

Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality
that improves the quality of life of its people*



Tariff Policy

2019/20

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1. **Preamble**

- 1.1** *The Chief Albert Luthuli Local Municipality, in terms of **Section 75(1) of the Local Government Municipal Systems Act, Act 32 of 2000**, has to adopt a Tariff Policy which is regarded a budget-related policy in terms of the **Local Government Municipal Finance Management Act, Act 56 of 2003**.*
- 1.2** *The Tariff Policy annually has to undergo revision and be tabled with the Multi-Year Annual Tabled Budget to the Council of the municipality for consideration and approval for public scrutiny and comments annually before 31 March.*
- 1.3** *Comments received by the municipality on the contents and stipulations of the Policy have to be considered by the Council for possible amendment/inclusion to the draft policy for a final draft to be approved by the Council annually before 31 May*
- 1.4** *The adopted Tariff Policy applies to the Multi-Year Annual Budget of a related year during which the income is based on the principles contained in the Tariff Policy.*
- 1.5** *Should any of the principles contained in the Tariff Policy by resolution of the Council be changed, an Adjustment Budget has to be prepared to reflect the consequent effect.*

2. 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:-

“agricultural consumers” include but are not limit to farms, smallholdings and agricultural show grounds;

“break even” occurs where the volume sales are equal to the fix and variable cost associated with the provision of the service;

“business and commercial consumers” include but are not limit 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;

“councillor for financial matters” the councillor of the municipal council responsible for financial matters;

“domestic consumers” include but are not limit to residence, group housing, town houses, semi-detached houses, and flats;

“indigent households” are households that are registered under the municipality ‘s Indigent Policy;

“industrial consumers” include but are not limit to industrial undertakings, factories, warehouses, workshop, scrap yards, stores, wine cellars, abattoir, dairy processing plants and fish markets;

“in season” refers to the period from the 1st December of a year up to 31 January of the following year and from the Monday before the Easter weekend up to and including Easter Monday;

“lifeline tariffs” a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units);

“resident “ a person who is ordinary resident in the municipal area;

“special agreements” are special tariff agreements entered into with consumers making significant economic contribution to the community and create job opportunities;

“**sport and recreation facilities**” include but are not limit 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;

“**the Act**”: the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

3. Legal Requirements

3.1 In developing its Tariff Policy, the Municipality has noted the applicability of the following legislation –

3.1.1 Constitution of the Republic of South Africa, 1996

- 3.1.2 Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
- 3.1.3 Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007)
- 3.1.4 Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- 3.1.5 Water Services Act, 1997 (Act No. 108 of 1997)
- 3.1.6 Electricity Regulation Act, 2006 (Act No. 4 of 2006)
- 3.1.7 Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004)
- 3.1.8 Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)

3.2 This policy complies with sections 74 of the Municipal Systems Act in so far as it –

- 3.2.1 establishes a tariff policy on the levying of fees for municipal services provided by the municipality;
- 3.2.2 reflects the required principles; and
- 3.2.3 differentiates between different categories of users, debtors, service providers. services, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination.

3.3 Section 75 of the Municipal Systems Act requires the council to adopt by-laws to give effect to the implementation and enforcement of this tariff policy.

4. Tariff Principles

4.1 The Tariff Policy of the Municipality is in accordance with the principles as set out in section 74 (2) of the Municipal Systems Act as follows –

- 4.1.1** users of municipal services should be treated equitably in the application of tariffs;
- 4.1.2** the amount individual users pay for services should generally be in proportion to their use of that service;
- 4.1.3** poor households must have access to at least basic services through –
 - 4.1.3.1 tariffs that cover only operating and maintenance costs,
 - 4.1.3.2 special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or

- 4.1.3.3 any other direct or indirect method of subsidization of tariffs for poor households;
- 4.1.3.4 tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- 4.1.3.5 tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
- 4.1.3.6 provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- 4.1.3.7 provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- 4.1.3.8 the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- 4.1.3.9 the extent of subsidization of tariffs for poor households and other categories of users should be fully disclosed.

4.2 In addition, the Municipality recognizes the principles set out in the 1998 White Paper on Local Government on user charges as follows –

- 4.2.1 Payment in proportion to the amount consumed – as far as it is practically possible, consumers should pay in proportion to the amount of services consumed.
- 4.2.2 Full payment of service costs – all households, with the exception of the indigent, should pay the full cost of services consumed.
- 4.2.3 Ability to pay – municipalities should develop a system of targeted subsidies to ensure that poor households have at least a minimum level of basic services.
- 4.2.4 Fairness – tariff policies should be fair in that all people should be treated equitably.
- 4.2.5 Transparency - the tariff policy should be transparent to all consumers and any subsidies and concessions must be visible and understood by all consumers.
- 4.2.6 Local determination of tariff levels - municipalities have the flexibility to develop their own tariffs in accordance with the principles contained.
- 4.2.7 Consistent tariff enforcement – a consistent policy for dealing with non-payment of tariffs needs to be developed. This must be targeted and enforced with sensitivity to local conditions.
- 4.2.8 Ensure local economies are competitive - local tariffs must not unduly burden local business through higher tariffs, as these costs affect the sustainability and competitiveness of such businesses and firms.

