

# ENOCH MGIJIMA MUNICIPALITY



ENOCH MGIJIMA  
LOCAL MUNICIPALITY

## TARRIFS POLICY

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## DEFINITION AND TERMS

1. "**Agricultural consumers**" means consumers engaged in agriculture,
2. "**break even**" means the financial situation where the income derived by the Municipality from the supply of a service is equal to the aggregate of the fixed and the variable costs associated with the provision of the service concerned;
3. "**commercial consumers**" means shops, offices, liquor stores, governmental institution (unless otherwise stated), supermarkets, public garages, gathering places (unless otherwise stated), nurseries, places of entertainment, service stations, hairdressing salons, caravan parks, game farms, eco-tourism, banks, hotels, hospitals, clinics, guesthouses, boarding houses and doctor and dentist consulting rooms and suchlike business undertakings;
4. "**community service**" means the services referred to in paragraph 5(1)(c) [that the Council has classified as such] and in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature;
5. "**consumer**" Means any occupier of any property to which the municipality has agreed to supply services or already supplies services to, or any owner/landlord of a property to which the municipality has agreed to supply services or already supplies services, and any owner of a property not receiving services but for which property services had been made available, and any person liable to the Municipality for taxes, rates or other charges.
6. "**the council**" means Enoch Mgijima Municipal Council, and "municipal council" shall have a corresponding meaning;

7. "**councillor for financial services**" means the councillor of the municipal council responsible for financial services;
8. "**domestic properties**" means residential properties, group housing, town houses, semi-detached houses and suchlike properties;
9. "**due date**" –in relation to accounts payable monthly on a recurring basis, the 15th day of the month which follows on the month during which an account is rendered; in relation to accounts payable annually, 30th September unless otherwise provided by any other law; and in all other instances, as and when demand for payment is made by the Municipality.
10. "**economic services**" means services referred to in paragraph 5(1)(b) and in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers;
11. "**educational institutions**" means schools (unless otherwise stated), [crèches on municipal properties], colleges, universities and suchlike institutions;
12. "**flat rates**" means the unit charge.
13. "**the Finance Act**" means the Local Government : Municipal Finance Management Act, 2003 (Act No 56 of 2003);
14. "**fixed costs**" means costs which do not vary with consumption or volume produced and as more fully set out in this policy
15. "**indigent households**" means households that are registered at the municipality as such and meet the municipality's criteria in terms of its credit control and debt collection policy and occupying a property within the jurisdiction of the municipality and "poor households" shall have a corresponding meaning;

16. "**industrial consumers**" means industrial undertakings, factories, warehouses, workshop, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers;
17. "**Municipality**" means when referred thereto as—an entity, Enoch Mgijima Municipality as a municipality described in Section 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), including a duly authorized official of Enoch Mgijima Municipality; and a geographical area, the area of jurisdiction of Enoch Mgijima Municipality as determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998).
18. "**owner**" in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors;
19. "**public benefit organizations**" means public benefit organizations as defined in Section 30 of the Income Tax Act No 58 of 1962;
20. "**resident**" means a person who ordinarily resides in the municipal area;
21. "**special agreements**" means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and create job opportunities;
22. "**sport and recreation facilities**" means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity municipality consumption;
23. "**the Systems Act**" means the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);

24. **“tariff”** means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff.”
25. **“total cost”** means the sum of all fixed and variable costs associated with a service;
26. **“trading services”** means services referred to in paragraph 5(1)(a) and in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services;
27. **“two-part tariffs”** means tariffs that are raised to recover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed. Applicable to all household consumers which use an average of less than 400kWh per month, based on an average usage of the past 4 months, and classified as non-permanent residents .i.e. reside less than 9 months in dwelling.
28. **“units consumed”** means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in paragraph 7;
29. **“variable costs”** means costs that vary with consumption or volume produced and as more fully set out in paragraph 5(3)(ii);
30. **“VAT”** means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended; any reference in this tariff policy to 'an availability charge' in relation to a particular service (albeit electricity and refuse removal) shall mean an amount payable by the consumer in respect of the service as the consumer may reasonably be connected to the service which is available, although the vacant property concerned is not in fact so connected and or serviced. In contrast hereto a ' charge' shall refer to the minimum amount payable by the consumer in respect

of a particular service irrespective of the extent to which the service is used during any given period of time. For subdivisions or group housing developments, where the developer provides the internal civil services, availability charges for all even approved and subdivided within the development for, electricity , refuse removal and sanitation (where applicable) become payable 12 months after the issue of the Completion Certificate in terms of GCC 2010. If an individual erf within the development is transferred before the 12 month period has expired, availability charges for that specific erf will become payable for water and sewer as on the date of transfer, the submission of a building plan or the request for a Certificate of Registered Title. The date of the completion certificate must be confirmed by the director responsible for the specific service and which certificate a copy must be submitted immediately on receipt to the financial department.

