

**SEKHUKHUNE DISTRICT MUNICIPALITY
WATER AND SANITATION TARIFF POLICY**



**2023/24 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

**FINAL WATER AND SANITATION
TARIFF POLICY**

MARCH 2023

**SEKHUKHUNE DISTRICT MUNICIPALITY
WATER AND SANITATION TARIFF POLICY**

TARIFFS AND RATES POLICY

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1. DEFINITIONS

In this policy, unless the context otherwise indicates: -

“Agreement” means the contractual relationship between the Municipality or an authorised agent and a consumer;

“Authorised agent” means -

- Any person authorised by the Municipality to perform any act, function or duty in terms of, or exercise any power under this policy or
- Any person to whom the Municipality has delegated the performance of certain rights, duties and obligations in respect of providing revenue services; and /or
- Any person appointed by the Municipality in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorised in such contract;

“Domestic purposes”, in relation to the supply of water, means water supplied for drinking, ablution and culinary purposes to premises used predominantly for residential purposes;

“Dwelling unit” means an interconnected suite of rooms, including a kitchen or scullery, designed for occupation by a single family, irrespective of whether the dwelling unit is a single building or forms part of a building containing two or more dwelling units;

“Flat” means a suite of rooms forming a complete unit exclusively used as a residence and contained in a building consisting of two such dwelling-units or more, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Home for the aged, retirement centre or home for the disabled” means dwelling-units occupied exclusively by the aged or disabled, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Household” means a traditional family unit consisting of persons related in some way;

“Industrial purposes”, in relation to the supply of water, means water supplied to any premises, which constitutes a factory, as defined in the General Administrative Regulations made under the Occupational Health and Safety Act, 1993 (Act 85 of 1993);

“Low cost housing” the erection of these residential dwellings has been financed exclusively by means of the subsidy package in terms of the National Housing Subsidy Scheme;

“Occupier” includes any person in actual occupation of the land or premises without regard to the title under which he occupies it and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

“Parks” means a public area where no access is charged and no business is run from.

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"Person" means any natural person, local government body, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association or trust;

"Poor household" means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council's Indigent Policy.

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

- a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No. 9 of 1927), or in terms of the Deeds Registries Act 1937, (Act No. 47 of 1937);
- a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986);
- a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority;

"Account" means any account rendered for municipal services provided;

"Actual consumption" means the consumption measured, of any consumer;

"Applicable tariff" means the rate, charge, tariff, flat rate, or subsidy determined by the Municipal Council;

"Approved" means approved by the Municipality or its authorised agent in writing;

"Average consumption" means a consumer's estimated average consumption of a municipal service during a specific period, which is calculated by dividing the consumer's total measured consumption of that municipal service for the preceding four months by four;

"Basic water supply" means the minimum standard of water supply services necessary for the reliable supply of water to households to support life and personal hygiene, prescribed in terms of the Act under regulation 3 of Government Notice R509 of 8 June 2001, as amended from time to time, or any substitution for that regulation;

"Connection" means the point at which a consumer is able to access municipal services;

"Connection pipe" means a pipe owned by the Municipality, which is installed by them for the purpose of conveying water from a main to a water installation and includes a "communication pipe" referred to in SABS Code 0252 Part I;

"Consumer" means:

(a) Any person who occupies premises to whom and in respect of which premises the Municipality-

- Has agreed to provide water services;
- Is actually providing water services;
- Has entered into an agreement with the Municipality or its agent for the provision of water services on any premises;

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(b) The owner or tenant of any premises to which the Municipality is providing water services;

(c) Where water services are provided through a single connection to a number of accommodation units or consumers or occupiers, means the person to whom the Municipality agreed to provide such water services; and

(d) Any end-user who receives water services from the Municipality or other water services institution.

“Container” means all types of containers owned by the Municipality including, plastic bags and bulk containers;

“Determined” means determined by the Municipality from time to time;

“Emergency situation” means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the Municipality or a specific municipal service;

“Meter” means a water meter as defined in the regulations made under the Trade Metrology Act, 1973 (Act 77 of 1973), or, in the case of a water meter of a size greater than 100 mm, a device which measures the quantity of water passing through it;

“Sewage” means waste water, industrial and commercial effluent, standard domestic effluent and other liquid waste, either separately or in combination, but does not include storm water;

“Sewage disposal system” means a structure, pipe, valve, pump, meter or other appurtenance used in the conveyance of sewage through the sewer reticulation system and the treatment thereof at a sewage treatment plant under the control of the Municipality and which may be used by it in connection with the disposal of sewage;

“Sewer” means any pipe or conduit which is the property of or is vested in the Municipality and which may be used or is intended for the conveyance of sewage from the connecting sewer but does not include a drain as defined; and “municipal sewer” has a corresponding inclusive meaning;