4.3 The tariffs asset out in this policy shall, as far as is practical, encourage and promote the objects and programmes contained in the municipality’s Integrated Development Plan.

5. Objectives of this Policy

5.1 The Municipality wishes to achieve the following objectives by adopting this tariff policy –

- 5.1.1** to comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);

- 5.1.2 to prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
- 5.1.3 to give guidance to the Councillor responsible for finance regarding tariff proposals that must be submitted to Council annually during the budget process.

5.2 In addition, the Municipality seeks to ensure that –

- 5.2.1 the tariffs of the Municipality conform to acceptable policy principles;
- 5.2.2 municipal services are financially sustainable;
- 5.2.3 there is certainty in the Council of how the tariffs will be determined;
- 5.2.4 tariffs of the Municipality comply with the applicable legislation; and
- 5.2.5 tariffs should take into consideration relief to the indigent.

5.3 Tariffs will be set at a level that facilitates the sustainability of services, which will be achieved by ensuring that –

- 5.3.1 cash inflows cover cash outflows and that sufficient provision for working capital and bad debts will be made; and
- 5.3.2 access to the capital market is maintained, to be achieved through the provision for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.

5.4 Where practical, efficient and effective use of resources will be encouraged by providing for penalties to discourage unnecessary or exorbitant usage.

6. Tariff Strategy

6.1 Minimum basic services must be free

- 6.1.1 This will be set out in the Free Basic Services Policy of the Municipality, and in order to ensure affordable services, the Council will introduce a stepped tariff structure in which consumers that use more of a service, will pay progressively more for higher consumption than those who consume less of a service.

6.2 Keeping tariffs affordable

- 6.2.1 In order to ensure that tariffs remain affordable, the Council will strive to ensure that –
 - 6.2.1.1 Services are delivered at an appropriate level;
 - 6.2.1.2 Efficiency improvements are actively pursued across the Municipality's operations;
 - 6.2.1.3 A performance management system is introduced to ensure that plans that are devised are actually implemented on its own resources are obtained as

economically as possible and that appropriate service delivery mechanisms are used;

- 6.2.1.4 An investigation is conducted with the objective of phasing out as soon as is practically possible the non-core functions that the municipality currently performs without depriving the community of any services that really contribute to the quality of life of people in its area;
- 6.2.1.5 Any service that is provided for which there is little demand, is priced under the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities, are phased out, except where the Council is by law required to provide such a service; and
- 6.2.1.6 The equitable share of revenue raised nationally will be used to maintain an adequate level of basic services for indigents.

6.3 Achieve price parity for services and property rates (uniform tariffs)

- 6.3.1 The Council will strive to achieve price parity within the Municipality within five financial years starting with the 2018/19 financial year.

6.4 Fully exploiting the potential income base

- 6.4.1 In order to ensure that tariffs remain current, and to ensure that all revenue is maximized, the Council will –
 - 6.4.1.1 Review tariffs for services at least once during every financial year.
 - 6.4.1.2 Ensure that tariff increases are in line with increases in the price of personnel costs, goods, material and other resources acquired and used by the Municipality to perform its functions; and
 - 6.4.1.3 Ensure that the tariff for a particular service will be calculated in such a way that all relevant costs are covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing the physical assets used in its provision.

6.5 The “Consumer must pay Principle”

- 6.5.1 The Council believes that consumers of services must pay for the amount of services that they use. Where it is possible to measure the consumption of services, the Council intends to install metering systems and to take into account the free service element.
- 6.5.2 In this regard the Council will develop a programme to install meters in appropriate cases.
- 6.5.3 In the striving for better service delivery to the consumers, a user friendly format of accounts will be developed and implemented.

6.6 Redistribution / Cross-subsidisation

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

6.7 Ensuring financial sustainability of service delivery

- 6.7.1 Financial sustainability of an enterprise will be achieved when it is financed in a manner that insures that its financing is sufficient.
- 6.7.2 The tariff for a service must, therefore, be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision.
- 6.7.3 The Council will adopt and apply a Credit Control and Debt Collecting policy to ensure that service charges are recovered.
- 6.7.4 Where a trading (water & electricity) and economic service (sanitation & sewerage) is available to a property, an availability levy or charge will be imposed if the occupier of the property does not use the service concerned or if the property is vacant. The availability levy, if possible, will be adequate to cover the pro rata cost of the initial capital expenditure and interest thereon and the maintenance of the infrastructure associated with service delivery.