31. In this tariff policy, a word or expression derived from a word or expression defined in Subsection (1) has a corresponding meaning unless the context indicates that another meaning is intended.
  
32. This tariff policy must be read with all other Acts, Ordinances and Regulations pertaining to the supply of services by the Municipality and the tariffs and fees payable in respect thereof. In the event of any inconsistency between this tariff policy and any other legislation in force when this tariff policy comes into effect, this tariff policy shall prevail.

## **LEGISLATIVE FRAMEWORK**

Tariff in terms of this Policy shall comply with the:

- a) Constitution of the Republic of South Africa, 1996 as amended;
- b) Local Government: Municipal Finance Management Act, 2003
- c) Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

## **1. PREAMBLE**

Tariffs are a significant revenue source to local authorities they are also a key point of engagement between local government and the people they serve. A municipality speaks directly to its citizens when it sends them a bill for services rendered. Clearly, getting tariffs right and maximising the revenue available from tariffs is vital for ensuring financial sustainability. The tariff policy is a key statement where the municipality can explain to citizens what it intends to achieve through its tariffs, and assure them that tariffs are set based on strategic decisions the municipality needs to make. The tariff policy provides citizens with information that helps them to understand and interpret the bill they pay.

## **2. PURPOSE**

It is intended that this policy document guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Tariff listing, which must be read in conjunction with this Policy, and is issued on annual basis together with the Municipal Budget.

## **3. SCOPE OF APPLICABILITY**

This Policy shall be applicable to the services provided or delivered by the Municipality and shall also be applied by an agent, contractor or other form of municipal service provider acting on behalf of the Municipality in terms of an agreement.

The policy is applicable to all tariffs for electricity, sanitation and solid waste services including availability charges and capital contribution charges as applicable and this

policy is also applicable to all sundry tariffs, as provided for in the Tariff listing of Enoch Mgijima Municipality.

#### **4. PRINCIPLES AND VALUES**

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

#### **5. POLICY OBJECTIVES**

The objective of the tariff policy is to ensure the following:

- a) The tariffs of the Municipality conform to acceptable policy principles;
- b) Municipal services are financially sustainable;
- c) There is certainty in the Council, of how the tariffs will be determined;
- d) Tariffs of the Municipality comply with the applicable legislation; and
- e) Tariffs should take into consideration relief to the indigent.

#### **6. POLICY PROVISIONS**

##### **6.1 GUIDING PRINCIPLES**

Enoch Mgijima Municipality wishes to record that the following tariff principles will apply:

- (a) All users of municipal services will be treated equitably as practically possible;

- (b) The amount payable by consumers and / or owners will generally be in proportion to usage of the service and compliance with municipal by-laws;
- (c) Poor households must have access to basic services, however relief will be granted to poor households in line with the applicable Indigent Policy from financial year to financial year, and approved by Council;
- (d) Free basic services will only be possible if National Government pay to the municipality in terms of the Division of Revenue Act (DORA) an equitable share allocation which covers the full costs of the free basic services;
- (e) Tariffs must reflect the total cost of services or must be cost reflective;
- (f) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
  - (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
  - (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services in order to subsidize rates and general services; and
  - (iii) Service providers retain a fair rate of return on their investments;
  - (iv) There is constant improvement on key financial ratios that are utilized to measure financial performance of the municipality.
- (g) Provision may be made in appropriate circumstances for surcharges on tariffs;
- (h) Efficient and effective use of resources may be encouraged by providing for penalties or stepped tariffs to prohibit or restrict exorbitant use;
  - (i) The extent of subsidization of tariffs will be disclosed and such disclosure will include the extent of subsidization of the poor or incentives for local economic development;
  - (j) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users, more especially when they are to promote job opportunities around the metropolitan area OR improve the economic viability of the municipal area;
- (k) VAT is excluded from all tariffs and will be additional to these tariffs when applicable;

(l) The Enoch Mgijima Municipality can introduce new tariffs or strategies thereof as part of the budget process, which must be subjected to due processes and final approval by Council, and

(m) This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.

