

MASILONYANA LOCAL MUNICIPALITY

BY-LAW NO 3 of 2007

Tariffs By-Laws

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The Municipality of Masilonyana hereby publishes the Tariffs By-Laws set out in the Schedule attached hereto. These By-Laws have been adopted by the Municipal Council on 31 May 2007 and are promulgated by the municipality in terms of [section 156\(2\)](#) of the Constitution of the Republic of South Africa, 1996 and in accordance with [section 13\(a\)](#) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

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1. Definitions

In these by-laws, any word or expression to which a meaning has been assigned in the Act, must bear the same meaning and, unless inconsistent with the context -

“**community services**” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

“**designated councillor**” means the member of the municipal council responsible for financial matters in the municipality as contemplated in the Act;

“**municipality**” means -the Masilonyana Local Municipality as established by the Provincial Notice No 183 of 2000 exercising its legislative function through its Municipal Council; its successor in title; a structure or person exercising a delegated power;

“**economic services**” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from consumers, and ‘economical services’ has the same meaning;

“**fixed costs**” means costs, which do not vary with increased or decreased consumption or volume produced;

“**flat rates**” means the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the consumers together, subject to the flat rate;

“**tariff policy**” means the tariff policy of the Municipality of Masilonyana approved by the

Municipal Council in terms of [section 74](#) of the Act on

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

“total cost” means the sum-total of all fixed and variable costs related to a service;

“trading services” means services that the Council has classified as trading services, in respect of which the tariffs have been calculated with the intention that the Council makes a profit on the delivery of the services;

“two-part tariffs” means tariffs that are determined to cover the fixed and variable costs of a service separately, where the fixed costs are calculated by dividing the total amount of fixed costs of the service by the number of customers per category, and the variable costs are calculated by dividing the total amount of variable costs by the volume consumed;

“units consumed” means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in [section 6](#);

“variable costs” means costs that vary with increased or decreased consumption or volume produced.

2. Purpose of these by-laws

The purpose of these by-laws is:

- (1) to comply with the provisions of [section 75](#) of the Act;
- (2) to prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of [section 76\(b\)](#) of the Act; and
- (3) to serve as guidance and direction for Council regarding the setting of tariffs for the delivery of services to the community during the annual budget process in line with the economical welfare of the community.

3. Tariff principles

The following tariff principles based on the tariff policy set out in [section 74\(2\)](#) of the Act, apply to the levying of charges for municipal services:

- (a) all consumers of municipal services must be treated equitably in the application of tariffs and the various categories of consumers must consequently pay the same charges based on the same cost structure;
- (b) all new consumers resident within the jurisdiction of the Municipality (excluding a person qualifying for indigent status) shall be required to pay a deposit equal to an average month's usage as may be determined in terms of the respective by-law dealing with the specific service;
- (c) the amount payable in respect to services rendered must be in proportion to usage and based on the tariff structure adopted for the approved category of consumers;
- (d) indigent households must have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Council's indigent support policy as reflected as part of its Credit Control and Debt Collection Policy;

- (e) tariffs must reflect the total cost of services, taking into account that trading services should generate a reasonable profit while economical services must attain a break-even point;
- (f) tariffs in respect of trading and economical services must be set at a level that facilitates the sustainability of these services; and
- (g) sustainability must be achieved by ensuring that:
 - (i) cash inflows cover cash outflows which means that sufficient provision for working capital or bad debts will be made; and
 - (ii) access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services whilst a break-even point is maintained for economical services.
- (h) provision must be made for a surcharge on a tariff if and when necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required;
- (i) provision must be made for the imposition of higher tariffs to prevent or mitigate any other special circumstance that may arise;
- (j) efficient and effective use of resources must be encouraged by providing for penalties and or surcharges to prohibit exorbitant use or wastage;
- (k) the extent of subsidisation of tariffs must be disclosed by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of consumers

- (1) The tariff structure of the Masilonyana Municipality must make provision for the following categories of consumers:
 - (a) domestic;
 - (b) commercial;
 - (c) industrial;
 - (d) agricultural;
 - (e) rural;
 - (f) municipal services; and
 - (g) special agreements for consumers not falling in any of the above-mentioned categories.
- (2) Where there is a substantial difference between the standard of services provided within a specified category of consumers,
- (3) The Municipality may, after the presentation of a report by the designated Councillor, determine differentiated tariffs within the specified category.

