

SEKHUKHUNE DISTRICT MUNICIPALITY



WATER SERVICES TARIFF POLICY

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1. ACRONYMS AND DEFINITIONS

1.1 Acronyms

kl	Kilo litre
LOS	Level of Service
LNW	Lepelle Northern Water (board)
LUMS	Land Use Management
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
SDM	Sekhukhune District Municipality
SPLUMA	Spatial Planning and Land Use Management Act
WCWDM	Water Conservation and Water Demand Management
WSA	Water Service Authority
WSDP	Water Service Development Plan
WSP	Water Service Provider

1.2 Definitions

In this tariff policy, unless the context otherwise indicates –

- i) "agricultural consumers" means consumers engaged in agriculture as defined in LUPPO,
- ii) "break even" means the financial situation where the income derived by the Municipality from the supply of a service is equal to the aggregate of the fixed and the variable costs associated with the provision of the service concerned;
- iii) "commercial consumers" means shops, offices, liquor stores, governmental institution (unless otherwise stated), supermarkets, public garages, gathering places (unless otherwise stated), nurseries, places of entertainment, service stations, hairdressing salons, caravan parks, game farms, eco-tourism, banks, hotels, hospitals, clinics, guesthouses, boarding houses and doctor and dentist consulting rooms and suchlike business undertakings;
- iv) "consumer" as well as "customer" Means any occupier of any property to which the district, or any of the local municipalities within the district have agreed to supply services or already supplies services to, or any owner/landlord of a property to which the municipality has agreed to supply services or already supplies services, and any owner of a property not receiving services but for which property services had been made available, and any person liable to the Municipality for taxes, rates or other charges. "the council" means Sekhukhune District Municipal Council, and "municipal council" shall have a corresponding meaning;
- v) "domestic properties" means residential properties, group housing, town houses, semi-detached houses, traditional houses and suchlike properties;
- vi) "due date" – (1) in relation to accounts payable monthly on a recurring basis, the 15th day of the month which follows on the month during which an account is rendered; (2) in relation to accounts payable annually, 30th September unless otherwise provided by any other law; and (3) in all other instances, as and when demand for payment is made by the Municipality.
- i) "educational institutions" means schools (unless otherwise stated), [crèches on municipal properties], colleges, universities and suchlike institutions;
- ii) "flat rates" means a pre-determined monthly rate, not based on the volume actually used.
- iii) "the Finance Act" means the Local Government : Municipal Finance Management Act, 2003 (Act No 56 of 2003);
- iv) "fixed costs" means costs which do not vary with consumption or volume produced and as more fully set out in paragraph 5(3)(i);
- v) "household" means a domestic (residential) customer unit, consisting of a dwelling unit that normally houses a family.

- vi) "indigent households" means households that are registered at the municipality as such and meet the municipality's criteria in terms of its indigent policy, and/ or credit control and debt collection policy and occupying a property within the jurisdiction of the municipality and "poor households" shall have a corresponding meaning;
- vii) "industrial consumers" means industrial undertakings, factories, warehouses, workshop, scrap yards, abattoirs, dairy processing plants, fish markets and suchlike consumers;
- viii) "industrial effluent" means waste water which will result on a loading on the waste water treatment works higher than for domestic sewage;
- ix) "Municipality" means when referred thereto as– i) an entity, Sekhukhune District Municipality as a municipality described in Section 2 of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000), including a duly authorized official of Sekhukhune District Municipality; and ii) a geographical area, the area of jurisdiction of Sekhukhune District Municipality as determined in terms of the Local Government : Municipal Demarcation Act, 1998 (Act 27 of 1998), and include the Local Municipalities within the jurisdiction of Sekhukhune, unless specifically indicated not to apply;
- x) "owner" in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors;
- xi) "public benefit organisations" means public benefit organizations as defined in Section 30 of the Income Tax Act No 58 of 1962;
- xii) "resident" means a person who ordinarily resides in the municipal area;
- xiii) "Red Book" means the Guidelines for Human Settlement Planning and Design by the CSIR
- xiv) "special agreements" means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and create job opportunities;
- xv) "sport and recreation facilities" means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption;
- xvi) "the Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);
- xvii) "the Water Services Act" means the Water Services Act, 1997 (Act no. 108 OF 1997);
- xviii) "tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge or penalty on such tariff."
- xix) "total cost" means the sum of all fixed and variable costs associated with a service;
- xx) "trading services" means services referred to in paragraph 5(1)(a) and in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services;
- xxi) "units consumed" means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in paragraph 7;
- xxii) "variable costs" means costs that vary with consumption or volume produced and as more fully set out in paragraph 5(3)(ii);
- xxiii) "VAT" means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended; and
- xxiv) "Water Services bylaws" means the most recent bylaws on water and sanitation, approved by the municipality and published in the Limpopo Provincial Gazette.

