

**MANGAUNG**  
**METROPOLITAN MUNICIPALITY**



**PRINCIPLES AND POLICY ON TARIFFS AND FREE  
BASIC SERVICES**

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**DOCUMENT AND VERSION CONTROL**

Version:

Date:

Summary: This document describes the Policy on Tariffs and Free Basic Services that will be applicable to the Mangaung Municipality, with effect from 01 July 2012.

**Municipal Manager**

**Executive Mayor**

**Date:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**MANGAUNG METROPOLITAN MUNICIPALITY**  
**PRINCIPLES AND POLICY ON TARIFFS AND FREE BASIC SERVICES**

**1. INTRODUCTION AND LEGISLATIVE REQUIREMENTS**

- 1.1 In terms of section 62 (1) of the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003, the Accounting Officer of a Municipality is responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure that, inter alia, the Municipality has and implements a tariff policy referred to in section 74 of the Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended.
- 1.2 In terms of section 74 of the Municipal Systems Act the municipal council hereby adopts a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements.
- 1.3 This policy has been compiled in accordance with:-
  - 1.3.1 The Constitution of the Republic of South Africa, Act no 108 of 1996 as amended;
  - 1.3.2 Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;
  - 1.3.3 Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;
  - 1.3.4 Local Government: Municipal Property Rates Act (MPRA), Act no 6 of 2004;
  - 1.3.5 Mangaung Municipality Property Rates Policy as reviewed annually.

**2. DEFINITIONS AND ABBREVIATIONS**

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

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

- (a) “Camping” (informal temporary accommodation in a unique environment) is defined by a property used for erection of tents or other temporary structures for temporary accommodation for visitors or holiday-makers, which includes ablution, cooking and other facilities that are reasonably and ordinarily related to camping, for use of such visitors, and includes a caravan park, whether publicly or privately owned, but which excludes the alienation of land on the basis of time sharing, sectional title share blocks or individual subdivision; and excludes resort accommodation or mobile homes;
- (b) “Bed and Breakfast” (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling in which the owner of the dwelling supplies lodging and meals for compensation to transient guests who have permanent residence elsewhere; provided that the primary use of the dwelling-house concerned shall remain for the living accommodation of a single family;

- (c) "Guest House" (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling which is used for the purpose of supplying lodging and meals to transient guests for compensation, in an establishment which exceeds the restrictions of a bed and breakfast establishment and may include business meetings or training sessions for resident guests;
- (d) "Self catering Accommodation" (accommodation for non-permanent residents and transient guests) is defined by a house, cottage, chalet, bungalow, flat, studio, apartment, villa, or similar accommodation where facilities and equipment are provided for guests to cater for themselves. The facilities should be adequate to cater for the maximum advertised number of residents the facility can accommodate;
- (e) "Self catering Apartments" (accommodation for non-permanent residents and transient guests) is defined by a building or group of buildings consisting of separate accommodation units, each incorporating a kitchen / -ette facility, and which may include other communal facilities for the use of transient guests, together with outbuildings as are normally used therewith; which are rented for residential purposes and may include holiday flats; but does not include a hotel, dwelling-house, second dwelling or group house;
- (f) "Backpackers Accommodation" (accommodation and communal facilities in a building or free standing buildings for transient guests) is defined by a building where lodging is provided, and may incorporate cooking dining and communal facilities for the use of lodgers, together with such outbuildings as are normally used therewith and includes a building in which dormitories/rooms/beds are rented for residential purposes, youth hostel, and backpackers' lodge; but does not include a hotel, dwelling house, second dwelling or group house;
- (g) "Boarding House" a dwelling-house or second dwelling which is used for the purpose of supplying lodging with or without meals or self catering to non permanent/permanent residents for compensation; provided that the primary use of the dwelling-house shall remain for the living accommodation of a single family;

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

"**Accounting Officer**" means the municipal manager appointed in terms of Section 60 of the Municipal Finance Management Act.

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

"**Annually**" – means once every financial year;

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

"**Arrears**" means those rates and service charges that have not been paid by the due date and

for which no arrangement has been made.

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

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

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

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

(a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or

(b) property on which the administration of the business of private or public entities take place.

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

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

"**Category**" –

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

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

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

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

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

"**Council**" means the Council of the Mangaung Municipality.