7. Tariff determination process

- 7.1 Except in special circumstances, such as significant increases in the wholesale price of goods and services that the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during the Council's consultation about the budget.
- 7.2 After the Council has adopted its rates, tariffs, fees, charges and surcharges the Municipal Manager shall, without delay –
 - 7.2.1 conspicuously display a copy of the resolution adopting such fees, charges or tariffs for a period of at least 21 days at the main administrative office of the municipality and at such other places within the municipality to which the public has access as the Municipal Manager may determine;
 - 7.2.2 publish in a newspaper of general circulation in the municipality a notice stating –
 - 7.2.2.1 that a resolution as contemplated above has been passed by the Council;

- 7.2.2.2 that a copy of the resolution is available for public inspection during office hours at the main administrative office of the municipality and at the other places specified in the notice;
 - 7.2.2.3 the date on which the determination will come into operation;
 - 7.2.2.4 that any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice was displayed; and
 - 7.2.2.5 that any person who cannot write may come during office hours to a place where a staff member of the municipality named in the notice, will assist that person to transcribe his/her objection.
- 7.2.3** seek to convey the information referred to in paragraph 3.8.2 to the local community by means of radio broadcasts covering the area of the municipality.
 - 7.2.4** The Municipal Manager must forthwith send a copy of the notice referred to in subparagraph 7.2.2 to the MEC for Housing and Local Government and other institutions regulated by another law or directive applicable from time to time.
- 7.3** If no objection is lodged within the period stated in the notice, the determination or amendment will come into operation on the date determined by the Council.
 - 7.4** Where an objection is lodged, the Municipality will consider every objection.
 - 7.5** The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or amendment will come into operation.
 - 7.6** After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.
 - 7.7** The municipality must adopt by-laws to give effect to the implementation and enforcement of this tariff policy.

8. Categories of Customers

- 8.1** Separate tariffs structure may be raised for the following categories of customers –
 - 8.1.1** domestic;
 - 8.1.2** indigent households;
 - 8.1.3** business and commercial;
 - 8.1.4** industrial;
 - 8.1.5** agricultural
 - 8.1.6** rural;
 - 8.1.7** public benefit organisation;
 - 8.1.8** institutional;
 - 8.1.9** commercial and industrial with special agreements;
 - 8.1.10** government; and
 - 8.1.11** the municipality.
- 8.2** The Municipality, in line with section 75 of the Act, determine that differentiated tariffs for the different consumers in certain geographical areas are necessary where there is a substantial

difference between the infrastructure used in each geographical area to provide the service. These geographical areas are –

8.2.1 <unknown>.

8.3 The differentiation contemplated in paragraph 8.2 above will be based on one or more of the following elements –

8.3.1 infrastructure costs;

8.3.2 volume usage;

8.3.3 availability; or

8.3.4 service standards.

9. Service Classification

9.1 In the following classification, trading and economic services must be financially ring-fenced and financed from service charges while community and subsidized services will be financed from rates and related income.

9.2 In order to isolate the costs associated with a service, the Municipal Manager, Chief Financial Officer and Executive Mayoral Committee of the Council, shall, subject to the guidelines provided by the National Treasury, provide for the classification of services into the categories as set out in paragraphs 9.3 to 9.6 below.

9.3 Trading services

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

- Water
- Electricity

9.4 Economic services

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

- Refuse removal
- Sewerage
- Markets
- Abattoir fees
- Holiday resorts
- Recreation resorts

- Caravan and Camping facilities

9.5 Community services

9.5.1 Community services are those services the consumption of which cannot be determined nor apportioned to individual consumers. These services are typically financed through finance rates. Examples are the establishment, operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

- Abattoirs
- Cleansing
- Control of public nuisances
- Environmental and waste management
- Facilities for accommodation, care and burial of animals
- Fencing and fences
- Interest rates charged
- Local amenities
- Markets
- Municipal parks and recreation
- Municipal roads
- Museums
- Nature reserves
- Noise pollution
- Public places
- Road signs
- Sports grounds
- Street lighting
- Storm-water management
- Trade licenses
- Traffic control
- Municipal public works (only in respect of the needs of the municipality in the discharge of its responsibilities and to administer functions specially assigned to it under the Constitution or any other law)

9.6 Failure of a meter

9.6.1 During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

9.6.2 Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased meter and the property was vacant at

the time or the usage pattern had not changed, the municipality shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had changed, a signed and sworn affidavit needs to be provided for consideration. A not meter audit report must be submitted monthly to Chief Financial Officer/ section 80 committee on why meters were not read.