“Municipality” means –

- the Sekhukhune District Municipality or;
- the Municipal Manager of the Sekhukhune District Municipality in respect of the performance of any action or exercise of any right, duty, obligation or function in terms of this policy;
- an authorised agent of the Sekhukhune District Municipality;

“Municipal Council” means the Municipal Council as referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);

“Municipal Manager” means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No.117 of 1998) and includes any person –

- acting in such position; and
- to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;

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“Municipal services” means for purposes of this policy, services provided by the Municipality, including refuse removal, water supply, sanitation, electricity services and rates or any one of the above;

“Public notice” means publication in an appropriate medium that may include one or more of the following –

- publication of a notice, in the official languages determined by the Municipal Council, –
 - (i.) in the local newspaper or newspapers in the area of the Municipality; or
 - (ii.) in the newspaper or newspapers circulating in the area of the Municipality determined by the municipal council as a newspaper of record; or
 - (iii.) by means of radio broadcasts covering the area of the Municipality; or
- displaying a notice at appropriate offices and pay-points of the Municipality; or
- communication with customers through public meetings and ward committee meetings;

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2. INTRODUCTION AND OBJECTIVE

In order to give effect to the provisions of the Constitution, the Municipality must give priority to the basic needs of the local community, to promote the development of the local community and to ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the Municipality must be:

- Equitable and accessible;
- Provided in a manner conducive to the prudent, economic, efficient and effective use of available resources and the improvement of standards of quality over time;
- Financially sustainable;
- Environmentally sustainable; and
- Regularly reviewed with a view to the upgrading, extension and improvement of services

Various statutes enable authorities rendering certain services to impose tariffs. To ensure that the cost of services rendered is recovered as far as possible, tariffs have to be revised on an annual basis.

This policy has been compiled to address tariffs for services and comply with the requirements and guidelines as set by following acts and other documents:

- SALGA – Local Government Financial Best Practise Manual
- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
- The Municipal Systems Act, Act 32 of 2000
- The Municipality's Indigent Policy
- Fire Brigade Service Act, Act 94 of 1987
- Local Government Transaction Act, 1993, S10G (7)
- Municipal Finance Management Act, Act No. 56 of 2003
- National Environmental Management Act, Act No. 197 of 1998
- Property Rates Act, Act No. 6 of 2004

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3. PURPOSE OF THE POLICY

- to set clear guidelines in the identification of responsibility for the setting and implementation of a tariff policy for the Municipality;
- to set guidelines for the identification of different categories of users;
- to set guidelines for the determination of tariffs for the different categories of users and services rendered.

The policy will further lay down the broad principles, which will result in the adoption of a By-Law for the implementation and enforcement of the Tariff Policy.

Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes.

4. TARIFF POLICY

4.1 SCOPE OF THE POLICY

- 4.1.1 The policy is applicable to water and sanitation services provided by Sekhukhune District Municipality.
- 4.1.2 This policy is also applicable to all sundry tariffs as provided for in the Schedule of Tariffs of the municipality.

4.2 GENERAL

- 4.2.1 This policy has been compiled taking into account, where applicable the guidelines set out in the Municipal Systems Act, Act No. 32 of 2000, section 74. In determining the annual tariffs, 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.
- 4.2.2 A Municipal Council must adopt and implement the tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements, which complies with the provisions of this Act and with any other applicable legislation.
- 4.2.3 The Municipality should ensure that users of municipal services are treated equally in the application of tariffs and that tariffs are applied uniformly and fairly throughout the Municipal area of jurisdiction;
- 4.2.4 Tariffs for all major services and sub-services should as far as possible recover the expenses associated with the services concerned. The tariff individual users pay for services should generally be in proportion to their use of that service, as well as the quality of the service provided;
- 4.2.5 Poor households should have access to at least basic services through –

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- 4.2.6 Tariffs that cover only operating and maintenance costs
- 4.2.7 Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service, or;
- 4.2.8 Any other direct or indirect method of subsidisation of tariffs for poor households;
- 4.2.9 Tariffs should reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs and interest charges;
- 4.2.10 Tariffs should be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- 4.2.11 Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- 4.2.12 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- 4.2.13 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives should be encouraged;
- 4.2.14 The Municipality should, as far as possible, ensure that the tariffs raised in respect of the services offered further generate an operating surplus each financial year of at least 5% as the Council of the Municipality may determine at the time that the annual operating budget is approved. Such surpluses should be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes;
- 4.2.15 The Municipality should develop, approve and at least annually review an indigence support programme for the municipal area. This programme should 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 consumers in the Municipal region;
- 4.2.16 The Municipality may differentiate between different categories of users and consumers with regard to the tariffs, which it levies. Such differentiation shall, however, at all times be reasonable and be fully disclosed in each annual budget;
- 4.2.17 The Municipality's tariff policy should be transparent and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service;
- 4.2.18 The Municipality undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned;
- 4.2.19 The Municipality undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery;
- 4.2.20 In adopting a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the Municipality believes that it is properly attending to the