2. PREAMBLE

The Sekhukhune District Municipality are responsible for the provision of water and sanitation services to customers in their area of jurisdiction. For the municipality to be able to provide water and sanitation services, all costs must be recovered, from customers and grants where applicable, therefore it is essential that customers pay for services provided in a fair and equitable way. This policy, which provides the framework necessary for tariffs to be determined and recovered, aims to ensure that:

- i) The provisions of section 74 of the Act on Municipal Systems (Act 32 of 2000) are complied with;
- ii) To prescribe procedures for calculating tariffs in terms of section 76 (b) of the Act;
- iii) The tariffs are realistic and affordable and supports sustainable service delivery; and
- iv) To prescribe procedures for calculating tariffs where the municipality has appointed, or wishes to appoint service providers in terms of section 76(b) of the Systems Act (Act 32 of 2000).

The following legislation provides for this Tariff Policy;

2.1. WHEREAS section 4 of the Municipal Systems Act prescribes that a Municipality has the right to charge fees for services and impose surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties; and

2.2. WHEREAS section 4(2)(d) of the Municipal Systems Act prescribes that a Municipality has the duty to strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner; and

2.3. WHEREAS section 4(2)(e) of the Municipal Systems Act prescribes that a Municipality has the duty to consult the local community about the level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and

2.4. WHEREAS section 75 of the Municipal Systems Act requires the Municipal Council to adopt a tariff policy.

(All that applies to apply to the Local Municipalities within the jurisdiction of Sekhukhune, unless specifically indicated not to apply, or to differ from the tariffs for the District Municipality as a whole)

And therefore the Municipal Council of the SD Municipality adopts the following tariff policy:

3. MUNICIPAL STRATEGIC GOALS

3.1 Strategic priorities of the municipality include:

- Economic Growth, Development and Job Creation
- Access to Basic Services and Infrastructure Development
- Active Community Participation and Inter-Governmental Co-operation
- Effective, Accountable and Clean Government

3.2 The stated vision of the municipality is:

'To be a development oriented Leader in Service Delivery'

which indicates that the core value for SDM is based on effective service delivery. Core values stated in the IDP includes Access, Efficiency and Professionalism – all of which requires a tariff policy (and

implementation thereof) that will contribute to rendering effective and sustainable water and sanitation services.

On the subject of 'Accountable and Clean Government', the IDP indicates:

'Government programmes cannot be realized if they are not backed by financial resources. The Sekhukhune District Municipality is faced with mammoth development challenges amidst limited resources. It is therefore paramount that the existing resources are well managed whilst striving for the mobilization of extra resources'

The tariff policy aims to ensure that services are provided to all customers (including indigent customers) equitably, that its infrastructure and services are well managed, and that the municipality is enabled to collect revenue that will allow it to provide services at an acceptable standard, affordably and sustainable basis to all customers.

Tariffs across the district and various local municipal areas are to be equalised, to have equal tariffs for similar users and usage across all the local municipal areas.

In the determination of the tariff policy cognisance has been taken of the tariffs applicable elsewhere in the area and economic region, and of the impact that the tariffs as determined may have on local economic development.

4. GOVERNANCE AND REGULATORY REQUIREMENTS

Tariff in terms of this Policy shall comply with the:

- i) Constitution of the Republic of South Africa, 1996 as amended
- ii) Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), sections 17(3) (a)(ii), 19(2)(b), 24(2)(c)(ii), 28(6) and 62(1)(f)(ii) – [MFMA]
- iii) Local Government: Municipal Systems Act, 2000 (Act 32 of 2000):
 - a) Section 4 – Rights of the SDM;
 - b) Section 74 – Equitable tariff setting;
 - c) Section 75 – By – laws, implementation and enforcement; and
- iv) Water Services Act, 1997 (Act no. 108 OF 1997) and associated Regulations e.g. :
 - a) Regulation 4.1 – Tariff differentiation;
 - b) Section 10 - Norms And Standards For Tariffs
 - c) Section 21 - Water Services Bylaws
 - d) The 'Guidelines For Compulsory National Standards' & 'Norms And Standards For Water Services Tariffs' Regulations under section 9 and 10 of the Water Services Act (Act 108 of 1997); and
- v) Any other applicable legislation, regulations and policies that may govern tariffs and to the extent that they are not in contradiction with the primary legislation referred to above.