## **6.2 Free Basic Services**

Municipality recognizes that Indigent is entitled to a minimum amount of free basic services in line with provision of Indigent policy. Basic services refer to:

- i) Electricity
- ii) Rates

## **6.2. Affordable Tariffs**

a) Enoch Mgijima undertakes to keep tariffs at affordable levels and will ensure that:

i) Services are delivered at an appropriate level;

ii) Efficiencies are built into all Municipal operations;

iii) A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used;

iv) Any service that is provided for which there is little demand, that 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 Municipality is by law required to provide such as service.

b) To increase affordability for indigent persons, Municipality will ensure that its share of revenue raised nationally, will be used to efficiently subsidize a certain level of basic services for them.

## **6.3. CATEGORIES OF CONSUMERS**

6.3.1 Separate tariff structures may be imposed for the following categories of consumers (which the council may change):

- i) Domestic consumers;
- ii) Indigent consumers;
- iii) Commercial consumers;
- iv) Industrial consumers;
- v) Agricultural consumers;
- vii) Consumers with whom special agreements were made;
- viii) Consumers in certain geographical areas;
- ix) Sport and recreation facilities;
- x) Educational institutions; and
- xi) Public benefit organizations and suchlike institutions;
- xii) State Departments.

Where substantially different demands are made on the infrastructure used to provide a service to a specific group of users within a category or the standard of services required by such users, the council may, after having considered a report by the Municipal Manager or the relevant Head of Department, determine differentiated tariffs for the different consumers within the specific category.

Services shall, by applying the closest match principle, determine the category under which the user or category of users fits in best taking into account the nature of the service concerned and the user or category of users involved.

### 6.3.2 Cost elements

The following cost elements will be used to calculate the tariffs of the different services:

- a) *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.
- b) *Variable cost*: This includes all other variable costs that have reference to the service.
- c) *Total cost*: consist of the fixed cost and variable cost.

## 7. TARIFF TYPES

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

- a) *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.
- b) *Cost related two to three part tariff*: this tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

- c) *Inclining block tariff*: this tariff is based on consumption levels being categorized into blocks, the tariffs being determined and increased as consumption levels increase. 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.
- d) *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 fixed and variable cost and profit determined by council form time to time by the volume consumed. This tariff will only be used for special agreements.
- e) *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.
- f) *Time-of-use tariff*: this tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.
- g) Stage based public transport tariff based on a 5km stage distance with 15km as the base distance.
- h) Duplicate Statements (History)
- i) Valuation certificates
- j) Clearance figures application

## **7.1. Payment for Services Rendered**

- a) Notwithstanding the provision for a minimum amount of free basic services, consumers of services must pay for the amount of services that they use.
- b) Where it is possible to measure the consumption of services, the municipality to install metering systems and to take into account the free service element.
- c) In this regard the municipality will develop and fast-track a programme of installing meters where such meters remain outstanding. In line with the latter, it is Council's policy that the tariff for such services must include all relevant cost factors as stated above.

## **7.2. Local Economic Development and Competitiveness**

a) The size of the service charge accounts presented to local businesses is a significant business overhead for any business enterprise in the municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival.

b) The municipality will therefore be sensitive that municipal accounts presented to local businesses are fair by amongst others, considering the desire:

i) To promote local economic competitiveness; and

ii) To promote local economic development and growth.

## **7.3. Service Delivery Sustainability**

a) The Municipality must ensure that the service that it provides must be sustainable. Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient.

b) 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.

c) Sustainability does not only mean that the price of the services must include all relevant costs element, it also means that the charges to be levied must be collected.

d) The Council shall therefore adopt and apply a Credit Control and Debt Collection policy to ensure that service charges are recovered.

