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
  - (ii) the occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
- (c) if the owner is absent from the Republic or if his address is unknown to the Municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the Municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property;

**"Person" means** a natural and juristic person, including any department of state, statutory bodies or foreign embassies;

**"Premises"** includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in

terms of the Deed Registry Act, 47 of 1937; or

- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the Municipality.

**"Prescribed"** means prescribed by this policy and where applicable by Council or the Municipal Manager;

**"Prescribed debt"** means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969;

**"Private Open Space"** means land that is privately owned and used for practising of sport, play- or leisure facilities or used as a botanical garden, cemetery or nature area and which is joined as Private Open Space;

**"Privately Owned Townships Serviced by the Owner"** – means single properties (group housing or single residential erven), situated in an area not ordinarily being serviced by the Municipality, divided through subdivision or township establishment in (ten or more) full-title stands and / or sectional title units and where all rates-related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreation facilities, are installed at the full cost of the developer and are rendered and maintained by the residents, Home owners association or management companies / bodies of such estate;

**"Property"** – means immovable property registered under separate title in terms of the provisions of the Deeds Registries Act, 1937 (Act 47 of 1937) in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person and includes unregistered land if the right of ownership can be determined;

**"Rateable Property"** shall mean property on which the Municipality may in terms of Section 2 of the Municipal Property Rates Act 2004 levy a rate, but excluding property fully excluded from the levying of rates in terms of Section 17 of that Act;

**"Ratepayer"** shall mean a person who is liable to the Municipality for the payment of (a) rates on property in the Municipality; (b) any other tax, duty or levy imposed by the Municipality;

and / or (c) fees for services provided either by the Municipality or in terms of a service delivery agreement;

**"Rates"** means a municipal rate on property envisaged in section 229 (1) of the Constitution read with the Local Government: Municipal Property Rates Act 6 of 2004 and the Local Government: Municipal Finance Act 56 of 2003;

**"Rebate"** in relation to a rate payable on a property, shall mean a discount granted in terms of Section 15 of the Municipal Property Rates Act, 2004 on the amount of the rate payable on the property;

**"Reduction"** - in respect of a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of that property at that lower amount;

**"Refuse Charges"** means service charges in respect of the collection and disposal of refuse;

**"Registered Owner"** means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, 47 of 1937;

**"Responsible Person"** means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges;

**"Residential Property"** shall mean a property included in the valuation roll in terms of Section 48(2)(b) of the Municipal Property Rates Act, 2004 as residential;

**"Residential Property"** furthermore means improved property that: -

- (a) is used predominantly (60% or more) for residential purposes, including 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 grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes, if still used dominantly for residential purposes;
- (b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;
- (c) is owned by a share-block company and is used predominantly for residential purposes;

- (d) is a residence used for residential purposes situated on a property used for educational purposes;
- (e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Municipal Property Rates Act;
- (f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;
- (g) vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category;

**"Service Charges"** means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy;

**"Service Delivery Agreement"** means an agreement between the Municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000;

**"Sewerage Charges"** means service charges in respect of the provision of sewerage collection and treatment of infrastructure;

**"Small Holding"** means:-

- (a) all agricultural zoned land units situated within an urban region with an area of one to three hectares; or
- (b) any agricultural zoned land unit situated outside an urban region with an area of three hectares or less.

**"Sundry Customer Accounts"** means accounts raised for miscellaneous charges for services provided by the Municipality or charges that were raised against a person as a result of an action by a person, and were raised in terms of Council's policies, bylaws and decisions;

**"Supervisory Authority"** means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Municipal Systems Act 32 of 2000;

**"Tariff"** means the scale of rates, taxes, duties, levies or other fees which may be imposed by the Municipality in respect of immovable property and / or for municipal services provided;

**"Tariff Policy"** means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000;

**"User"** means the owner or occupier of a property in respect of which municipal services are being rendered;

**"Vacant Property"** – means any land without any improvements thereon;

**"Water Charges"** means service charges in respect of the provision of water.



### **3. CONSTITUTIONAL AND LEGAL BACKGROUND**

In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003, the Accounting Officer (AO) of a Municipality is responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the Municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act 32 of 2000 as amended.