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demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery;

4.2.21 In the case of directly measurable services, like water, the Municipality shall properly meter the consumption of such services and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service they consume. Where meters could not be read in a specific month, consumption will be based on the average consumption of the preceding four months;

4.2.22 In addition, the Municipality shall levy monthly availability charges for the services concerned and these charges shall be fixed for each type of property.

4.2.23 In considering the costing of its water, sanitation and sewerage services, the Municipality shall take into consideration the high capital cost of establishing and expanding such services and of the resultant high fixed cost, as opposed to variable cost of operating these services. The Municipality therefore undertakes to plan the management expansion of the services carefully, in order to ensure that both current and reasonable expected future demands are adequately catered for and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods and the costs of such surplus capacity must also be covered in the tariffs that are annually levied.

4.2.24 Equal services will be supplied to all the residents of the Sekhukhune District Municipality once the necessary administrative procedures have been completed at the Municipality's offices and the necessary consumer deposits been paid. The municipal services provided to residents and communities in the municipal area should:

- Be within the municipality's financial and administrative capacity;
- Be regularly reviewed with a view to upgrading, extension and improvement,
- Be provided in a manner that:
 - Is fair and equitable to all its residents and communities,
 - Ensures the highest quality service at the lowest cost and the most economical use and allocation of available resources and
 - Is financially and environmentally sustainable.

For this purpose the Municipal Council should adopt, maintain and implement a Tariff Policy that complies with the provisions of the Municipal Systems Act.

4.3 CATEGORIES OF USERS

The following categories of user are covered by this policy:

- (i) Residential – indigent
- (ii) Residential – Non indigent

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- (iii) Commercial Buildings
- (iv) Industrial buildings
- (v) Public institutions (Schools, clinic, hospitals, government departments)
- (vi) Churches
- (vii) Sports fields and clubs
- (viii) Mines
- (ix) Farms
- (x) Residential RDP
- (xi) Communal stand pipes

4.4 TARIFF FRAMEWORK AND STRUCTURES

In order to determine the tariffs, which should be charged for the rendering of services, the Municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- Cost of bulk purchases in the case of water
- Distribution costs
- Distribution losses in the case of water
- Depreciation expenses
- Maintenance of infrastructure and other fixed assets
- Administration and service costs, including:
 - Service charges levied by other departments, such as finance, human resources and legal services
 - Reasonable general overheads, such as the costs associated with the office of the Municipal Manager
 - Adequate contributions to the provisions of bad debts and obsolescence of stock
 - All other ordinary operating expenses associated with the service concerned (note: the costs of the democratic process in the Municipality, shall form part of the expenses to be financed from property rates and general revenues and shall not be included in the costing of the major services of the Municipality)
 - The intended surplus to be generated for the financial year, such surplus to be applied:
 - As an appropriation to capital reserves; and/or
 - Generally in relief of rates and general services

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- The cost of approved indigence relief measures

4.4.1 Water tariff

Tariffs will be based on a two-part tariff structure. The objective of this structure will be to recover all costs plus a percentage for future development from the users of the service.

The Municipality shall provide the first 6kl of water per month free of charge to consumers who have registered as indigents in terms of the Municipality's indigence relief programme. The Municipality shall further consider relief in respect of tariffs for sewerage and refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% on the monthly amount billed for the service concerned.

Because water is a scarce national resource, the Municipality is committed to the prudent conservation of such resources. The tariff levied for domestic consumption shall be based on monthly consumption of more than 6kl but not more than 30kl, more than 31kl but not more than 40kl, more than 41kl but not more than 50kl. Where the infrastructure costs are being recovered as a major component of the Water tariff a fixed billing for consumption may be implemented for all consumers. Tariffs for non-domestic consumption shall be based on a single charge per kl consumed, irrespective of the volume of consumption concerned.

The categories of water consumption as set out below shall be charged at the applicable tariffs, as approved by the Council in each annual budget. Tariff adjustments shall be effective from 1 July of each year.