## 7.4. Tariff Determination

- a) Tariffs represent charges levied by Council on consumers for the utilization of services provided by the Municipality. Tariffs shall be calculated in various different ways, dependent upon the nature of the service being provided.
- b) Tariffs shall be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services.
- c) In special circumstances, such as significant increases in the cost price of goods and services, the Council will review its tariffs during the preparation of the annual budget.
- d) Proposed tariffs shall be presented to the community during the Council's consultations about the budget. Immediately after the Council has determined or amended a tariff, the Accounting Officer must clearly display it at all offices of the Municipality as well as at such other places within the municipal area as he/she may determine. The notice must state:
  - i) The general purpose of the resolution;
  - ii) The date on which the determination or amendment comes into operation;
  - iii) The date on which the notice is displayed;
  - iv) That any person who desires to object to such determination or amendment must do so in writing within 21 days after the date on which the notice was displayed; and
  - v) 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 objection.
- e) 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 municipality. Where an objection is lodged, the Municipality will consider every objection.

f) The municipality shall, 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.

g) 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.

## **7.5. Revenue Sources**

a) The Council shall finance the affairs of the Municipality by:

i) Charging fees for services; and

ii) Imposing surcharges on fees, and to the extent authorized by national legislation, other taxes, levies and duties.

b) The Municipality shall establish appropriate mechanisms, procedures and processes to ensure community participation in, amongst other things, the preparation of its budget.

c) The following provisions shall be applicable:

i) Interest shall be charged at a prime rate per annum/per month; must be paid to the Municipality on accounts that have not been paid within thirty days from the date on which such accounts became due.

ii) Interest shall not be applicable to persons with a qualifying indigent status (refer to Indigent Policy);

iii) Accounts outstanding for more than six months should incur a prime rate plus 1 collection charge

iv) Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw made by the Council, must be paid to the Municipality.

## **7.6. Reconnection Fees**

Reconnection fee shall be charged on all disconnected services.

## **7.7. Classification of Services, Categories & Levels of Consumers**

a) Traditionally, municipal services have been classified as trading, rates & general services (economic, subsidized and community services) and housing services based on how they are financed. The categorization is as follows:

### **7.7.1. Trading Services**

a) The tariffs for trading 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.

### **7.7.2. Economical Services**

a) The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. The tariffs shall be determined in such a way that the costs for providing a service are recovered.

### **7.7.3. Subsidized Services**

a) A user charge is payable for using the service, but the tariff is much lower than the real cost of providing the service.

#### **7.7.4. Sundries**

i) The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

a) Building plan fees

b) Photostat copies and fees

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

a) Advertising sign fees

b) Reconnection fees to water only

c) Other charges imposed in line with the credit and debt control policy

d) Penalties related to dishonored, stale, post-dated or otherwise unacceptable cheques

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

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

i) In order to determine the tariffs which must be charged for the supply of major services (electricity and refuse removal) the municipality shall identify all the operational costs of the undertakings concerned, including specifically the following:

a) Cost of bulk purchases in the case electricity.

c) Distribution costs.

d) Distribution losses in the case of electricity.

e) Depreciation expenses.

f) Maintenance of infrastructure and other fixed assets.

g) Administration and service costs, including:

- (1) Service charges levied by other departments such as finance, human resources and legal services;
  - (2) Reasonable general overheads, such as the costs associated with the office of the municipal manager;
  - (3) Adequate contributions to the provisions for bad debts and obsolescence of stock;
  - (4) all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- ii) The intended surplus to be generated for the financial year, such surplus to be applied:
- a) As an appropriation to capital reserves; and/or
  - b) Generally in relief of rates and general services.

8.2 The cost of approved indigent relief measures.

8.3 The municipality shall provide the first 50kWh of electricity per month as a standard plus any additional units as decided upon from time to time in terms of the municipality's indigent relief programme. The municipality shall further consider relief in respect of the tariffs for sewerage and refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget.

8.4 Tariffs for pre-paid meters shall be less than the ordinary consumption tariffs levied on the category of consumer concerned.

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

### **8.1.1 ELECTRICITY**

#### **8.1.1.1. Tariff structure**

- i) Maximum demand (kVA) plus fixed tariff plus kWh consumed.
- ii) Fixed tariff plus kWh consumed.

- iii) Unit tariff (kWh consumed) (Pre-payment meters).

### **Method of calculation**

- I. Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- II. To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users.
- III. Cross subsidization 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.

#### **8.1.1.2 The one-part single energy rate tariff:**

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:

- i) 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.
- ii) 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.
- iii) The qualification criteria to be placed on one part tariff -where the average of consumption is less than 400kWh per month, is as follows;
  - (a) All Households that are defined as indigent household consumers as per the credit control policy of Council.