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

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

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

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

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

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

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

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

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

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

- (i) the twentieth (20<sup>th</sup>) day of September of the financial year for which such rate is made, in the case where rates are levied on an annual basis;
- (ii) the date for payment indicated on the account, in the case where rates are levied on a monthly basis; or
- (iii) any other date determined by Council in terms of a public notice in the Provincial Gazette, and

(b) service charges due in respect of any immovable property, means the date for payment indicated on the account, provided that the due date for any service charges means the twentieth (20<sup>th</sup>) day of September in the case where service charges are levied annually; and

(c) should such day fall on a Saturday, Sunday or public holiday the due date shall be the next working day.

**"Dwelling"** means a building, structure or place of shelter to live in.

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

**"Farm Property or Small Holding used for agricultural purpose"** – means property that is used for the cultivation of soils for purposes of planting and gathering in of crops; forestry in the context of the planting or growing of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish, but excludes the use of a property for the purpose of eco-tourism; and in the respect of property on which game is reared, trade or hunted, it excludes any portion that is used for commercial or business purposes.

**"Farm Property or Small Holding not used for any purpose"** – means agricultural property or an agricultural zoned land unit situated outside an urban region which is not used for farming purposes, regardless of whether such portion of such property has a dwelling on it which is used as a dwelling and must be regarded as residential property.

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



"Immovable Property" also includes -

- (a) an undivided share in immovable property, and
- (b) any right in immovable property.

**"Implementing Authority"** means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

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

- (a) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the Municipality; and
- (b) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

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

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

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

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

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

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

- (a) means that body of persons comprising –
  - (i) the residents of the Municipality;
  - (ii) the rate payers of the Municipality;
  - (iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the Municipality; and
  - (iv) visitors and other people residing outside the Municipality, who, because of their presence in the Municipality, make use of services or facilities provided by the Municipality; and
- (b) includes, more specifically, the poor and other deprived sections of such body of persons;

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

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

**"Month"** means one of twelve months of a calendar year.

**"Monthly Average Consumption"** means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

**"Multiple Purposes"** – in relation to a property, means the use of a property for more than one purpose as intended in section 9 of the Municipal Property Rates Act.

**"Municipality"** or **"Municipal Area"** shall, where appropriate, mean the geographic area, determined in terms of the Local Government: Municipal Demarcation Act No. 27 of 1998 as the municipal area pertaining to the Municipality.

**"the Municipality"** means Mangaung Metropolitan Municipality.

**"Municipal Council"** or **"Council"** shall mean the municipal council of Mangaung Metropolitan Municipality as referred to in Section 157(1) of the Constitution.

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

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

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

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

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

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

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

"Owner" in relation to immovable property means -

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

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

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

- (a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, and which is situated within the area of jurisdiction of the Municipality.

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

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

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

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

**"Property"** – means immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

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

**"Ratepayer"** shall mean a person who is liable to the Municipality for the payment of (a) rates on property in the Municipality; (b) any other tax, duty or levy imposed by the Municipality; and/or (c) fees for services provided either by the Municipality or in terms of a service delivery agreement.

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

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

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

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

**"Registered Owner"** means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937.

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

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

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

(a) is used predominantly (60% or more) for residential purposes, including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property.

Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes, if still used dominantly for residential purposes;

(b) is a unit registered in terms of the Sectional Title Act and is used predominantly for residential purposes;

(c) is owned by a share-block company and is used predominantly for residential purposes;

(d) is a residence used for residential purposes situated on a property used for educational purposes;

(e) is property which is included as residential in a valuation list in terms of section 48(2)(b) of the Municipal Property Rates Act;

- (f) are retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

vacant properties (empty stands), hotels, hostels, old-age homes and accommodation establishments, irrespective of their zoning or intended use, have been specifically excluded from this property category.

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

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

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

**"Small Holding"** means:-

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

**"State Owned Property"** excludes any property included in the valuation roll under the category 'residential property' or 'vacant land'.

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

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

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

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

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

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

### **3. PURPOSE OF THE TARIFF POLICY**

- 3.1 The purpose of this tariff policy is to prescribe the accounting and administrative policies and procedures relating to the determining and levying of tariffs by the Mangaung Metropolitan Municipality.
- 3.2 The Municipality should perform the procedures set out in this policy to ensure the effective planning and management of tariffs. In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

### **4. SCOPE OF APPLICATION**

- 4.1 This policy applies to all tariffs charged within the defined boundaries of Mangaung Metropolitan Municipality.