In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements.

#### **4. APPROVAL AND EFFECTIVE DATE**

The policy will be effective as from 1 July 2018.

## **5. POLICY AMENDMENT**

In terms of section 17(1)(e) of the MFMA this policy must be reviewed on an annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## 6. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Delegation of Powers;
- Enterprise Risk Management Policy;
- Credit Control and Debt Collection Policy;
- Property Rates Policy;
- Funding, Borrowing and Reserves Policy;
- Cash Management and Investment Policy
- Long Term Financial Plan Policy;
- Indigents Policy;
- Budget Implementation and Monitoring Policy;
- Free Basic Electricity Policy and
- Free Basic Water Policy.

## 7. REFERENCES

The following references were observed in compiling this document:

- Municipal Finance Management Act, 2003
- Municipal Systems Act, 2000
- Municipal Property Rates Act, 2004
- Municipal Property Rates Policy, as reviewed annually
- Constitution of the Republic of South Africa, 1996 as amended
- Municipal Budget and Reporting Regulations, 2008

## **8. BASIC PRINCIPLES TO BE CONSIDERED IN DETERMINATION OF A TARIFF STRUCTURE**

- 8.1 Service tariffs imposed by the local Municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant customer 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).
- 8.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 8.3 Tariffs for the four major services rendered by the Municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 8.4 The tariff which a particular customer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 8.5 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 customers in the municipal region.
- 8.6 In line with the principles embodied in the Constitution, in other legislation pertaining to local government, and in the case of electricity approval by NERSA, the Municipality may differentiate between different categories of users and customers 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.

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- 8.7 The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of customers or users shall be evident to all customers or users of the service in question.
- 8.8 The Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all customers and users affected by the tariff policy concerned.
- 8.9 The Municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 8.10 In the case of conventional metering systems for 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 customers shall be proportionate to the quantity of the service which they consume. In addition, the Municipality shall levy a monthly fixed charge for electricity and water services.
- 8.11 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.
- 8.12 In case of vacant stands, where the services are available but not connected, the Municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infrastructure available for immediate connection. This principle also applies to vacant stands in areas serviced through conservancy or septic tanks.
- 8.13 The Municipality's tariffs for electricity services will be determined to ensure that those customers 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 customers during certain periods. These bulk customers shall therefore pay the relevant demand charge as well as an energy charge directly related to their actual consumption of electricity during the relevant metering period.



## **9. FACTORS TO BE CONSIDERED IN THE DETERMINATION OF A TARIFF STRUCTURE**

### **9.1 Financial factors**

9.1.1 The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service, during each of the Municipality's specific financial years, to avoid cross subsidising of services.

9.1.2 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:-

9.1.2.1 Cost of bulk purchases in the case of water and electricity.

9.1.2.2 Distribution costs.

9.1.2.3 Distribution losses in the case of electricity and water.

9.1.2.4 Depreciation expenses.

9.1.2.5 Maintenance of infrastructure and other fixed assets.

9.1.2.6 Cost of approved indigent relief measures and cross subsidising of low consumption.

9.1.2.7 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; and
- 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 revenue, and shall not be included in the costing of the major services of the Municipality).

- 9.1.3 The intended surplus to be generated for the financial year. Surplus to be applied:-
- as an appropriation to capital reserves; and/or
  - generally in relief of rates.

## 9.2 Socio-economic factors

9.2.1 Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. In order to fully understand the influence of the socio-economic factors the various user categories and forms of subsidisation needs to be considered. Tariffs should also support business initiatives aimed at creating jobs or contribute to the economy of the area.

9.2.2 Users can be divided into the following categories:-

9.2.2.1 Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised;

9.2.2.2 Users who are able to afford a partial contribution and who are partially subsidised only; and

9.2.2.3 Users who can afford the cost of the services in total.

9.2.3 It is important to identify these categories and to plan the tariff structures accordingly. Subsidies currently derived from two sources namely:-

9.2.3.1 Contributions from National Government: National Government makes an annual contribution according to a formula, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.