9.7 No account received

- 9.7.1 In the event that an owner or occupier has consumed water and electricity but has never received an account, the onus will on the owner to make representations to the municipality to request that an account be sent. Should the municipality not be able to verify that an account was indeed issued to either the owner or occupier, the municipality may bill for a period not greater than three years, give a 60% discount and the consumer may make arrangements with the municipality to pay off the amount.
- 9.7.2 Any person who has stopped receiving an account that had previously been received, should immediately request the municipality in writing via registered post to remedy the omission.

9.8 Subsidised services

- 9.8.1 Subsidised services include fire fighting, approving building plans and the construction of buildings, leasing of municipal facilities, selling of burial sites and certain town planning functions. Subsidised services are those services the consumption of which can be determined reasonably accurately and apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons. A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service
- Angling permits
 - Billboards
 - Burials and cemeteries
 - Control of undertakings that sell liquor to the public
 - Distribution of hand-bills
 - Dog licensing
 - Fire fighting services
 - Health and ambulance services
 - Holiday resorts
 - Interest rates charged
 - Letting of Municipal facilities
 - Leasing of Municipal properties
 - Libraries
 - Licensing and control of undertakings that sell food to the public
 - Licensing of motor vehicles and transport permits
 - Local tourism promotion
 - Parking
 - Photocopies

- Pound fee
- Recreation resorts
- Reference and information fees
- Rezoning
- Tender deposits
- Town planning
- Training Courses

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

Approved Tariffs

10. Expenditure Classification

10.1 Expenditure will be classified into the categories as set out in paragraphs 10.2 and 10.3 below.

10.2 Subjective classification:

- 10.2.1** Salaries, wages and allowances
- 10.2.2** Bulk purchases
- 10.2.3** General expenditure
- 10.2.4** Repairs and maintenance
- 10.2.5** Capital charges (interest and redemption) / depreciation
- 10.2.6** Contribution to fixed assets
- 10.2.7** Contribution to funds –

- 10.2.7.1 Bad debts;
- 10.2.7.2 Working capital; and
- 10.2.7.3 Statutory funds.

- 10.2.8** Contribution to reserves;
- 10.2.9** Gross expenditure;
- 10.2.10** Less charge-out;
- 10.2.11** Net expenditure;
- 10.2.12** Income; and
- 10.2.13** Surplus/Deficit.

10.3 Objective classification:

- 10.3.1** Licensing of motor vehicles and transport permits
- 10.3.2** Cost centres will be created to which the costs associated with providing the service can be allocated –
 - 10.3.2.1 Department
 - 10.3.2.2 Section/service

10.3.2.3 Division/service

10.3.2.4 The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

11. Cost Elements

11.1 The following cost elements to be used to calculate the tariffs for the different services

- 11.1.1 **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.
- 11.1.2 **Variable costs** which include all other variable costs that have reference to the services.
- 11.1.3 **Total cost** consisting of the fixed cost and variable cost.

12. Tariff Types

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

- 12.1.1 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.
- 12.1.2 Cost related two to four part tariff:** this tariff shall consist of two to four parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together. 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 and four part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand periods.
- 12.1.3 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 subsidised free basic services and prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
- 12.1.4 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.

12.1.5 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.

12.1.6 Sliding scale: 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 prohibit the exorbitant use of a commodity. The first step of this tariff will be free of charge to provide access to the basic services to Indigent Households. The second step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

12.1.7 Availability charges: Payable in respect of erven not connected to Council's infrastructure. Once Council provided a connection, normal tariffs as per respective service are payable.

12.1.8 Recoverable work: These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

13. Deposits

13.1Deposits are required where levies are made in arrears.

13.2Deposits are payable with application for relevant service –

- 13.2.1 Electricity: Two times the average monthly consumption of the past 2 months with a minimum of R 1000;
- 13.2.2 Water: Two times the average monthly consumption of the past 2 months with a minimum of R 500;
- 13.2.3 Rental: Equal to the monthly rental; and
- 13.2.4 Other services: <unknown>

13.3Deposit to be doubled in case of non-payment of account.

13.4 Indigent households are not required to pay a deposit.

13.5A bank guarantee can be accepted in cases where a deposit of R2 500 or more is required

13.6No deposit required for pre-paid meters.