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

- 5.1 Service tariffs imposed by the Metropolitan Municipality shall be viewed as user charges and not as taxes, and therefore the ability of the relevant customer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the Municipality from time to time).
- 5.2 The Municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- 5.3 Tariffs for the four major services rendered by the Municipality, namely Electricity, Water, Sewerage and Refuse Removal, shall as far as possible recover the expenses associated with the rendering of each service concerned, and where feasible, generate a modest surplus as determined in each annual budget. Such surplus shall be applied in relief of property rates or for the future capital expansion of the service concerned, or both.
- 5.4 The tariff which a particular customer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.
- 5.5 The Municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the Municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and customers in the municipal region.
- 5.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the Municipality may differentiate between different categories of users and customers in regard to the tariffs which it levies. Such differentiation shall however at all times be reasonable and shall be fully disclosed in each annual budget.
- 5.7 The Municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of customers or users shall be evident to all customers or users of the service in question.



- 5.8 The Municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all customers and users affected by the tariff policy concerned.
- 5.9 The Municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- 5.10 In the case of conventional metering systems for electricity and water, the consumption of such services shall be properly metered by the Municipality and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on customers shall be proportionate to the quantity of the service which they consume. In addition, the Municipality shall levy a monthly fixed charge for electricity services.
- 5.11 In adopting what is fundamentally a two-part tariff structure for electricity, namely a fixed basic charge coupled with a charge based on consumption, the Municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- 5.12 In case of vacant stands, where the services are available but not connected, the Municipality shall levy a monthly availability charge which is levied because of fixed costs such as the capital and maintenance costs and insurance of infra structure available for immediate connection.
- 5.13 The Municipality's tariffs for electricity services will be determined to ensure that those customers who are mainly responsible for peak demand, and therefore for the incurring by the Municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the Municipality shall therefore install demand meters to measure the maximum demand of such customers during certain periods. These bulk customers shall therefore pay the relevant demand charge as well as an energy charge directly related to their actual consumption of electricity during the relevant metering period.

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

### **6.1 Financial Factors**

- 6.1.1 The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service to avoid cross subsidising of services.
- 6.1.2 In order to determine the tariffs which must be charged for the supply of the four major services, the Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-
- 6.1.2.1 Cost of bulk purchases in the case of water and electricity.
  - 6.1.2.2 Distribution costs.
  - 6.1.2.3 Distribution losses in the case of electricity and water.
  - 6.1.2.4 Depreciation expenses.
  - 6.1.2.5 Maintenance of infrastructure and other fixed assets.

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

6.1.2.7 Administration and service costs, including:-

- (a) service charges levied by other departments such as finance, human resources and legal services;
- (b) reasonable general overheads, such as the costs associated with the Office of the Municipal Manager;
- (c) adequate contributions to the provisions for bad debts and obsolescence of stock; and
- (d) 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.

6.1.2.8 The intended surplus to be generated for the financial year. Surplus to be applied:-

- (a) as an appropriation to capital reserves; and/or
- (b) generally in relief of rates.

## **6.2 Socio-economic factors**

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

6.2.2 Users can be divided into the following categories:-

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

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

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

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

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

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

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

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

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

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

### **6.3 Minimum service levels**

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

### **6.4 Credit Control**

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

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

### **6.5 Package of services**

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

### **6.6 Historical and future user patterns**

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

## **6.7 User groups**

6.7.1 Users are traditionally divided into user groups as set out below:-

6.7.1.1 Domestic (Residential);

6.7.1.2 Businesses/ Commercial;

6.7.1.3 Industries/Bulk customers;

6.7.1.4 Farm properties (agricultural);

6.7.1.5 Accommodation establishments (including guest houses);

6.7.1.6 Municipal consumption (departmental charges);

6.7.1.7 Institutions that may be directly subsidised for example retirement homes, schools and hostels, sport organisations, etcetera; and

6.7.1.8 Special arrangements for specific developments as may be determined by Council from time to time.

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

## **7. FREE BASIC SERVICES**

7.1 Free basic municipal services refers to those municipal services necessary to ensure an acceptable and reasonable quality of life and which service, if not provided, could endanger public health or safety or the environment.