9.2.3.2 Contributions from ownfunds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

- To make provision for subsidisation the tariff structure can be compiled as follow:-

9.2.4.1 Totally free services (within limits and guide lines);

9.2.4.2 Lower tariffs for users who qualify in terms of particular guide lines, for example to recover the operational costs of the service only; and

9.2.4.3 Full tariff payable with a subsidy that is transferable from sources as mentioned above.

### **9.3 Minimum service levels**

It is important that minimum service levels be determined in order to calculate and develop an affordable tariff package available to all potential users.

### **9.4 Credit control**

9.4.1 It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually. Non-payment has a direct effect in that provision for bad debt, in accordance with current payment levels, must be provided as expenditure in the budget.

9.4.2 However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services. In addition, adequate provision should be made on an annual basis for bad debt/ working capital in accordance with current payment levels.

## **9.5 Package of services**

The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can surpluses be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

## **9.6 Historical and future user patterns**

9.6.1 It is important to keep accurate consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that may have an impact on tariffs.

## **9.7 User groups**

- 9.7.1 Users are traditionally divided into user groups as set out below:-
- 9.7.1.1 Domestic (Residential);
  - 9.7.1.2 Businesses/ Commercial;
  - 9.7.1.3 Industries/Bulk customers;
  - 9.7.1.4 Farm properties (agricultural);
  - 9.7.1.5 Accommodation establishments (including guest houses);
  - 9.7.1.6 Municipal consumption (departmental charges);
  - 9.7.1.7 Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera; and
  - 9.7.1.8 Special arrangements for specific developments as may be determined by Council from time to time.

A continuous effort should be made to group together those users who have more or less the same access to a specific service.

## **10. FREE BASIC SERVICES**

### **10.1 Underlying principle**

- 10.1.1 Free basic municipal services refers to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.
- 10.1.2 In terms of the South African Constitution all customers should have access to basic services. Typically, the following parameters will be applied: -
- 10.1.2.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.
- 10.1.2.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount determined by Council at the beginning of every financial year and will be applied for the duration of that particular financial year.

## 11. TARIFF STRUCTURES FOR VARIOUS SERVICES

It is essential that a compromise be reached between the following needs with the determination of a tariff structure:-

- The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
- The need to ensure equality and fairness between user groups;
- The need for a practically implementable tariff;
- The need to use appropriate metering and provisioning technology;
- The need for an understandable tariff; and
- The user's ability to pay.

Taking into consideration the abovementioned points the tariff structure of the following services are discussed:-

- Electricity
- Water
- Refuse Removal
- Sewerage
- Property Rates.

### 11.1 Electricity

11.1.1 To calculate the tariff for electricity, the actual cost incurred in the supply of electricity to the community has to be taken into consideration. The principle of basic levies as well as per unit tariff for electricity is determined by the cost structure. This cost structure consists of the following components:-

11.1.1.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital, maintenance cost and insurance that is payable in respect of the infrastructure. These costs must be recovered whether

any electricity is used or not. The costs are therefore recovered by means of a fixed levy per period (normally levied as a monthly basic charge) in order to ensure that these costs are covered.

11.1.1.2 Variable costs: It relates to the physical provision of electricity according to consumption / demand and must be financed by means of a unit tariff which is payable per kWh/KVA electricity consumed.

11.1.1.3 Surplus: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

11.1.2 The following tariff structures were basically used for the determination of tariffs:-

11.1.2.1 Inclining block tariff (IBT) tariff structure where customer's consumption is divided into blocks and each subsequent block has a higher energy rate (c/kWh). The tariff structure has been set by NERSA in order to protect/ cross-subsidise low income domestic customers and to promote energy efficiency.

11.1.2.2 Single rate energy tariff (all costs expressed in a single cent/kWh charge).

11.1.2.3 Two part tariff for Industrial and Bulk Customers. Demand charge and a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh);
- Demand charge (R/KVA month – recovers capital costs elements).

11.1.2.4 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

## **11.2 Water**

11.2.1 Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. In order



to restrict consumption, an inclining block rate tariff structure with a basic fee is applied.