- (4) The Municipality may adopt special tariffs to promote local economic development amongst commercial enterprises and industries.
- (5) The Municipality shall identify indigent consumers, cause a register to be held wherein these consumers are identified, and may adopt special tariffs to apply to this category of consumer.

5. Classification of services, expenditure classification and cost elements

(1) Classification of services

The Chief Financial Officer must, subject to the guidelines of the Department of Finance and the Executive Committee of the Council, make provision for the following classification of services:

A. Trading services

- (i) Water,
- (ii) Electricity.

B. Economic services

- (i) Refuse removal,
- (ii) Sewerage disposal.

C. Community Services

- (i) Air pollution.
- (ii) Childcare facilities.
- (iii) Fire fighting services.
- (iv) Local tourism.
- (v) Municipal planning.
- (vi) Municipal public works, only in respect of the needs of the municipality in the discharge of its responsibilities and to administer functions specially assigned to it under the Constitution or any other law.
- (vii) Storm-water management system in built-up areas.
- (viii) Trading regulations.
- (ix) Fixed billboards and the display of advertisements in public places.
- (x) Cemeteries.
- (xi) Control of public nuisances.
- (xii) Control of undertakings that sell liquor to the public.

- (xiii) Facilities for accommodation, care and burial of animals.
- (xiv) Fencing and fences.
- (xv) Licensing of dogs.
- (xvi) Licensing and control of undertakings that sell food to the public.
- (xvi) Local amenities,
- (xviii) Local sport facilities,
- (xix) Municipal parks and recreation,
- (xx) Municipal roads,
- (xxi) Noise pollution,
- (xxi) Founds,
- (xxi) Public places,
- (xxv) Street trading/street lighting,
- (xxv) Traffic and parking,
- (xxvi) Building control.

D. Subsidised services

- (i) Health and ambulance,
- (ii) Libraries and museums.

(2) Expenditure classification

Expenditure must be classified as follows:

- (i) Salaries, wages and allowances;
- (ii) Bulk purchases;
- (iii) General expenditure;
- (iv) Repairs and maintenance;
- (v) Capital charges (interest and redemption)/depreciation;
- (vi) Contribution to fixed assets;
- (vii) Contribution to funds:
 - (a) Bad debts;
 - (b) Working capital; and

- (c) Statutory funds.
 - (viii) Contribution to reserves;
 - (ix) Gross expenditure;
 - (x) Less charge-out;
 - (xi) Net expenditure;
 - (xii) Income; and
 - (xiii) Surplus/Deficit
- (3) Cost elements

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

- (i) *Fixed costs* which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable on the service and any other costs of a permanent nature as determined by the Council from time to time.
- (ii) Variable cost includes all other variable costs that have reference to the service.
- (iii) Total costs equal to the fixed cost plus variable cost.

6. Tariff types

- (1) In setting service charges the Council must:

accurately reflect costs to achieve economic efficiency; ensure equity and fairness between different types of consumers; utilise appropriate metering and supporting technology; and be transparent.

- (2) In determining the type of tariff applicable to the type of service the Council must make use of the following five options or a combination thereof:

- (i) Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Profits on trading services may be allowed subject to Council approval.
- (ii) Cost related two to four parts tariff: This tariff shall consist of two to four 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. The two-part tariff will only be used to determine tariffs for holiday resorts while three and four part tariffs will be used to calculate the tariff for electricity.
- (iii) Inclining block tariff: This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels

increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

- (iv) Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be implemented during the existence of special agreements.
- (v) Stepped tariff: This tariff is based on consumption levels being categorized in blocks. All levels will however be available to all consumers contrary to the block tariffs. It may also be used to yield profits and to discourage excessive use of the commodity. Usage recommended when it is required to curtail excessive use of scarce resources.

7. Unit of measurement

The following units of measurement shall, where possible, be used to determine tariffs:

1. Water

- (1) Cost per unit (kilolitres consumed).
- (2) Basic cost plus cost per unit charge (kilolitres consumed).
- (3) A flat rate will be applicable when consumption is not metered.