14. Unit of Measurements

The following cost elements to be used to calculate the tariffs for the different services –

14.1 Electricity

14.1.1 Unit of measurement –

- 14.1.1.1 Maximum demand (KVA) plus fixed tariff plus kWh consumed;
- 14.1.1.2 Fixed tariff plus kWh consumed; or
- 14.1.1.3 Unit tariff (KWh consumed) (for pre-payment meters).

14.1.2 Method of calculation –

14.1.2.1 The guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs. The electricity increase will be 13.07% during 2019/20 financial as per Nersa Guidelines.

14.1.2.2 To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users. Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables will be used:

Inclining block tariff (IBT) tariff structure (Residential, Business and Commercial with prepaid electricity meters) 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

14.1.3 For the one-part single energy rate tariff, all costs are expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:

14.1.3.1 The rands / kVa / month cost must be allocated into a cents / kWh charge through consideration of the average load factor of the types of customer who are likely to use the one-part single energy rate tariff.

14.1.3.2 The rands / customer / month fixed cost should also be allocated into the cents/kWh charge and allocated to the kWh purchase costs in such a way as to ensure that at a level of monthly consumption of 400 kWh, the full amount of the fixed costs would have been recovered through the cents/kWh charge

14.1.3.3 The two-part tariff:

14.1.3.3.1 The rands / kVa / month charge must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to choose the two-part tariff. This reallocated charge must then be added to the kWh purchase charge.

14.1.3.3.2 The rands / customer / month charge is not reallocated into other tariff elements.

- 14.1.3.3.3 The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.
- 14.1.3.4 The two-part time-of-use tariff:
- 14.1.3.4.1 The rands / kVa / month charge must be reallocated into different time-of-use cents / kWh charges through consideration of the load curve of the customer in relation to the load curve of the supplier. Such reallocated charges must then be added to the kWh purchase charges, as appropriate.
- 14.1.3.4.2 The rands / customer / month charge is not reallocated.
- 14.1.3.5 The three-part tariff:
- 14.1.3.5.1 The rands / kVa charge recovers the capital cost elements. Some of this cost must be reallocated into different tariff elements.
- 14.1.3.5.2 The cents / kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands / kVa costs.
- 14.1.3.5.3 The rands / customer / month charge is not reallocated.
- 14.1.3.6 The three-part time-of-use tariff:
- 14.1.3.6.1 As with the standard three-part tariff, a portion of the rands / kVa / month charge needs to be reallocated into the various time-of-use cents / kWh charges. Again, the amount of the reallocation should be with regard to the customer's load factor. However, it is also necessary to consider the time-variation of the capacity costs in the reallocation of the rands / kVa charge into the various time-of-use cents / kWh charges.
- 14.1.3.6.2 The cents / kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands / kVa charges.
- 14.1.3.6.3 The rands / customer / month charge is not reallocated.
- 14.1.3.7 Where council decides to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- 14.1.3.8 Where a property is not connected to the electricity reticulation system but can reasonably be so connected, an availability tariff will be payable. The tariff will be calculated by adding a surcharge of 50% to the fixed costs applicable to connected consumers per category.
- 14.1.3.9 Electricity meters will be read and levied on a monthly basis unless the service is rendered through a pre-payment device and is recoverable for the past 2 years with issuing of clearance certificates.
- 14.1.3.10 The following charges can be levied in addition to the standard monthly charges –

Connections, Reconnections and changes to meters

<i>Amperage change</i>	<i>To change from higher to lower scale</i>	<i>Fixed cost per change of scale</i>
<i>Electricity connections</i>	<i>Single phase connection:</i>	<i>Fixed cost per connection</i>

	<i>Conventional meter: 1 x 20 Amp</i>	
	<i>Single phase connection: Conventional meter: Above 20 Amp</i>	<i>Fixed cost per connection</i>
	<i>Single phase connection: Conventional meter: Additional meter</i>	<i>Fixed cost per connection</i>
	<i>Single phase connection: Pre-paid meter: 1 x 20 Amp</i>	<i>Fixed cost per connection</i>
	<i>Single phase connection: Pre-paid meter: Above 20 Amp</i>	<i>Fixed cost per connection</i>
	<i>Single phase connection: Pre-paid meter: Additional meter</i>	<i>Fixed cost per connection</i>
	<i>Three phase connection</i>	<i>Estimated cost</i>
<i>Reconnection of electricity supply</i>	<i>After temporary disconnection</i>	<i>Fixed cost per reconnection</i>
	<i>Because of non-payment</i>	<i>Fixed cost per reconnection</i>
<i>Tampering with electricity meter (conventional)</i>	<i>Reconnection but supply only to be restored after:</i>	<i>Fixed cost per tampering</i>
	<i>Payment of R889.02 + R88.02</i>	<i>Fixed cost per supply</i>
	<i>Payment of illegally energy consumed</i>	<i>Fixed cost per supply</i>
	<i>Presenting a new-certificate of compliance</i>	<i>Fixed cost per supply</i>
<i>Meter changes</i>	<i>from conventional to pre-paid meter – single phase: voluntary change – single phase</i>	<i>Free</i>
	<i>from conventional to pre-paid meter – single phase: non-payers</i>	<i>Free</i>
	<i>from conventional to pre-paid meter – three phase</i>	<i>Estimated cost</i>
	<i>from pre-paid to conventional meter – single phase</i>	<i>Fixed cost per change</i>
<i>Non-payment of accounts</i>	<i>To serve a reminder by hand/mail i.r.o. a non-payment of account</i>	<i>Fixed cost to serve a reminder</i>