11.2.2 In principle, the amount that users pay for water services should generally be in proportion to their use of water services. Tariffs must be set at levels that facilitate the sustainability of the service, will include sliding scale tariff structure.

11.2.3 To calculate the tariff for water, the actual cost incurred in the supply of water to the community, has to be taken onto consideration. The principle of basic levies as well as a kilolitre tariff for water is determined by the cost structure.

11.2.4 Similar to electricity, this cost structure consists of the following components:-

11.2.4.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infrastructure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

11.2.4.2 Variable costs: It relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.

11.2.4.3 Surplus: The tariffs for these services are determined in such a way that a NETT trading surplus is realised. Any trading surplus is used to subsidise the tariffs of rate funded services.

11.2.5 The following tariff structures were basically used for the determination of tariffs:-

11.2.5.1 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

11.2.5.2 Should the levy of the availability charge of water fall into arrears due to non-payment by the fractional owner, credit control procedures as stipulated in the credit control policy will follow.

### 11.3 Refuse Removal

- 11.3.1 Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.
- 11.3.2 A customer who chooses to do his/her own refuse removal will still be liable for paying the applicable refuse tariff.
- 11.3.3 The tariff levied by Midvaal Local Municipality is based on the category of property as determined in the valuation roll.
- 11.3.4 The following tariff structures were basically used for the determination of tariffs:-
- 11.3.5 Residential (domestic customers) – maximum of one removal per week (black bag system).
- 11.3.6 Business / Commercial / Industrial (Non – Bulk) – maximum of two removals per week.
- 11.3.7 Business / Commercial / Industrial (Bulk) - maximum of three removals per week.
- 11.3.8 Business / Commercial / Industrial (Bulk) - four or more, with a maximum of seven removals per week.
- 11.3.9 Additional removals – More than the maximum removals as per 11.3.5 – 11.3.8.
- 11.3.10 A service charge is payable on all properties (as per category as detailed in the schedule of tariffs), where the rendering of the service is available, whether or not the service is utilised by the customer.
- 11.3.11 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

11.3.12 Where fractional ownership of a property occurs, the owner will be levied refuse based on their fractional share in that property.

11.3.13 Should the levy for refuse fall into arrears due to non-payment by the fractional owner, credit control procedures as stipulated in the credit control policy will follow.

## **11.4 Sewerage**

11.4.1 Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

11.4.2 The following tariff structures were basically used for the determination of tariffs:-

11.4.3 Tariff arrangements determined and approved by Council from time to time for specific developments.

11.4.4 A sewer charge is payable on all properties (as per category as detailed in the schedule of tariffs), where a connection to the sewer network is possible, whether or not the service is utilised by the customer. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties.

11.4.5 The sewer charge will be payable as from date of registration of property

11.4.6 If the owner connects and improve the property the debit will be adjusted from the date of the connection.

11.4.7 Owners of vacant stands in an area serviced through conservancy tanks, septic tanks or French drains only will not pay the availability tariff.

11.4.8 Where the fractional ownership of a property occurs, the owner will be levied a sewer charge for sewerage based on their fractional share in that property.

- 11.4.9 Should the levy of the availability charge for sewerage fall into arrears due to non-payment by the fractional owner, credit control procedures as stipulated in the credit control policy will follow

## **11.5 Property Rates**

- 11.5.1 The rate levied by the Municipality will be a cent amount in the Rand based on the market value of the property.
- 11.5.2 In terms of the Municipal Property Rates Act, 2004 the Municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of reductions and rebates as provided for in the Municipality's property rates policy.
- 11.5.3 In terms of section 17 (1) (e) of the MFMA the Municipality's property rates policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## 12. ELECTRICITY TARIFF POLICY

Electricity is supplied under a distribution license, granted by NERSA for a specific area of jurisdiction, which regulates inter alia the following aspects:-

- Classification of customer categories.
- Permissible tariff structure options are determined at a national level and distributors are obliged to apply these structures to obtain uniformity.
- All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor.