7.2 In terms of the South African Constitution all customers should have access to basic services. Currently, the free basic services provided to the domestic customers within the Mangaung Metropolitan Municipality are as follows: -

7.2.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

7.2.2 The general threshold for indigent support is restricted to qualifying households with a combined income amount determined by Council at the beginning of every financial year and will be applied for the duration of that particular financial year.

7.2.3 The Municipality recognises the following rates and service charges for indigent support:-

7.2.3.1 Electricity;

7.2.3.2 Water;

7.2.3.3 Refuse Removal;

7.2.3.4 Sewerage;

7.2.3.5 Property Rates; and

7.2.3.6 Pauper Burials.

## 8. TARIFF STRUCTURES FOR VARIOUS SERVICES

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

8.1.1 The need to reflect costs as accurately as possible in order to achieve cost effectiveness;

8.1.2 The need to ensure equality and fairness between user groups;

8.1.3 The need for a practically implementable tariff;

8.1.4 The need to use appropriate metering and provisioning technology;

8.1.5 The need for an understandable tariff; and

8.1.6 The user's ability to pay.

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

8.2.1 Electricity.

8.2.2 Water.

8.2.3 Refuse Removal.

8.2.4 Sewerage.

8.2.5 Property Rates.

### 8.3 Electricity

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

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

The costs are therefore recovered by means of a fixed levy per period (normally as a monthly basic charge) in order to ensure that these costs are covered.

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

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

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

8.3.2.1 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.

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

8.3.2.3 Three part tariff for Residential, Business and Commercial Customers (consist of a basic monthly charge, capacity charge and a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh) based on time of use
- Basic monthly charge (R/month)
- Capacity (ampere) charge (R/month)

8.3.2.4 Four part tariff for Bulk Customers (consist of a basic monthly charge, access charge, demand charge and a variable charge related to metered kWh consumption):-

- Energy rate (c/kWh) based on time of use
- Basic monthly charge (R/month)
- Access charge (R/kVA)
- Demand charge (R/kVA)

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

8.3.3 An availability fee will be charged on properties not connected to the electricity network should it be available to that property. This fee aims to recoup capital and maintenance costs in respect of such properties. If the owner connects the service with the intention to improve the property the debit will be adjusted pro-rata from the date of the connection.

## 8.4 Water

8.4.1 Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. In order to restrict consumption, an inclining block rate tariff structure with a basic fee is applied.

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

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

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

8.4.3.1 Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infra structure. These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a unit tariff which is payable per kilolitre water consumed in order to ensure that these costs are covered.

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

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

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

8.4.4.1 Single-leg water consumption for users with pre-paid and conventional meters.

8.4.4.2 A fixed tariff per month for users with no meters.

8.4.4.3 An availability fee will be charged on users and/or properties not connected to the water network, should it be available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects and improve the property the debit will be adjusted pro-rata from the date of the connection.

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



## **8.5 Refuse Removal**

- 8.5.1 Refuse removal is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.

- 8.5.2 A customer who chooses to do his/her own refuse removal will still be liable for paying the applicable refuse tariff.
- 8.5.3 The tariff levied by Mangaung Metropolitan Municipality is based on the category of property as determined in the valuation roll.
- 8.5.4 The following tariff structures were basically used for the determination of tariffs:-
- 8.5.4.1 Residential (domestic customers) – maximum of one removal per week.
  - 8.5.4.2 Flats/ Town Houses/ Duet Houses – maximum of one removal per week.
  - 8.5.4.3 Business/ Commercial/ Industrial (Non – Bulk) – maximum of two removals per week.
  - 8.5.4.4 Business/ Commercial/ Industrial (Bulk) – Individual arrangements.
  - 8.5.4.5 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

## **8.6 Sewerage**

- 8.6.1 Sewer service is an economic service and tariff calculations should be based on the actual cost incurred in delivering the service.
- 8.6.2 The following tariff structures were basically used for the determination of tariffs:-
- 8.6.2.1 The tariff levied for waterborne sewerage systems is based on the water consumption. Sewerage tariffs are directly linked to water consumption and tariffs. Water and sewerage has an inverse relationship where an increase in water consumption means a decreased allocation to sewerage.
  - 8.6.2.2 Customers who are not connected to the waterborne sewerage network but who can reasonably be connected shall pay an availability tariff. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects and improve the property the debit will be adjusted pro-rata from the date of the connection.
  - 8.6.2.3 Special tariff arrangements determined and approved by Council from time to time for specific developments and/or informal settlements.