<i>Surcharge i.r.o. late payment of account</i>	<i>First late payment</i>	<i>An amount calculated at a rate of 10% of such an account subject to a maximum of R5 000.00</i>
	<i>Any further late payment within 12 months of the original late payment</i>	<i>An amount calculated at a rate of 10% of such an amount</i>

Miscellaneous services

<i>Meter Testing</i>	<i>Testing of electricity conventional meter</i>	<i>Fixed cost per testing</i>
	<i>Testing of electricity pre-paid meter</i>	<i>Fixed cost per testing</i>
<i>Call out</i>	<i>pre-paid consumers</i>	<i>Fixed cost per call-out</i>
<i>Special meter readings</i>	<i>At consumer's request</i>	<i>Fixed cost per meter reading</i>
	<i>If the consumers contests the meter reading</i>	<i>Fixed cost per meter reading</i>
<i>Investigation i.r.o. power failure</i>	<i>At consumer's request (call out due to consumer's default)</i>	<i>Fixed cost per investigation</i>
<i>Change of current limiter</i>	<i>From higher to lower scale</i>	<i>Fixed cost per change</i>
<i>Testing of installation</i>	<i>Urban</i>	<i>Fixed cost per testing</i>
	<i>Re-inspection test: urban</i>	<i>Fixed cost per re-inspection</i>
	<i>Rural</i>	<i>Fixed cost per testing plus transport</i>
	<i>Re-inspection test: rural</i>	<i>Fixed cost per re-inspection plus transport</i>
<i>Renting out equipment</i>	<i>Generator (per occasion)</i>	<i>Fixed cost per generator</i>
	<i>Transformer (100 KVA)</i>	<i>Fixed cost per transformer</i>

Municipal services

<i>Streetlights</i>	<i>Roads</i>	<i>Fixed cost per light</i>
	<i>Telephone booths & signs</i>	<i>Fixed cost per light</i>
<i>Municipal Electricity Tariffs</i>	<i>Streetlights</i>	<i>Fixed cost cent per unit (kWh)</i>

	<i>Demand Charges HT</i>	<i>Fixed cost cent per unit (kWh)</i>
	<i>Demand Charges LT</i>	<i>Fixed cost cent per unit (kWh)</i>

Pre-paid Customers

Electricity are charged at an inclining block tariff per unit based on the number of kWh purchased, which is determined as follows:-

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

9.3.2.2 Should the customer have any municipal

14.2 Water

14.2.1 Unit of measurement –

14.2.1.1 Kiloliters used; and/or

14.2.1.2 Size of connection

14.2.2 Method of calculation –

14.2.2.1 A basic charge based on the size of the water connection will be payable by all consumers. Provision will be made for the following meter connections –

15 mm
20 mm
25 mm
40 mm
50 mm
75 mm and
>75 mm

14.2.2.2 Stepped tariffs in respect of Domestic Consumers will be calculated for the follow usages –

0 - 6 kl
7 - 10 kl
11 - 30 kl
31 - 55 kl
56 - 80 kl
> 80 kl

14.2.2.3 Consumption less than 6 kl of water per month will be supplied free of charge.

14.2.2.4 Consumption between 7 – 10 kl of water per month will be supplied break even costs.

14.2.2.5 The following surcharges will apply to all other categories –

- 11 - 30 kl = 20%
- 31 – 55 kl = 30%
- 55 – 80 kl = 35%
- > 80 kl = 40%

14.2.2.6 Kiloliters used; and

14.2.2.7 Consumers that can but are not connected to the water service will pay an availability tariff. The tariff will be calculated by dividing the fixed and maintenance cost of the service by the number of properties and average size of the properties in the following categories –

- 1 m² - 2 000m²
- 2 001m² - 5 000m²
- 5 001m² - 10 000m²
- > 10 000m²

14.2.2.8 Kiloliters used; and

14.2.2.9 Break even will be calculated by dividing the total cost by the total volume consumed.

14.2.2.10 Water meters will be read and levied on a monthly basis and is recoverable for the past 2 years with issuing of clearance certificates.