### 12.1 Domestic Customers and Accommodation Establishments

This tariff covers the supply of electricity for domestic use in private dwellings, flats and chalets with separate meters and includes churches, schools, welfare buildings, hospitals, halls or similar premises.

This tariff is applied for circuit breaker sizes not in excess of 63A single phase or 63A three phase. Should customers require supplies in excess hereof, the Commercial Customer or Bulk Supply tariff will be applicable. A phased approach will be implemented to convert existing customers who have traditionally been charged at different tariffs towards these criteria.

#### **Customers with conventional meters**

##### 12.1.1 One part tariff:

- Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

### **Pre-paid customers**

12.1.2 Prepaid users are charged based on a one part tariff:-

12.1.2.1 One part tariff:

- Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh consumed which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

12.1.2.2 Energy rate (c/kWh). The energy rate is charged on an inclining block tariff per unit based on the number of kWh purchased, which is determined as follows:-

Block 1: 0 to 50 kWh
Block 2: 51 to 350 kWh
Block 3: 351 to 600 kWh
Block 4: >600 kWh

12.1.2.3 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

12.1.2.4 Registered Indigents receive a number of kWh units fully subsidised every month, as determined by Council on an annual basis. Where possible, Council may limit the supply to indigent customers to a 20A single phase capacity.

## 12.2 Commercial / Business Customers

This tariff covers the supply of electricity to shops, office buildings, hotels, clubs, industrial undertakings, builder's supplies or similar premises.

The tariff is normally for circuit breaker sizes not in excess of 63A single phase or 100A three phase. Should customers require supplies in excess hereof, the Bulk Supply tariff will be applicable. A phased approach will be implemented to convert existing customers who have traditionally been charged at different tariffs towards these criteria.



**Customers with conventional meters**

12.2.1 Customers with conventional meters are billed as follows:-

12.2.1.2 One part tariff:

- Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

**Pre-paid customers**

12.2.2 Prepaid users, if applicable, are charged on a one part tariff:

12.2.2.1 Energy rate (c/kWh). The energy rate is charged on a single rate per unit based on the number of kWh purchased.

12.2.3 Should the customer have any municipal arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

**12.3 Industrial / Bulk Customers**

12.3.1 The Bulk Supply tariff is for Customers with a notified maximum demand of 71kVA or more or who require a supply greater than a 100Amp three phase circuit breaker size.

12.3.2 These customers are billed as follows:-

12.3.2.1 Two part tariff.

- Demand charge ((R/kVA month – recovers capital costs elements).
- Energy rate (c/kWh). The energy rate is charged at a single rate tariff per unit based on the number of kWh consumed.

#### **12.4 Farm properties (Agriculture)**

These customers are billed as per the tariffs applicable which have been determined by the Council by special agreement with a specific group of farmers in the past.

#### **12.5 Streetlights**

An energy rate (c/kWh) will be applied per streetlight metering point.

#### **12.6 Special Arrangements**

Other tariffs may be applicable which has been determined by the Town Electrical Engineer or Council by special agreement with specific Clients. This will only be considered when special circumstances prevail.

#### **12.7 Departmental**

The respective Commercial and Bulk Supply tariffs, for consumption only, will be determined by Council on an annual basis. Tariff to be determined by the specific department applicable, only on the energy.

#### **12.8 Electricity sundry tariffs**

All other electricity related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **13. WATER TARIFF POLICY**

### **13.1 Domestic / Commercial / Business / Accommodation Establishments**

13.1.1 Customers are billed as follows:-

- Registered Indigents receive their basic levy for water fully subsidised every month, as determined by Council on an annual basis.

13.1.1.2 Domestic customers are billed for consumption based on the amount of water used by way of a step tariff per kilolitre usage in the following blocks:-

- 0 to 6 kl - Indigent households
- 0 to 4 kl - Non Indigents
- 5 to 12 kl
- 7 to 12 kl
- 13 to 20 kl
- 21 to 30 kl
- 31 to 45 kl
- >45 kl

### **13.2 Old Age Homes / Schools / Sports Clubs / Charitable institutions**

13.2.1 Customers are billed as follows:-

13.2.1.1 Customers are billed for consumption based on the amount of water used by way of fixed tariff per kilolitre usage.