5. CONTEXT AND SCOPE

Context

5.1 Tariff is defined as: "A tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff."

5.2. The Municipal Manager or his/her delegate must, subject to the guidelines provided by the National Treasury and Executive/Mayor of the municipality, make provision for the following classification of services:-

- (a) Trading services
 - i) Water;
 - ii) Electricity (not part of these tariffs).

(b) Economic services

- i) Refuse removal (not part of these tariffs);
- ii) Sewerage disposal.

(c) Community and subsidised services (not part of these tariffs).

5.3. Trading and economic services must be ring fenced and financed from service charges.

5.4 It is intended that this policy document guides the setting of tariffs (annual or otherwise) and does not set specific tariffs, or deal in detail with the implementation of specific tariff proposals.

5.5 A Water Tariff Schedule, containing the detail and specifics regarding the various water and sanitation tariffs, read in conjunction with this Policy, and forming part of the municipal budget will be published after adoption by Council.

5.6 The policy is applicable to water and sanitation services provided by Sekhukhune District Municipality including all areas within the boundaries and jurisdiction of Sekhukhune District Municipality and the local municipalities indicated below:

- Elias Motsoaledi LM
- Ephraim Mogale LM
- Makhuduthamaga LM
- Greater Tubatse / Fetakgomo LM

5.7 All domestic customers provided with water and sanitation services must pay for services used, provided that for registered indigent households the SDM will provide basic services, funded from government grants (maximum of 6 Kl of water per month per household).

5.8 Free basic services will be provided at least at an LOS (Level of Service) of:

- a) Water - communal water points within 200m; and
- b) Sanitation - VIP (Ventilated Improved Pit) toilets.

5.8 All non-residential customers provided with water and sanitation services must pay for services used.

5.9 This policy also includes basic or availability charges and all sundry tariffs as provided for in the Water Tariff Schedule of the municipality

6 TARIFF PRINCIPLES

6.1 The municipality as WSA is committed to providing water and sanitation services to meet the legitimate and realistic needs of all customers in a sustainable and affordable manner. The municipality shall render its services cost effectively in order to ensure the best possible cost of service delivery in accordance with national directives.

6.2 The regulations referred to in section 5 require, and the municipality accepts that the full costs of rendering the water and sanitation services (minus any subsidies, notably the subsidy for indigents from the Equitable Share) are recovered through municipal tariffs. This is essential to ensure the sustainability of the service, since effective services cannot be rendered in the long term without income that is sufficient to finance the purchase costs, management, operation, maintenance and

monitoring of water and sanitation services, as well as the timely renewal of infrastructure of the water and sanitation systems.

6.3 The council may determine at the time that the annual operating budget is approved that the tariffs levied in respect of water and sanitation services must generate an operating surplus. Any surpluses generated shall be used for the future capital expansion of the service concerned.

6.4 The municipality may differentiate between different categories of users and consumers in regard to the tariffs based on the principles embodied in the Constitution and in other legislation pertaining to local government, provided differentiation is reasonable and fully disclosed in each annual budget.

6.5 Support to indigents will be provided in terms of the municipal indigent support programme developed and approved for the municipal area. The first 6 Kl of water and basic sanitation facilities will be provided free of charge to all registered indigents. The cost and funding of the indigent support programme will be reviewed annually.

6.7 In the case of directly measurable services, namely water, the consumption shall be metered by the municipality, 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 which they consume.

6.8 Customers that receive services at a higher level of service than the basic LOS adopted (communal connections for water and VIP sanitation), or indigent customers consuming a volume of water in excess of the free amount (6 Kl currently adopted) will be expected to pay for such services, minus the amount subsidised, and for additional cost incurred, e.g. the volume of water consumed exceeding 6 kl.