(b) All consumers which have been identified as permanently inhabited households and meet the following criteria;

(i) Reside for a minimum period of 9 months per year in the dwelling.

(ii) A consumer must submit a sworn affidavit form before any Commissioner of Oath to this effect.

(iii) A new affidavit must be handed in annually before 1 July of each financial year in order to remain on the one part tariff.

iv) If the monthly consumption of the Indigent Household exceeds 450 kWh per month, the electricity tariff will be changed to the higher tariff for normal households.

v) Backyard-dwellers also qualify for the free basic electricity units, as determined by Council, if they are deemed to be indigent. The safety of the electrical network on the property is the responsibility of the owner

of the property. A valid certificate of compliance (COC) must be made available to the Municipality on request.

#### **8.1.1.3 The two-part tariff:**

i) 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.

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

iii) The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.

iv) This is applicable to all conventional household credit meters where households have an average consumption of less than 400kWh per month and where households are categorized as non-permanent household and don't meet the criteria

#### **8.1.1.3 The two-part time-of-use tariff:**

i) 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.

ii) The rands/customer/month charge is not reallocated.

#### **8.1.1.4 The three-part tariff:**

i) The rands/kVA charge recovers the network cost elements. Some of this cost must be reallocated into different tariff elements.

ii) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVA costs.

iii) The rands/customer/month charge is not reallocated.

#### **8.1.1.4 The three-part time-of-use tariff:**

- I. As with the standard three-part tariff, a portion of the rands/kVA/month charge is reallocated into the various time-of-use cents/kWh charges. The amount of the reallocation takes place with regard to the customer's load factor. The time-variation of the municipality costs is taken into account in the reallocation of the rands/kVA charge into the various time-of-use cents/kWh charges.
- II. The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVA charges.
- III. The rand /customer/month charge is not reallocated.
- IV. Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- V. Where properties are not connected to the electricity municipality service but can reasonably be connected to the service an availability tariff will be payable. The tariff will be calculated by adding a surcharge of 50% to the fixed costs applicable to be connected consumers per category.
- VI. When bulk consumers with electronic type meters close during December/January (one metering period), and use maximum demand for less than 5 days during the metering period and the municipality demand does not coincide

with the customers demand reading, then the minimum demand charge will apply for that month if arrangements are made with the Technical services at least one week before the period.

#### **8.1.1.5 The Pre-Paid System**

No refund for ppm tokens will be given to clients that move to another address with a different prepaid meter.

#### **8.1.1.6 Theft and fraud**

The responsibility for outstanding costs for meter tampering and penalties will be the responsibility of the owner of the property in cases where the tenants tampered with the prepaid meter.

### **9. REFUSE REMOVAL**

#### **9.1 Tariff structure**

- i) Plastic bags per week (volume).
- ii) Containers per week (volume) (240 litre) (1,1m<sup>3</sup>).
- iii) Bulk Refuse Containers
- iv) Truck load <2000kg.
- v) Truck load >2000kg.

#### **9.2 Method of calculation**

- i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service. The unit charge per cubic meter\ will be converted to a cost per black bag. A cost per month

will be calculated for domestic consumers based on the average number of bags removed per week.

(1) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.

ii) A monthly rental for the usage of a bulk container will be determined by discounting the purchase price of a bulk container over 5 years at an interest rate applicable to municipal loans.

iii) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers, tariffs will be determined based on the estimated volume that will be removed per month.

iv) Opportunity costs for once-off removals will be calculated by recovering the costs of the volume removed plus a percentage surcharge as determine by council.

v) A refuse removal tariff will be raised and is payable by all owners or occupiers of each developed property connected to electricity municipality distribution network of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.

vi) No refuse removal tariffs will be raised where council has not introduced a refuse removal service.

## **10. CALCULATION OF MINOR TARIFFS**

10.1 All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in paragraph 3(4) shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidized by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

10.2 All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

- i) The following services shall be considered as subsidized services, Burials and cemeteries.
- ii) Rentals for the use of municipal sports facilities.
- iii) Municipal swimming pool.
- iv) Municipal public transport.

10.3 The following services shall be considered as community services, and no tariffs shall be levied for their use:

- i) Municipal museum and art gallery.
- ii) Disposal of garden refuse at the municipal tip site.
- iii) Municipal reference library.
- iv) Municipal lending library (except for fines set out below).
- v) Municipal botanical garden, and all other parks and open spaces.