## **8.7 Property Rates**

- 8.7.1 The rate levied by the Municipality will be a cent amount in the Rand based on the market value of the property.
- 8.7.2 In terms of the Municipal Property Rates Act, 2004 the Municipality may levy different rates for different categories of rateable property. Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category and by way of reductions and rebates as provided for in the Municipality's property rates policy.

8.7.3 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.

## 9. ELECTRICITY TARIFF POLICY

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

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

### 9.1 Residential (Domestic) Customers

#### 9.1.1 Customers with Conventional Meters

9.1.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Three part tariff:
  - i. Fixed monthly charge (R/month)
  - ii. Ampere charge (R/month). The charge is determined by the installed circuit breaker size.
  - iii. Energy rate (c/kWh). The energy rate is charged on a tariff per unit based on the number of kWh consumed within a specific period which is determined as follows:-

Energy High Demand - Peak
Energy High Demand – Standard
Energy High Demand – Off-Peak
Energy Low Demand - Peak
Energy Low Demand – Standard
Energy Low Demand – Off-Peak

#### 9.1.2 Pre-paid Customers

9.1.2.1 Pre-paid users, if applicable, 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

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

9.1.2.3 Registered Indigents receive a number of kWh units fully subsidised every month, as determined by Council on an annual basis.

## 9.2 Accommodation Establishments

This tariff covers the supply of electricity to all premises qualifying under the definition of accommodation establishments as determined in this policy or similar premises.

### 9.2.1 Customers with Conventional Meters

9.2.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Three part tariff:
  - i. Fixed monthly charge (R/month).
  - ii. Ampere charge (R/month). The charge is determined by the installed circuit breaker size.
  - iii. Energy rate (c/kWh). The energy rate is charged on a tariff per unit based on the number of kWh consumed within a specific period which is determined as follows:-

Energy High Demand - Peak
Energy High Demand – Standard
Energy High Demand – Off-Peak
Energy Low Demand - Peak
Energy Low Demand – Standard
Energy Low Demand – Off-Peak

### 9.2.2 Pre-paid Customers

9.2.2.1 Pre-paid users, if applicable, 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

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

### 9.3 Commercial/ Business Customers

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

#### 9.3.1 Customers with Conventional Meters

9.3.1.1 Customers with conventional meters are billed as follow:-

- (a) An availability charge is payable on all properties, where a connection to the electricity network is possible, but not in use.
- (b) Three part tariff:
  - i. Fixed monthly charge (R/month).
  - ii. Ampere charge. The charge is determined by the installed circuit breaker size.
  - iii. Energy rate (c/kWh). The energy rate is charged on a tariff per unit based on the number of kWh consumed within a specific period which is determined as follows:-

Energy High Demand - Peak
Energy High Demand – Standard
Energy High Demand – Off-Peak
Energy Low Demand - Peak
Energy Low Demand – Standard
Energy Low Demand – Off-Peak

### 9.3.2 Pre-paid Customers

9.3.2.1 Pre-paid users, if applicable, 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 arrears, the auxiliary payment system may be activated for the gradual payment of the arrears as a percentage of purchases.

### 9.4 Bulk Customers

9.4.1 These customers are billed as follow:-

9.4.1.1 Four part tariff.

- (a) Fixed monthly charge (R/month).
- (b) Demand charge (R/kVA month).
- (c) Access charge (R/kVA month).
- (d) Energy rate (c/kWh). The energy rate is charged on a tariff per unit based on the number of kWh consumed within a specific period which is determined as follows:-

Energy High Demand - Peak
Energy High Demand – Standard
Energy High Demand – Off-Peak
Energy Low Demand - Peak
Energy Low Demand – Standard
Energy Low Demand – Off-Peak

### 9.5 Streetlights

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

### 9.6 Special Arrangements

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

## **9.7 Departmental**

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

## **9.8 Electricity Sundry Tariffs**

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

## **10. WATER TARIFF POLICY**

### **10.1 Domestic (Non Metered)**

10.1.1 Customers are billed a fixed amount per month.

### **10.2 Domestic /Accommodation Establishments (Metered)**

10.2.1 Customers are billed as follow:-

10.2.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.