6.9 The following principles will also apply:

- i) Free services is only possible if the National Government pay to the municipality an appropriate grant, such as the Equitable Share subsidy which covers the full costs of the free services.
- ii) Tariffs must be set at a level that ensures the sustainability of services.
- iii) Cash inflows is required to cover cash outflows. (Sufficient provision for working capital and bad debts will be made, and cost recovery ensured).
- iv) In terms of clause 46 (1) (b) of the municipal bylaws on water and sanitation (Water Services Bylaws), provision may be made in appropriate circumstances for a surcharge on any of the water tariffs, as may be required during a disaster and periods of drought when a restriction of usage is required.
- v) Efficient and effective use of resources will be encouraged by providing for punitive charges to prohibit exorbitant use and penalties for tampering with the water system and illegal water use.
- vi) VAT is excluded from all tariffs and will be additional to these tariffs when applicable.

6.10 Cognisance should be taken of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

6.11 The municipality will ensure effective communication between the municipality and customers who must know what the municipality offer and do (in terms of the water and sanitation services policies and standards adopted), and what the responsibilities of water and sanitation customers are. A customer charter should be developed to this end. The municipality prioritise measures to ensure that it meets its obligations and so doing serve as example for all customers, by meeting regulatory and service standard requirements, and actively implementing appropriate WCWDM requirements.

6.12 The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives will be encouraged.

6.13 If the municipality fails to supply water consistently, and not supply potable water to customers for 5 consecutive days or more during any month, a rebate on the Basic Charges payable for the corresponding monthly period will be implemented.

7 APPROACH

7.1 The objective of the municipality as reflected in this approach, is for customers to pay the full costs for the services used, including both fixed and variable costs incurred, where fixed costs are not affected by the extent of services rendered, and variable costs are typically those that will vary as the number of customers and the volumes used or discharged increase or decrease. A basic charge is therefore implemented which will, to the extent that is practical, provide for payment by consumers for fixed costs e.g. administrative and meter reading costs which does not vary with consumption, as well as for the availability of the service.

7.2 The second part of the service tariff will be a volumetric charge, based on the volume of potable water used, as measured by a water meter. Ideally all customers and all connections, including municipal and fire connections should be metered. All customers with yard or house connections should be metered. Customers with yard or house connections without meters should still be charged for consumptive use at a flat rate equal to the typical or average monthly consumption (for indigents the volume that exceeds 6 Kl/ month), but only as a last resort and short term solution.

7.3 The minimum number of tariff blocks prescribed under the regulations in terms of section 10 of the WSA is three. In the interest of determining equitable tariffs, five tariff blocks are provided for household users, as follows:

- i) Block 1 - Basic supply, 0 – 6 kl (as prescribed, cost as low as possible and free to indigents);
- ii) Block 2 – More than 6 up to 10 kl (low income and water-wise customers, at a tariff reflecting economic cost);
- iii) Block 3 - More than 10 up to 30 kl (middle income, and customers using water normally), at a tariff reflecting economic cost plus overheads), and may include a surplus; and
- iv) Block 4 - More than 30 up to 60 kl (customers not using water sparingly), at a tariff substantially above 'reflecting economic cost'), to discourage ineffective water use; and
- v) Block 5 – Above 60 kl/ month a punitive tariff to penalise wasteful use of water and protect municipal and natural resources.

7.4 The water consumption and effluent discharged by non-residential users is largely determined by the size of the business or institution. Since excessive use can not be readily determined block rising tariffs (and punitive charges) should not be applied except if it becomes evident (e.g. based on a report indicating that consumption, compared to the expected consumption - based on scientifically sound criteria such as the 'Red Book' - is excessive. Rising block tariffs will therefore not be applicable to non residential users and the tariff determined for 'block 3' and 'block 4' will apply in general. Exceptions may also apply if, by a decision of the council, a user or group of users is required to pay a different rate for a proportion of consumption to be determined as part of the decision, at the rate for a different 'block'.

7.5 The 'full cost of services' referred to will include the full life cycle cost - both operational costs (such as planning, managing, operating, and maintaining the infrastructure and service, bulk purchase costs i.e. water, as well as materials and services used e.g. as electricity and chemicals, plus

administrative and overhead costs as well as monitoring), and capital costs (such as asset renewals and upgrading) that is not financed under grants, subsidies or donation (e.g. developer created assets).