10.4 The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- i) Maintenance of graves and garden of remembrance (cremations).
- ii) Housing rentals.
- iii) Rentals for the use of municipal halls and other premises (subject to the proviso set out below).
- iv) Building plan fees.
- v) Sales of plastic refuse bags.
- vi) Sales of refuse bins.
- vii) Cleaning of stands.
- viii) Electricity, sewerage: new connection fees.
- ix) Sale of livestock and plants.

- x) Photostat copies and fees.
- xi) Clearance certificates for purposes of property transfers.
- xii) Town planning fees.
- xiii) Parking Fees.

10.5 The following charges and tariffs shall be considered as regulatory or punitive:

- i) Fines for lost or overdue library books.
- ii) Advertising sign fees.
- iii) Pound fees.
- iv) Electricity disconnection and reconnection fees.
- v) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection.
- vi) Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.
- vii) Industrial Effluent.
- viii) All tariffs as approve in terms of the drought relief program.
- ix) Fines- All relevant fines to be implemented by Council.

10.6 Market-related rentals shall be levied for the lease of municipal properties. i) In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community and for arts and culture groups, the municipal manager may allow a discount of 50% on the rental that would otherwise have applied. The abovementioned will not apply to political parties and political parties may not use the halls for free.

ii) The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.

## **11. Tariff structure**

The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidized services. Halls can be rented at an hourly rate for a maximum of up to three (3) hours.

## **12. Method of calculation**

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

## **13. Overdue Amounts**

- i) The Municipality shall be entitled to levy an administration fee on a month to month basis on all overdue accounts subject to such maximum amount per month as the Council may determine.
- ii) The Municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be incorporated into an acknowledgment of debt in favour of the Municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

## **14. CAPITAL CONTRIBUTIONS**

14.1 For purposes of these tariffs the under mentioned words and expressions shall have the following meanings assigned to them unless the context otherwise requires:

i. "capital contributions", the tariffs payable in respect of electricity , sewerage, roads and refuse removal infrastructure of the municipality and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure;

ii. "Equivalent erf", in relation Enoch Mgijima Municipality to –

1. electricity, a property with a hypothetic design capacity of 10kVA before diversity as determined by Enoch Mgijima Municipality's Director: Technical Services in accordance with his standard formula, subject thereto that (a) a 3 phase domestic supply shall be equal to 2 equivalent erven (i.e. 20kVA); (b) a 3 phase business supply shall be equal to 3 equivalent erven (i.e. 30 kVA); and (c) any other cases shall be determined by Municipality's Director: technical Services on a basis of what is fair and reasonable; and

iii. Solid waste removal, a property of which the hypothetic solid waste generation is equal to that of a three-bedroom residential unit calculated in accordance with the standard formula as determined by the Director:

Community Services.

iv. "Transfer", transfer of the relevant property in terms of the Deeds Registries Act 47 of 1937 or any similar transfer of ownership.

14.2 Capital contributions are payable in addition to any service charges, charges for consumption, availability charges and connection fees.

14.3 The capital contributions provided for in these tariffs may be imposed by any person or authority when granting any authorization, exemption or application contemplated in terms of any other legislation that may be applicable: Provided that these tariffs shall not limit or restrict the conditions that may be imposed by such person or authority and such person or authority shall be free to impose such other capital contributions as it may deem necessary or expedient under the circumstances.

14.4 All capital contributions are adjusted annually and will be charged and be payable at the revised tariffs which are applicable at the time of transfer of the erf or property concerned or the approval of building plans in respect of such erf or property, whichever takes place first : Provided that should the number of erven, residential units, equivalent erven or other basis on which capital contributions may previously have been based, increase, additional capital contributions shall be payable calculated in accordance with

the then existing tariffs when such changes take place or building plans are approved, as the case may be, whichever shall be the earlier.

14.5 Should the floor area of an existing building be increased or should approved building plans be changed or should an existing or authorised use of any building be changed or should new buildings be erected, or the electricity supply be increased, as the case may be, the owner shall be liable for payment of capital contributions in respect of such extensions, additions or changes, as the case may be, in accordance with the tariffs applicable from time to time, which capital contributions shall become payable upon approval of the building plans in respect of such extensions or additions or the occurrence of such change, as the case may be.

