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LOCAL AUTHORITY NOTICE

No. 65

NGQUSHWA MUNICIPALITY

The Municipal Manager hereby publishes, in terms of section 13 of the Local Government: Municipal Systems Act, 2000 [Act No. 32 of 2000] read with section 162 of the Constitution of the Republic of South Africa Act 1996 [Act No. 108 of 1996] the Tariff By-Laws which come into operation on the date of publication thereof.

TARIFF BY-LAWS

PREAMBLE

WHEREAS Section 74 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) requires a Municipal Council to adopt a tariff policy on the levying of fees for municipal services;

AND WHEREAS such a policy has been adopted by the Ngqushwa Municipality;

AND WHEREAS Section 75(1) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) requires a Municipal Council to adopt by-laws to give effect to the implementation and enforcement of its tariff policy;

NOW THEREFORE the Council of the Ngqushwa Municipality approves and adopts the following Tariff By-laws:

Be it therefore enacted by the Council as follows:

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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;

"Council" means the Council of the Ngqushwa Municipality;

"designated councillor" means the Mayor of the Municipality acting in consultation with the Executive Committee of the Council;

"Municipality" means the Ngqushwa Municipality;

"municipal area" means the demarcated municipal area of the Municipality;

"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 users;

"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 users together, subject to the flat rate;

"premises" means any erf, lot, stand or building on any such erf, lot or stand in the Municipality, the owner, tenant or occupier of which receives services or is entitled to receive services from the Municipality, or to which services from the Municipality are available whether or not such services are being used by the said owner, tenant or occupier;

"tariff policy" means the tariff policy of the Ngqushwa Municipality approved by the Council in terms of section 74 of the Municipal Systems Act, 2000 [Act 32 of 2000];

"the Act" means the Local Government: Municipal Systems Act, 2000 [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 must make a profit on the delivery of such 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 consumers 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 8 of these by-laws;

"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 in respect of the appointment by the Municipality of service providers in terms of section 76[b] of the Act; and
- [3]** to serve as guidance to the designated Councillor, officials of the Municipality and the community regarding tariff proposals that must be submitted to the Council annually during the budget process.

[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 fees for municipal services:

- [1]** all users of municipal services must be treated equitably in the application of tariffs and the various categories of users must consequently pay the same charges based on the same cost structure;
- [2]** the amount payable must be in proportion to usage and be based on the tariff structure adopted for the approved category of users;
- [3]** indigent households must have access to basic services through lifeline tariffs or direct subsidization in accordance with the Council's Indigent Support Policy as reflected as part of its Credit Control and Debt Collection Policy;
- [4]** tariffs must reflect the total cost of services;
- [5]** tariffs must be set at a level that facilitates the sustainability of services; and

- [6]** sustainability must be achieved by ensuring that:
- [a]** cash inflows cover cash outflows, which means that sufficient provision for working capital or bad debts must be made; and
 - [b]** access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- [7]** provision must be made in appropriate circumstances 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;
- [8]** efficient and effective use of resources must be encouraged by providing for penalties to prevent exorbitant use;
- [9]** the extent of subsidization 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 USERS

[1] The tariff structure of the Ngqushwa Municipality must make provision for the following categories of users:

[a] domestic;

[b] commercial;

[c] industrial;

[d] agricultural;

[e] institutional;

[f] rural;

[g] municipal; and

[h] users not falling in any of the above-mentioned categories and with whom special agreements have been entered into.

[2] Where there is a substantial difference between the standard of services provided to a specified category of users, the Municipality may, after the presentation of an engineer's report by the designated Councillor, determine differentiated tariffs within the specified category.

[5] COST CENTRES, CLASSIFICATION OF SERVICES, EXPENDITURE CLASSIFICATION AND COST ELEMENTS**[1] COST CENTRES**

To determine the total cost of services, the Chief Financial Officer must create cost centres based on the service and expenditure classification prescribed by the National Department of Finance and the designated Councillor from time to time.

[2] CLASSIFICATION OF SERVICES

Provision for the following classification of services must be made:

[a] Trading services

- Electricity
- Water
- Parking

[b] Economic services

- Refuse removal
- Sewerage Disposal
- Recreation Resorts

[c] Community services

- Air pollution
- Building control
- Cemeteries
- Childcare facilities
- Control of public nuisances
- Control of undertakings that sell liquor to the public
- Facilities for accommodation, care and burial of animals
- Fencing and fences
- Fire fighting services
- Fixed billboards and the display of advertisements in public places
- Licensing and control of undertakings that sell food to the public
- Licensing of dogs
- Local amenities
- Local sport facilities
- Local tourism
- Municipal parks and recreation
- Municipal planning

- 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
 - Municipal roads
 - Noise pollution
 - Pounds
 - Public places
 - Storm-water management system in built-up areas
 - Street trading/street lighting
 - Trading regulations
 - Traffic
- [d]** Subsidised services
- Airfield
 - Library
 - Museum