7.6 As indicated under guidelines provided with Regulation 7, as part of the Regulations issued under Section 10 of the WSA ACT, measuring of water borne sewerage in individual households is regarded as impractical and unnecessary, and is in fact not possible to do as part of normal practice. Therefore the volume of water supplied to customers using water borne sanitation systems will be used as basis to determine the sanitation tariffs for waterborne systems. The proportion of water used that is disposed into the waterborne sanitation varies substantially, and a factor ranging between 65% and 80% relative to water used during the same period, is normally deemed to be disposed, and used as basis for calculating the volume of sewage – with higher proportions for low cost housing and business and commercial users.

7.7 As far as possible, other than for the fixed charges and fees such as connections, meter testing or re-connection, the volume of water is therefore used to inform the water and waterborne sanitation charges to be paid by consumers. Where the effluent discharged by a user is deemed or found to be 'industrial effluent' (where the loading on the waste water treatment works is higher than for domestic sewage, the wastewater charge will be adjusted accordingly.

7.8 It should be noted that it is not possible nor practical to develop and implement tariffs that take into account individual or local factors that may impact on the cost of providing services for all of the many influencing factors, and for this reason the average of typical costs will be used and applied across the municipality. The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

7.9 Metering of water connections for fire fighting systems is to be implemented for all new fire water connections as from the date of implementation of this policy, and meters are to be installed for existing fire connections, in terms of section 33 of the municipal Water Services Bylaws.

7.10 Where it is apparently not possible to effect full cost recovery at this stage (whether for non-indigent users, or for indigent users - from grant funding), the municipality shall endeavour to close the shortfall progressively, especially by implementing appropriate WCWDM measures and reducing non-revenue water, to ensure that full cost recovery is achieved within a reasonable period, **not exceeding 4 years.**

7.11 Based on the requirements indicated in section 5.4.2 – '*promoting the operational efficiency and economic viability of water services*' - the use of flat rates for potable water supply (as currently applied for yard connections in Motetema and Leeufontein), which is in fact a system of unmetered uncontrolled supply, have to be discontinued and replaced with metered or controlled supply within a period **not exceeding three years.**

7.12 Water service intermediaries may be allowed, in accordance with the provisions in the Water Services Act, sections 24 to 27, and as determined in the municipal Water Services bylaws to provide or distribute water to consumers.

(a) Such approval may only be granted in terms of a written agreement to be entered into between the municipality and such water service providers.

(b) The municipality may give a rebate to such WSP's and/or allow intermediaries to levy a surcharge on municipal water sold, in terms of such agreement.

(c) The details regarding the conditions of the appointment, monitoring and performance of an intermediary in terms of section 101 of the Water Services bylaws as well as the conditions and criteria that apply is to be addressed in the written agreement.

7.13 The municipality may reduce the Basic Charge payable by customers for the month with up to 50% if water supply to the majority of customers in a sub-scheme area is not provided for five consecutive days during such a month, as determined in the Water Tariff Schedule.

8 CATEGORIES OF USERS

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

- i) domestic consumers;
- ii) Indigent consumers;
- iii) commercial consumers;
- iv) industrial consumers;
- v) agricultural consumers, where applicable;
- vi) municipalities;
- vii) consumers with whom special agreements were made;
- viii) consumers in certain geographical areas;
- ix) sport and recreation facilities;
- x) educational institutions; and
- xi) public benefit organisations and suchlike institutions;
- xii) government Departments; and
- xiii) bulk users.

The main categories of users, with similar tariffs, can be grouped as follows:

- i) Domestic consumers (including Indigent consumers);
- ii) Business, commercial, government and institutional users
- iii) Educational, public benefit organisations, Sport and recreation facilities and suchlike consumers;
- iv) Municipal use; and
- v) Other users (agricultural, geographical, bulk users etc.)

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

8.3 The volumetric tariffs per Kl for water will be the same regardless of the consumer category, other than the differentiation with regard to Free Basic Water, and for waste water the variation based on the application of Industrial waste water tariff.

8.4 The volumetric tariffs per Kl for waste water will also be the same, regardless of the consumer category, except for users where the effluent properties exceed the specification for 'Domestic sewage', where the appropriate 'Industrial waste water tariff' will apply.

8.5 Differentiation may however be made between customers with basic and full LOS, and customers with controlled and uncontrolled water supply, as well as customers with- and without waterborne sanitation services.