14.2.2.11 When consumption is not measured a flat rate will be applicable.

14.2.2.12 In the time of scarcity of water, Council may declare water restrictions and may charge higher tariffs with a sliding scale as determined by Council.

14.2.2.13 The following charges can be levied in addition to the standard monthly charges –

- 14.2.2.13.1 Charges for connections to the main supply;
- 14.2.2.13.2 Charges for connection of water supply;
- 14.2.2.13.3 Charges for reconnections;
- 14.2.2.13.4 Testing of meters;
- 14.2.2.13.5 Special readings;
- 14.2.2.13.6 Filling of swimming pools; and
- 14.2.2.13.7 Any other services.

14.3Refuse Removal

14.3.1 Unit of measurement –

- 14.3.1.1 A fixed rate per month for the removal of refuse once per week;
- 14.3.1.2 A fixed rate per month for the removal of refuse three times per week;

14.3.1.3 A fixed rate per month for the removal of refuse five times per week;

14.3.2 Method of calculation –

14.3.2.1 The mass refuse disposed by the various category consumers will be used to apportion the total cost of the service between the various categories consumers.

14.3.2.2 The costs per unit of measurement will be determined by the total costs of the service by the total mass of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the management of the refuse site.

14.3.2.3 The cost associated with the removal of bulk containers will be determined by calculating the actual disposal and removal cost (labour, material and transport) (iv) The minimum cost for a container service will be equal to one removal per week. (v) Opportunity costs for once-off removals will be the actual costs as described in section (3)(b)(iii) plus 20% surcharge.

14.3.2.4 The monthly levy is payable by the registered owner and is recoverable with issuing of clearance certificates.

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

- Residential (domestic customers) – maximum of one removal per week.
- Flats/ Town Houses – maximum of one removal per week.
- Business/ Commercial/ Industrial (Non – Bulk) – maximum of one removals per week.
- Business/ Commercial/ Industrial (Bulk) – Individual arrangements as per trade waste tariffs
- Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

14.4 Sewerage

14.4.1 Unit of measurement –

14.4.1.1 Size of the erf; and/or

14.4.1.2 Number of cisterns or urinals; and/or

14.4.1.3 Formula driven waterborne tariff.

14.4.2 Method of calculation –

14.4.2.1 All owners of undeveloped stands will pay an availability charge based on the average size of an erf (currently calculated between 1 501m² - 3 000m²) and fixed cost associated with the service.

14.4.2.2 All owners of developed stands will pay a basic charge based on the cost associated with the service and the weighted average of the number of consumers and average size of the stands in a range of stand sizes, as follows –

1m² - 1 500m²

1 501m² - 3 000m²
 3 001m² - 10 000m²
 10 001m² - 25 000m²
 25 001m² - 100 000m²
 100 000m² - 300 000m²
 > 300 000m²

14.4.2.3 Waterborne tariffs will be based on the variable cost of the service per category user and the number of cisterns or urinal.

14.4.2.4 The cost of emptying conservancy tanks will be based on the volume disposed and the cost associated therewith. An average tariff per user will be calculated.

14.4.2.5 The cost associated with bucket removals will be based on the volume removed. An average tariff per bucket will be calculated.

14.4.2.6 Any person or business that allows sewerage other than domestic sewerage into the foal sewer system shall pay over and above a fixed tariff based on the size of the erf a waterborne tariff based on the following formula –

$$C = V_t / 100 (R + T (\text{COD}_t / 1000))$$

C = Rands

V_t = Kiloliters of effluent (excluding domestic volume)

R = Cost of conveying of 1 Kiloliter effluent

T = Cost or treating of 1kg COD

COD_t = Average chemical oxygen demand per mg per litre of effluent.

14.4.2.7 A fixed minimum tariff will be calculated for the following services –

- 14.4.2.7.1 Buckets (removal)
- 14.4.2.7.2 Septic tanks (removal)
- 14.4.2.7.3 Cost of incineration (mass).