### **13.3 All other Customers**

All other customers are billed as follows:-

13.3.1 Customers are billed for consumption at a fixed tariff per kilolitre based on the number of kilolitres consumed.

### **13.4 Special Arrangements**

- 13.4.1 Where two or more dwellings / flats / offices / accommodation establishment units are feeding from one main water connection to a property, the customers are billed as follow:-
- 13.4.2 Customers in 13.4.1 are billed for consumption based on the amount of water used by way of a fix tariff per kilolitre usage.

### **13.5 Water Restrictions**

- 13.5.1 The availability of bulk water resources will be monitored throughout the year by Council.
- 13.5.2 When so required, Council will take a resolution to implement water restrictions.
- 13.5.3 Any penalties payable on water consumption as a result of water restrictions will be implemented in the month following the Council resolution; regardless of the meter reading dates (water consumed prior to the resolution date may therefore also be subject to penalties).

### **13.6 Departmental**

The respective Commercial and Bulk Supply tariffs, for consumption only, will be determined by Council on an annual basis. Tariff to be determined by the specific department applicable only to the water consumption.

### **13.7 Water Sundry Tariffs**

All other water related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **14. REFUSE TARIFF POLICY**

### **14.1 Refuse Removal Tariffs**

14.1.1 The Council has determined the following categories for refuse removal:-

14.1.2 Residential (domestic customers) – maximum of one removal per week.

14.1.3 Flats / Townhouses – levy for each unit – remove once a week (domestic)

14.1.3.1 Business / Commercial/ Industrial (Non – Bulk) – maximum of two removals per week. Businesses situated in residential areas will only be serviced once a week.

14.1.3.2 Business/ Commercial/ Industrial (Bulk) - maximum of three removals per week.

14.1.3.3 Business/Commercial/Industrial (Bulk) - four or more, with a maximum of seven removals per week.

14.1.3.4 Additional removals – More than the maximum removals as per 14.1.1 – 14.1.3.4

14.1.4 Registered Indigents receive their refuse removal service fully subsidised every month, as determined by Council on an annual basis.

14.1.5 Refuse removal charges will apply to developed properties.

### **14.2 Special Arrangements**

14.2.1 Where two or more customers on a premises make use of the compulsory solid waste disposal service the customers are billed as per the category in par 14.1.1 above.

14.2.2.1 Special tariff arrangements determined and approved by Council from time to time for specific developments. In terms of the current arrangements, all developments with ten or more units that have created a central collection point for refuse as

agreed with Council may qualify for a reduced tariff as determined by Council on an annual basis. The Body Corporate or individual owners may apply in writing for a rebate. If approved, a rebate of 20% will be applied. If no application is received the full charges will be levied.

### **14.3 Departmental**

Tariffs will be determined by Council on an annual basis. Tariff to be determined by the specific department applicable.

#### **14.4 Refuse Removal Sundry Tariffs**

All other refuse removal related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **15. SEWERAGE TARIFF POLICY**

### **15.1 Sewerage Systems**

- 15.1.1 A sewer charge is payable on all properties (as per category as detailed in the schedule of tariffs), where a connection to the sewer network is possible, whether or not the service is utilised by the customer.
- 15.1.2 The charge will be payable as from date of registration of property and the charge will differ between developed and undeveloped properties.
- 15.1.3 Registered Indigents receive their levy for sewerage service fully subsidised every month, as determined by Council on an annual basis.



## **15.2 Special Arrangements**

- 15.2.1 Where two or more dwellings / flats / offices / accommodation establishment units are feeding from one main sewerage connection to a property, the customers are billed as follows:-
- 15.2.2 A charge is payable on all dwellings that are connected to the sewerage network based on the size of the smallest water connection (20 mm).
- 15.2.3 In the case of accommodation establishments, a charge is payable on all units / dwellings that are connected to the sewerage network based on the size of the smallest water connection (20 mm), based on the following formula:-  
Flats / Townhouses – each unit pays a sewer charge

## **15.3 Departmental**

Tariffs will be determined by Council on an annual basis. Tariffs to be determined by the specific department applicable.