Categories of consumption and charges shall be:

- All domestic water consumers registered as indigents with the Municipality shall receive the first 6kl of water consumed of each month free of charge. Thereafter a stepped tariff per kl as determined by the Council from time to time shall be applicable on metered water consumption.
- All domestic consumers shall be charged for actual water consumption at a stepped tariff per kl as determined by the Council from time to time. Where the infrastructure costs are being recovered as a major component of the Water tariff a fixed billing for consumption may be implemented for all consumers.
- The tariff applicable to domestic consumption of water shall not exceed 80% per kl of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers shall pay the same single tariff per kl, irrespective of the volume of water consumed.
- A basic charge per water meter, as determined by the Council from time to time, shall be charged on all water consumers, except registered indigents and consumers using prepaid meters.
- The local Municipality' departmental water consumption shall be charged at cost.

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- **Fixed tariff**

To recover all fixed costs. This includes permanent water infrastructure and its maintenance.

- **Variable tariff:**

To recover all costs and all other expenses not recovered by the fixed tariff. It will be based on the consumption of the users.

- **Bulk water supply to other local Governments**

A quantity charge for water supplied since the previous meter reading according to the applicable Lepelle Water Board tariff including the Water Research Fund levy, plus 10% administrative charge or as per agreement.

- **Pre-paid water meters**

Tariffs for pre-paid meters shall be the same as the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied on properties where pre-paid meters have been installed. The distinction is made in recognition to the financial advantages which pre-paid entails for the service in question.

- **Tariff for unauthorised water consumption**

Amount payable for water consumption obtained through illegal water consumption. A once-off levy is payable, after which the connection will be formalised. The levy will be based on the diameter of the connection.

Spot fines may be imposed in terms of the Water-supply By-laws, for unauthorised connections or damage to the water-supply system.

- **Charges for connecting the water supply**

Fees are payable for supplying and laying connecting pipes and for the installation of water meters, not more than 10 m from the nearest connection point. These fees are based on the size of the meters.

- **Discontinuation or restriction of the water service owing to the failure to pay**

The Municipality reserves the right to discontinue or restrict the supply of water services where consumers or users fail to pay their monthly charges.

- **Movable water meters**

Construction Connections

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The applicant must apply in writing to the Water and Sanitation Division and make it clear for what purpose and for how long the meter is required, following which the Water and Sanitation Division may approve or reject the application. The applicant must undertake, on approval of his or her application, to enter into an agreement in respect of the use of the water meter. The Chief Financial Officer will also levy a consumer deposit, which will be refunded at the end of the period for which the meter was requested.

- **Contribution charge**

A contribution charge may be levied where a new pipeline is requested and the Municipality does not have the infrastructure where the new pipeline will be situated. This will be imposed as part of the water consumption or water fixed fee recovery tariffs and will be reviewed annually.

Refer to Annexure A, section A for the approved tariff structure

4.4.2 Sanitation tariff

The categories of sanitation users as set out below shall be charged per month at the applicable tariff as approved by the council in each annual budget. Tariff adjustments will be effective from 1 July of each year.

Categories of usage and charges shall be:

- A fixed monthly charge based on the costs of the service shall be charged for domestic users. Registered indigents may receive such discount on this charge as the Council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed for this service
- A fixed monthly charge based on the cost of the service per sewer point/toilet shall be charged to the Municipality's departments equal to the lowest tariff
- An effluent fee shall further be payable by factories and other industrial users, where the wastewater emanating from such users requires special purification measures by the Municipality. Such fees shall be based on the toxic content of the wastewater concerned and the costs of the purification
- Blockage removal tariff for the Municipality - In areas where the municipality's sanitation infrastructure and capacity allow it, a service is provided for removing blockages from private sewers without affecting the status quo, at the cost of the owner of the property. These charges will be based on a fixed tariff as well as a call-out charge.

Refer to Annexure A, section D for the approved tariff structure

4.4.3 Sundry charges

Users shall be charged, as set out below, at the applicable tariff as approved by Council in each annual budget. Tariff adjustments will be effective from 1 July each year.

All sundry tariffs shall be standardised within the Municipal region.

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All sundry tariffs, when deemed appropriate by Council, will be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined; or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

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

Fees will be charged for the following sundry services supplied by the Municipality to consumers:

- Unpaid debit orders (per account)
- Supply of information (faxes) per page
- Supply of information (statements)
 - Monthly account
 - Furnishing of valuation certificates
- Final meter reading levy
- Photostat copies and fees
- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonoured, post-dated or otherwise unacceptable cheques

Refer to Annexure A, section I for the approved tariff structure

4. By-Laws

The Municipal Council should adopt by-laws, according to Section 75 of the Municipal Systems Act No. 32 of 2000, to give effect to its Tariff Policy, its implementation and enforcement. By-laws may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas, as long as the differentiation does not amount to unfair discrimination.

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CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



For and on behalf of Municipality

As witness for Municipality

12/06/2023

Date

Date