[3] EXPENDITURE CLASSIFICATION

Expenditure must be classified as follows:

- [a]** Salaries, wages and allowances
- [b]** Bulk purchases
- [c]** General expenditure
- [d]** Repairs and maintenance
- [e]** Capital charges (interest and redemption)/depreciation
- [f]** Contribution to fixed assets

- [g]** Contribution to funds:
 - [i]** Bad debts
 - [ii]** Working capital
 - [iii]** Statutory funds
- [h]** Contribution to reserves
- [i]** Gross expenditure – comprising the total of [a] to [h]
- [j]** Less charge-out
- [k]** Net expenditure – comprising gross expenditure less charge-out
- [I]** Income
- [m]** Surplus/Deficit – comprising income less net expenditure

[4] COST ELEMENTS

The following cost elements must 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 on the service and any other costs of a permanent nature as determined by the Council from time to time.
- [b]** Variable cost [including all other variable costs that have reference to the service].
- [c]** Total cost is equal to the fixed cost plus variable cost.

[6] DEPOSITS

The raising of the following deposits payable upon application for the relevant service is permissible:

- [a]** Rental [equivalent to the monthly rental].
- [b]** Other services [as and when required].

[7] TARIFF TYPES

[1] In setting service charges, the Council must:

- [a]** accurately reflect costs to achieve economic efficiency;
- [b]** ensure equity and fairness between different types of consumers;
- [c]** utilise appropriate supporting technology; and
- [d]** 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:

- [a]** Single tariff –
 - [i]** consisting of a fixed cost per unit consumed;
 - [ii]** recovering all costs through unit charges at the level of breakeven consumption; and
 - [iii]** profits on trading services allowed subject to the approval of the Municipality.

- [b]** Cost related two to four parts tariff –
- [i]** recovering management, capital, maintenance and operating costs by grouping certain components together [for example management, capital and maintenance costs may be grouped together and 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]; and
- [c]** Inclining block tariff –
- [i]** based on consumption levels being categorized into blocks and the tariff being determined and increased as consumption levels increase;
 - [ii]** used only to prohibit the exorbitant use of a commodity; and
 - [iii]** calculated at break-even point in respect of the first part of the tariff and calculated in subsequent parts to yield profits and to discourage excessive use of the commodity.
- [d]** Declining block tariff –
- [i]** decreasing as consumption levels increase [the opposite of the inclining block tariff]; and
 - [ii]** implemented only by special agreement.
- [e]** Stepped tariff –
- [i]** based on consumption levels being categorized in blocks;
 - [ii]** available at all levels to all consumers [contrary to the block tariffs]; and
 - [iii]** used to yield profits and to discourage excessive use of the commodity.

- [3] Availability Charges are payable in respect of erven not connected to Municipality's infrastructure despite the availability of a connection to such infrastructure and normal tariffs apply to the relevant service and are payable after the Municipality has provided a connection.
- [4] Outside Municipal Area tariffs apply to consumers who do not reside within the municipal area but make use of certain identified municipal services after having applied to do so.
- [5] Recoverable Work tariffs –
- [i] apply to consumers who make use of certain recoverable services after having applied to do so; and
 - [ii] are calculated at actual cost plus a surcharge as determined with the actual tariffs.

[8] UNIT OF MEASUREMENT

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

[3] REFUSE REMOVAL

Refuse removal levies are levied annually and are payable monthly by the registered owner of the premises based on removals from –

- [a] plastic bags per week/day [volume]; and
- [b] containers per week [volume].

[9] CHARGES

The following charges are applicable:

[1] BASIC CHARGES

Basic charges are based –

- [a]** on the area of the property and fixed cost associated with the service; and
- [b]** on the number of properties within those categories of consumers and variable costs of the service.

[2] ADDITIONAL CHARGES

Additional charges are based on the –

- [a]** area of the property and variable costs of the service; and
- [b]** number of properties within those categories of consumers and variable costs of the service.

[3] FLAT RATE CHARGES

When the area of the property or number of properties is not available, a flat rate, based on the average consumption per categories of consumers must be applied.

[10] ASSESSMENT RATES

Assessment Rates are calculated –

- [a]** taking into account the total net expenditure from the other services, less the estimated revenue based on the total ratable valuations;
- [b]** in such a manner that the Municipality realizes a net surplus when adopting its tariffs;
- [c]** according to the municipal valuations of property, allowing the Municipality to differentiate between improvement and land values and between categories of ratepayers and may either levy a surcharge or a rebate on ratable property;

- [d]** in compliance the Rates Policy of the Municipality adopted in terms of the Local Government: Municipal Property Rates Act, 2004, and any by-laws to be proclaimed by it in terms of that Act.