2. Electricity

- (1) Maximum demand plus fixed costs plus kWh consumed.
- (2) Fixed costs plus kWh consumed.
- (3) KWH consumed.
- (4) Gigawatt
- (5) A flat rate will be applicable when consumption is not metered.

3. Refuse removal

- (1) Flat rate as determined by Council from time to time.

4. Sewerage

- (1) Percentage of water consumption.
- (2) Percentage of water consumption plus costs for strength of disposal.
- (3) Basic charge - based on the specific zoning applicable to the property.
- (4) Additional charge - based on the area and variable costs of the service.
- (5) Where extent of property is not available a flat rate based on the average consumption per categories of consumers will be applicable.

5. Social benefits

- (1) To measure social benefits enjoyed by the community, the Municipality shall apply the standards set out in the tables below:
- i. to achieve cost recovery,
 - ii. to measure service delivery,
 - iii. to ensure that the service is affordable to both the Council and households;
 - iv. ensure that the infrastructure provided is managed effectively and to indicate whether any of the services should be curtailed.
- (2) Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION	UNIT OF OUTPUT	CLASSIFICATION BY COUNCIL
Airfields	Number of landings	Subsidised
Art Gallery and Museum	Number of attendance	Community
Building Section	Number of plans submitted Value of buildings Municipal value of buildings	Subsidised
Caravan Park	Number of bookings Number of sites	Subsidised
Cemeteries	Number of burials Number of graves	Subsidised
City and other halls	Number of bookings Area per population	Subsidised
Cleansing, refuse removal and disposal	Number of cubic meters Number of tons Number of removals Number of living units Kilometres travelled Cost per m ³ removed Income per m ³ re-moved Cost per kilometre travelled Income per kilometre travelled	Economic
Street cleaning	Length of streets Area of streets	Economic
Director: Administration	Number of municipal staff Percentage of total expenditure	Community

Council general	Population Percentage of total expenditure	Community
Estates	Number of properties	Economic
Properties held for future development	Area Number of properties	Community
Grant-in-aid	Percentage of rates income	Community
Health- Clinics- Other	Number of attendance	Community
Libraries	Number of issues Number of members Number of books in stock	Community
Licensing	Number of licenses	Subsidised
Organisation and methods	Number of municipal staff Percentage turnover rate	Community
Parks and recreation	Area of developed parks Number of living units	Community
Personnel administration	Number of municipal staff Number of appointments Percentage turnover rate	Community
Town Engineering	Population Percentage of Municipal expenditure	Community
Road and SWD (including sidewalks)	Length of roads Area of roads	Community
Security and District Management	Number of installations Area covered	Community
Sewerage reticulation (disposal)	Number of connections Area served Length of mains Sewerage purified Cost per meg litre purified	Economic
Swimming pools	Number of attendance	Subsidised
Stores	Number of issues Number of stock items held Value of issue Value of stock Number of direct purchases Average percentage of turnover stock per annum	Economic (fully charge out)
Municipal Manager	Number of municipal staff Percentage of municipal	Community

	expenditure	
Town Planning	Number of properties in area of jurisdiction	Community
Traffic	Length of roads Number of registered vehicles Number of services issued Cost per service Recovery of service	Community
Director: Finance	Number of municipal staff Percentage of municipal expenditure	Community
Valuations	Number of properties Percentage of municipal valuations	Community
Housing (Selling and letting schemes)	Number of dwellings	Economic
Electricity	Number of units purchased Number of units sold Percentage loss in distribution Purchases cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Length of mains	Trading
Street Lighting	Number of street lighting	Trading
Parking	Number of bays	Trading
Water Provision	Number of units purchased Number of units sold Percentage loss in distribution Purchase cost per unit Cost per unit sold Income per unit Number of connections Cost per connection Income per connection Length of mains Kiloliters purified Cost per kiloliter purified	Trading

8. Conflict of law

- (2) When interpreting any provision of these by-laws, any interpretation that is reasonable and consistent with the objectives of the Act as set out in [Chapter 8](#), Part 1 on Service Tariffs, must be preferred over any alternative interpretation that is inconsistent with these objectives.

- (3) If there is any conflict between these by-laws and any other by-laws of the Council relating to tariffs, these by-laws shall prevail.

9. Short title

These by-laws are called the Tariff By-laws of the Masilonyana Municipality, and commence on the date of publication thereof in the *Provincial Gazette*.