10.2.1.2 Registered Indigents receive an amount of water fully subsidised every month, as determined by Council on an annual basis.

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

(a) 1 to 10 kl – Registered Indigent Domestic Customers Only

(b) 11 to 15 kl - Registered Indigent Domestic Customers Only

(c) 1 to 10 kl – All Non-Indigent Registered Domestic Customers/ Accommodation Establishments

(d) 11 to 15 kl – All Non-Indigent Registered Domestic Customers/ Accommodation Establishments

(e) 16 to 30 kl - All Domestic Customers/ Accommodation Establishments

(f) 31 to 60 kl - All Domestic Customers/ Accommodation Establishments

(g) 61 kl and above - All Domestic Customers/ Accommodation Establishments

### **10.3 Business/ Commercial/ Industrial**

10.3.1 Customers are billed as follow:-

10.3.1.1 An availability charge is payable on all properties, where a connection to the water reticulation network is possible, but not in use.



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

- (a) 1 to 60 kl
- (b) 61 to 100 kl
- (c) 101 kl and above

#### **10.4 Special Arrangements**

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

#### **10.5 Water Sundry Tariffs**

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

### **11. REFUSE TARIFF POLICY**

#### **11.1 Refuse Removal Tariffs**

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

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

11.1.1.2 Flats – maximum of one removal per week.

11.1.1.3 Town Houses/ Duet Houses – maximum of one removal per week.

11.1.1.4 Accommodation Establishments - maximum of one removal per week.

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

11.1.1.6 Business/ Commercial/ Industrial (Bulk) – Individual arrangements.

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

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

#### **11.2 Special Arrangements**

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

### **11.3 Refuse Removal Sundry Tariffs**

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

## **12. SEWERAGE TARIFF POLICY**

Sewerage tariffs are directly linked to water consumption.

### **12.1 Domestic (Non Metered)**

12.1.1 Customers are billed a fixed amount per month.

### **12.2 Domestic /Accommodation Establishments (Metered)**

12.2.1 Customers are billed as follow:-

12.2.1.1 An availability charge is payable on all properties, where a connection to the sewerage reticulation network is possible, but not in use.

12.2.1.2 Registered Indigents receive an amount of sewerage fully subsidised every month, as determined by Council on an annual basis.

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

- (a) 1 to 10 kl – Registered Indigent Domestic Customers Only
- (b) 11 to 15 kl - Registered Indigent Domestic Customers Only
- (c) 1 to 10 kl – All Non-Indigent Registered Domestic Customers/ Accommodation Establishments
- (d) 11 to 15 kl – All Non-Indigent Registered Domestic Customers/ Accommodation Establishments
- (e) 16 to 30 kl - All Domestic Customers/ Accommodation Establishments
- (f) 31 to 60 kl - All Domestic Customers/ Accommodation Establishments
- (g) 61 kl and above - All Domestic Customers/ Accommodation Establishments

### **12.3 Business/ Commercial/ Industrial**

12.3.1 Customers are billed as follow:-

12.3.1.1 An availability charge is payable on all properties, where a connection to the sewerage reticulation network is possible, but not in use.

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

- (a) 1 to 60 kl
- (b) 61 to 100 kl
- (c) 101 kl and above

#### **12.4 Special Arrangements**

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

#### **12.5 Sewerage Sundry Tariffs**

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

### **13. PROPERTY TAX POLICY**

#### **13.1 Property Tax Tariffs**

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

#### **13.2 Property Tax Sundry Tariffs**

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

### **14. SUNDRY TARIFFS**

14.1 Various sundry tariffs are applied to recoup costs of sundry services to the public. All such tariffs are based on cost of supply, but individual tariffs may be set at:-

14.1.1 Subsidised levels;

14.1.2 Levels reflecting actual cost; or

14.1.3 Levels producing surpluses.

14.2 The level at which the Council sets a sundry service tariff, takes into account factors such as:-

14.2.1 Affordability;

14.2.2 Socio-economic circumstances;

14.2.3 Utilisation of amenities and resources;

14.2.4 National and regional agreements and provisions; and

14.2.5 Any other factors influencing such decisions.

14.3 Sundry tariffs and structures will be revised at least once a year, during the annual budgeting process.

**15. IMPLEMENTATION AND REVIEW OF THIS POLICY**

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

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

Approved by Council on 1 June 2012 under item 56, with effect from 1 July 2012.