14.6 Should any capital contributions have been paid upon approval of building plans or at any time before transfer of a property and any changes as contemplated in this policy paragraphs 14.4 ) and e 14.5 ) subsequently occur, the provisions of paragraphs) 14.4 ) and e) shall apply *mutatis mutandis* in determining the additional capital contributions payable.

14.7 The capital contributions for roads and solid waste removal shall be calculated in accordance with the applicable standard formula of Enoch Mgijima Municipality's Director: Civil Engineering Services and Director: Community Services.

14.8 Capital contributions shall be payable by the registered owner of the property concerned at the time when the contribution is due and payable, which shall be upon transfer or approval of building plans, whichever shall be applicable, unless any conditions of approval provide otherwise.

14.9 The capital contributions provided for in these tariffs shall be payable unless the payment of such amount is replaced by a condition imposed in or any other legislation that may be applicable.

14.10 The following transitional arrangements shall apply in respect of these tariffs:

i) Should any building plans have been submitted for approval in terms of the National Building Regulations and Building Standards Act, 1977 (Act no 103 of 1977) on or before 30th June 2006 and such approval is granted after 30th June 2006, the capital contributions in force on 30<sup>th</sup> June 2006 shall, subject to sub-paragraph (iv), apply.

ii) Should application for a certificate (generally referred to as a rates clearance certificate) as contemplated in Section 118 of the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000) have been made on or before 30th June 2006 and such certificate is issued after 30th June 2006, the capital contributions in force on 30th June 2006 shall, subject to sub-paragraph (iv), apply in respect of any tariff payable before transfer of the property concerned.

iii) Should the approval of any building plans in terms of the National Building Regulations and Building Standards Act, 1977 (Act no 103 of 1977), lapse after 30th June 2006 without being extended, the capital contributions in force at the time of any subsequent approval of building plans for the property concerned shall, subject to sub-paragraph (iv), apply.

iv) Should any authorization, exemption or application in terms of any other legislation that may be applicable, granted on or before 30th June 2006 not have provided for the payment of any tariffs or amounts in respect of any particular infrastructure provided for in these tariffs, the registered owner shall not as a result of these tariffs only become liable for payment of a capital contribution for which the registered owner would otherwise not have been liable : Provided that if any changes as contemplated in paragraph

(e) Subsequently occur, the provisions of paragraphs (d) and (e) shall apply *mutatis mutandis* in determining the capital contributions payable.

## **15. Tariffs for Duplicate Statements (History)**

- a) The municipality shall apply a fixed charge on all duplicate statements required by consumers

## **16. Valuation certificates**

- i. The municipality shall apply a fixed charge on all valuation statements required by consumers

## **17. Clearance figures application**

- i) The municipality shall apply a fixed charge on all clearance of figures applications required by consumers

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

18.1 The council will give notice of all tariffs approved at the annual budget meeting at least 30 days prior to the date that the tariffs become effective. Accounts delivered after the 30 days' notice will be based on the new tariffs.

18.2 A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for objectives will be displayed by the municipality at a place installed for that purpose.

18.3 All tariffs approved must be considered at the annual budget meeting

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

16.1 The principles contained in this policy will be reflected in the various budget proposals submitted to council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Systems Act.

## **20. ADJUSTMENT OF ACCOUNTS**

- a. Where incorrect debits were raised, the accounts under query will be rectified for the current financial year and two preceding years.

- b. Adjustments made to the customers' service account, where the adjustment is in the customers favour, will be made for the three preceding years.
- c. Adjustments made to the consumers' service account, where the adjustment is in the municipality's' favour, will be made for the twelve preceding months.(1 Year).
- d. Where the customer caused the adjustment, for example through the by-passing of meters or by supplying the incorrect information, the adjustment will be made for the three preceding years.

## **21. POLICY REVIEW**

- a) The municipal council must annually review, and if necessary, amend its policy. Any amendments to the Tariffs policy must accompany the municipality's annual 5 budget when it is tabled in the council in terms of section 16 (2) of the Municipal Finance Management Act.

## **22. POLICY ADOPTION**

This policy has been considered and approved by the COUNCIL OF ENOCH MGIJIMA LOCAL MUNICIPALITY as follows:

Resolution No:

Approval Date:

\_\_\_\_\_

\_\_\_\_\_

Executive Mayor

Municipal Manager