## **15.4 Sewerage sundry tariffs**

All other sewerage related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

## **16. PROPERTY RATES POLICY**

### **16.1 Property Rates tariffs**

Property rates are levied as determined by Council from time to time and is covered in the Property Rates Policy and Bylaw of the Municipality.

### **16.2 Property Rates sundry tariffs**

All other property tax related services offered by the Council are charged at a tariff as determined by the Council annually during the budget process.

**17. SUNDRY TARIFFS**

- 17.1 Various sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on cost of supply, but individual tariffs may be set at:-
- 17.1.1 Subsidised levels;
  - 17.1.2 Levels reflecting actual cost; or
  - 17.1.3 Levels producing surpluses.
- 17.2 The level at which the Council sets a sundry service tariff, takes into account factors such as:-
- 17.2.1 Affordability;
  - 17.2.2 Socio-economic circumstances;
  - 17.2.3 Utilisation of amenities and resources;
  - 17.2.4 National and regional agreements and provisions; and
  - 17.2.5 Any other factors influencing such decisions.
- 17.3 Sundry tariffs and structures will be revised at least once a year, during the annual budgeting process.

## 18. WATER LEAK ADJUSTMENT

### Definition of a water leak

Water leak – is crack or flaw that permits water to escape or pass through the pipes. The water will be wasted with or without noticeable.

### Responsibility of water leak

#### 18.1 Customer

- The customer remains responsible for any water leak that occurred from the meter to his property.
- The homeowner is responsible to repair the pipes in his/her property.
- Should the consumer discover any water leak, must take immediate steps to stop the loss of water by turning off the water supply tap.
- The plumber is the best person to call to mend domestic leaks and repair pipes and connections.

#### 18.2 Midvaal Local Municipality

- The water leaks on the streets or on council property remains the responsibility of the council.
- Midvaal Local municipality will not charge its customers to repair pipes on the streets.
- The consumers should not allow anyone trying to claim money from them for repairing council water pipes.
- Even though the water leak is on council or municipality's side, consumers are requested to report the water leak.

### Water leak adjustment tariff

- If you determine that your water bill has gradually been getting larger and does not decrease throughout several meter reading cycle, you may have a water leak.
- Midvaal Local Municipality has a water leak tariff, as promulgated in the water tariffs of the municipality that may give you a discount on your bill, depending upon the nature of the water leak.
- If the water leak is determined to be the customer's responsibility, the customer should repair the water leak and submit the documentation of repair (receipts

for labour, supplies and equipment and an affidavit if the leak was fixed by the owner) to the municipality billing office.

- Once the documentation has been reviewed and approved, the documentation will be processed immediately and adjustment made if merited.
- The amount and time period to which the adjustment can be applied varies depending on the nature of water leak
- Any request for water leak adjustment must be made within 30 days of the water leak repair.

#### **The adjustment support criteria**

- Water leak adjustment is only applicable to residential properties, churches and non governmental organisations (NGO's)
- The need to adjust a water bill maybe evident by a customer complaint of excessive billing or evidence of water leakage on the consumer side of the meter.
- To qualify for water leak adjustment, the usage must be at least 100% above the average monthly usage.
- Only one water leak adjustment per customer is allowed, unless otherwise waived by action of municipal council.
- The water department of the municipality will first determine that the meter has been read properly.
- Adjustment will only be made if the leak was detected within three (3) months.
- Customer will still pay for the average consumption at the normal tariff.
- The Municipality will only adjust the portion more than the average usage per month over a six (6) month period.

Adjustment on water bills will not be made on the following:

- Any type of faulty customer plumbing
- More than one occurrence per any twelve (12) month period.
- Customer did not take immediate steps after detection of the water leak to prevent further loss of water.
- The customer did not provide proof of the repair of the water leak
- Meter was tampered with in any way.

**19. POLICY IMPLEMENTATION**

This policy shall be implemented once approved by Council. All future tariff charges must be considered in accordance with this policy.