14.4.2.8 The levy is payable by the registered owner and recoverable with issuing of clearance certificate.

14.4.2.9 The following charges can be levied by Council in addition to the standard monthly charges –

- 14.4.2.9.1 Sealing of openings and re-opening of sealed connections;
- 14.4.2.9.2 Opening of blockages and alterations to gullies;
- 14.4.2.9.3 Connections to the sewerage system;
- 14.4.2.9.4 Vacuum tank services;
- 14.4.2.9.5 The removal of dead animals;
- 14.4.2.9.6 The removal of specific type of refuses i.e. medical waste, building refuse, garden refuse, redundant vehicles, collection and destruction of foodstuff, unlawful dumped refuse;

- 14.4.2.9.7 Cleaning premises of long grass, weeds, shrubs and accumulation of refuse;
- 14.4.2.9.8 Dumping of refuse on a municipal dumping site;
- 14.4.2.9.9 Sale of plastic bags and refuse bins if available;
- 14.4.2.9.10 Rental of mass containers; and
- 14.4.2.9.11 Any other related services.

Property Rates

The rate levied by the Municipality will be a cent amount in the Rand based on the market value of the property.

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.

In terms of section 17 (1) (e) of the Municipal Finance Management Act 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.

Categories of rateable property as determined in the Rates Policy include the following:-

- Residential Properties;
- Business / Industrial and Commercial Properties;
- Farm Properties used for- i Agricultural purposes; ii Other Commercial or Business Purposes; or iii Residential Purposes.
- Smallholdings used for- i Agricultural purposes; ii Residential Purposes; iii Industrial purposes;
- State Owned Properties;
- Municipal Properties;
- Private Open Space
- Vacant Land: i Empty stands with zoning or proposed used earmarked for residential; ii Empty stand with zoning or proposed use earmarked for industrial business or Commercial;
- Guesthouses;
- Student Dwelling;
- Public Facilities have the same corresponding meaning as state owned properties;
- Sectional Title: Business:
- Sectional Titles that are used, zoned for business or have businesses operating from a property that is held in terms of the Sectional Titles Act, in which case the sectional title owner shall be liable for rates. Where a property not zoned residential as has been developed and is used exclusively as residential, the residential tariff will be applicable. The property owner must submit a declaration as to the purpose the property is being used for, so that it can be rated accordingly

Departmental

The respective Commercial and Bulk Supply tariffs will be applicable to all municipal buildings, pump stations, waste water works, water treatment works, etc.

14.5 Other Municipal Services

14.5.1 The following charges can be levied by Council in relation to services provide –

- 14.5.1.1 Abattoirs;
- 14.5.1.2 Aerial photos;
- 14.5.1.3 Air pollution control;
- 14.5.1.4 Angling permits;
- 14.5.1.5 Billboards
- 14.5.1.6 Building plans;
- 14.5.1.7 Burials and cemeteries;
- 14.5.1.8 Caravan and Camping facilities
- 14.5.1.9 Cleansing;
- 14.5.1.10 Control of public nuisances;
- 14.5.1.11 Control of undertakings that sell liquor to the public
- 14.5.1.12 Distribution of hand-bills;
- 14.5.1.13 Dog licensing;
- 14.5.1.14 Environmental and waste management;
- 14.5.1.15 Facilities for accommodation, care and burial of animals;
- 14.5.1.16 Fencing and fences;
- 14.5.1.17 Fire fighting services;
- 14.5.1.18 Health and ambulance services;
- 14.5.1.19 Holiday resorts;
- 14.5.1.20 Interest rates charged;
- 14.5.1.21 Letting of Municipal facilities;
- 14.5.1.22 Leasing of Municipal properties;
- 14.5.1.23 Libraries;
- 14.5.1.24 Licensing and control of undertakings that sell food to the public;
- 14.5.1.25 Licensing of motor vehicles and transport permits;
- 14.5.1.26 Local amenities;
- 14.5.1.27 Local tourism promotion;
- 14.5.1.28 Markets;
- 14.5.1.29 Municipal parks and recreation;
- 14.5.1.30 Municipal roads;
- 14.5.1.31 Museums
- 14.5.1.32 Nature reserves;
- 14.5.1.33 Noise pollution ;
- 14.5.1.34 Parking;
- 14.5.1.35 Photocopies;
- 14.5.1.36 Pound fees;
- 14.5.1.37 Public places;
- 14.5.1.38 Recreation resorts;
- 14.5.1.39 Reference and information fees;
- 14.5.1.40 Rezoning;
- 14.5.1.41 Road signs;
- 14.5.1.42 Sports grounds;
- 14.5.1.43 Street lighting;
- 14.5.1.44 Storm-water management;
- 14.5.1.45 Tender deposits;

14.5.1.46	Town planning;
14.5.1.47	Trade License;
14.5.1.48	Traffic Control;
14.5.1.49	Training Courses; and
14.5.1.50	Miscellaneous Tariffs.

15. Enforcement and Implementation

This policy was approved by the municipal council in terms of resolution no. CL.....dated and takes effect on 1 July 2019