[11] SOCIAL BENEFITS

Social benefits to communities are measured according to the standards as set out in the annexed tables that must be used to –

- [a]** achieve cost recovery;
- [b]** measure service delivery annually;
- [c]** ensure that the service is affordable to the Municipality, households and businesses;
- [d]** determine whether the infrastructure provided is managed effectively;
- [e]** indicate whether any of the services should be curtailed;
- [f]** guide and ensure meaningful reporting; and
- [g]** compare actual unit costs with budgeted costs.

[12] DETERMINATION, NOTICE OF TARIFFS, FEES AND LEVIES AND OBJECTIONS

- [1]** The Council may –
- [a]** by resolution, supported by a majority of the members of the Council, levy and recover levies, fees, taxes and tariffs, in respect of any function or service of the Municipality;
 - [b]** from time to time, by resolution, amend or withdraw such determination and determine a date, not earlier than 30 days from date of the resolution, on which such determination, amendment or withdrawal will come into operation; and

- [c]** recover any charges so determined or amended, including interest on any outstanding amount;
 - [d]** after a resolution as contemplated in subsection [b] has been passed, the Municipal Manager of the Municipality must forthwith cause to be conspicuously displayed, at a place installed for this purpose at the offices of the Municipality, as well as at such other places within the area of jurisdiction of the Municipality as may be determined by the Municipal Manager, a notice stating -
 - [i]** the general purport of the resolution;
 - [ii]** the date on which the determination or amendment comes into operation;
 - [iii]** the date on which the notice is first displayed; and
 - [iv]** that any person who desires to object to such determination or amendment must do so in writing within 14 days after the date on which the notice is first displayed.
- [2]** Where –
- [a]** no objection is lodged within the period referred to in subsection [d][iv], the determination or amendment comes into operation as contemplated in subsection [d][ii];
 - [b]** an objection is lodged within the period referred to in subsection [d][iv], the Municipality must consider every objection and may amend or withdraw the determination or amendment and may determine a date other than the date contemplated in subsection [d][ii] on which the determination or amendment comes into operation, whereupon subsection [d][iv] with the necessary changes will apply.

[13] PHASING IN OF TARIFFS, FEES AND LEVIES

- [1]** The Council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its Tariff Policy.
- [2]** Where the newly calculated tariffs, fees and levies differ substantially from the current tariffs, Council may resolve to phase in the differences over a period of time.

[14] CONFLICT OF LAW

- [1]** When interpreting any provision of these by-laws, any interpretation which 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 which is inconsistent with these objectives.
- [2]** If there is any conflict between these by-laws and any other by-laws of the Council relating to tariffs, these by-laws prevail.

FUNCTION	UNIT OF OUTPUT	CLASSIFICATION
Airfields	Number of landings	Subsidized
Art Gallery and Museum	Number of attendance	Community
Engineering and Works	Population, percentage of municipal expenditure	Community
Building Control	Number of plans submitted, value of buildings, municipal value of buildings	Subsidized
Caravan Park	Number of bookings and number of sites	Subsidized
Cemeteries	Number of burials and number of graves	Subsidized
Municipal Halls	Number of bookings and area per population	Subsidized
Cleansing, refuse removal and disposal	Number of cubic metres, number of tons, number of removals, number of living units, kilometres travelled, cost per cubic metre removed, income per cubic metre removed, cost per kilometre travelled and income per kilometre travelled	Economic
Corporate Services	Number of municipal staff, percentage of total expenditure	Community (charged out)
Council – general	Population, percentage of total expenditure	Community (charged out)
Estates and properties	Number of properties	Economic

held for future development		
	Area, number of properties	Community
Financial Services	Number of municipal staff, percentage of municipal expenditure	Community (charged out)
Fire	Number of call-outs, number of properties	Community
Grant-in-aid	Percentage of rates income	Community
Health, clinics	Number of attendance	Community
Housing (selling and letting schemes)	Number of dwellings	Economic
Libraries	Number of issues, number of members, number of books in stock	Community
Licensing	Number of licenses	Subsidized
Marketing	Number of industrial properties and industries	Community
Organisation and methods	Number of municipal staff and percentage of Municipal expenditure	Community
Parking	Number of bays	Trading
Parks and recreation	Area of developed parks and number of living units	Community
Personnel administration	Number of municipal staff, number of appointments and percentage turnover rate	Community
Roads and storm-water	Length of roads and area of roads	Community

[including sidewalks]		
Properties held for future Development	Area and number of properties	Community
Sewerage reticulation	Number of connections, area served, length of mains, sewerage purified, cost per megalitre purified	Economic
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 charged out]
Street cleaning	Length of streets and area of streets	Economic
Street Lighting	Number of street lights	Trading
Swimming Pools	Number of attendances	Subsidised
Town Engineering	Population, percentage of municipal expenditure	Community
Traffic	Length of roads, number of registered vehicles, number of services, cost of services, recovery of services	Subsidized
Valuations	Number of properties and percentage of valuations	Community

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