8.6 If water is used for different categories of land use on the same property, the higher of the applicable water tariff rates will apply

9 COST ELEMENTS AND CLASSIFICATION OF SERVICES

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

9.1 Fixed costs which consist of the capital costs (including renewal costs and interest and redemption on external loans) as well as internal advances and or depreciation (taking care not to allow double counting with respect to renewals), whichever are applicable to the water and sanitation services. Allowance for renewal cost should be at least equal to actual life cycle infrastructure renewal cost needs. Any other costs of a permanent nature as determined by the Council from time to time should also be included.

9.2 Variable cost that have reference to the service, including relevant operational, maintenance, management, administrative and overhead costs, and includes:

- a) Cost of bulk purchases in the case of water.
- b) Purification costs (water and sewer)
- c) Distribution costs.
- d) Distribution losses in the case of water.
- e) Depreciation expenses (equivalent to renewal costs).
- f) Maintenance of infrastructure and other fixed assets.
- g) Administration and service costs, including:
 - (1) service charges levied by other departments such as finance, human resources and legal services;
 - (2) reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - (3) adequate contributions to the provisions for bad debts;
 - (4) all other ordinary operating expenses associated with the service concerned

9.3 Total cost: consist of the combined fixed cost and variable cost.

10 TARIFF STRUCTURES AND METHOD OF CALCULATION

10.1 Cost determination

10.1.1 In order to determine the tariffs which must be charged for the supply of the water and sewerage service the municipality shall identify all the fixed and variable costs of the undertakings concerned;

- i) The intended surplus if any to be generated for the financial year, such surplus to be applied in respect of capital expenditure such as growth and renewal related costs.
- ii) The cost of approved indigent relief measures included in 10.1 (to be funded from appropriate government grants) shall be determined.

10.1.2 The municipality shall provide the first 6 kl of water per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief programme. The basic charge for registered indigents with yard or house connections will be fully subsidised, except if the volume used per month is exceeded, **in which case the normal charge for the water used in excess of 6 kl will be payable as well as the basic charge.**

10.1.3 The municipality shall further provide relief in respect of the tariffs for sewerage for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget. Both the basic charge and volumetric charge will be fully subsidised, except if the volume of 6 Kl/ month of water used is exceeded, **in which case the normal charge for the waste water deemed**

to be disposed (in excess of the waste water equivalent amount for the initial 6 kl of water used) will be payable as well as the basic charge for waste water.

10.1.4 The quantity of sewage effluent generated is based on potable water use, as provided for in section 71 (1) of the municipal Water Services Bylaws. Notwithstanding the estimates indicated in section 71 (3) of the municipal Water Services Bylaws, the proportion of potable water used that is disposed into the waterborne will be deemed to be 75% for initial use, adjusted as indicated below for various customer groups:

- Residential users (per household): 75% of water consumed for the first 30 kl/ month
30% of water consumed in excess of 30 kl/ month
- Non-residential users: 75% of water consumed for the first 30 kl/ month
30% of water consumed in excess of 30 kl/ month
- Users with sports facilities: 75% of water consumed for the first 30 kl/ month
30% of water consumed > 30 kl and ≤100 kl / month
10% of water consumed > 100 kl / month

10.1.5 For non-residential consumers that have an effluent discharge proportion that is substantially lower than indicated above, with average water use of more than 500 kl/ month, a submission prepared by a professional engineer may be made to council to reconsider the factor used for the specific property, and council may amend the factor at their discretion.

10.1.6 For any residential development where household units are not metered and billed individually, the water use tariff used to calculate the volumetric charge will be based on the average water consumption per household unit, by dividing the total volume of water used by the number of units to determine the monthly household unit consumption, and this volume will be used to calculate the charge per unit.

10.1.7 The deemed effluent discharged for any residential development where households are not individually connected to the municipal waterborne system (or not billed separately) will be based on the sum of the proportional discharge as calculated on the basis of the average household water consumption (as determined in 10.6), multiplied with the number of units.

10.1.8 Basic charges for Water and Sanitation for residential development where households are not metered and/or billed individually will be calculated by multiplying the charge per household with the number of units.

10.2 Water

The following tariff structure will be used to determine water tariffs:

10.2.1 For the volumetric component of the tariff the total operational cost to provide potable water services, divided by the volume of water supplied to customers (total volume produced minus water losses) should be used to determine cost of supply per kl. At initial implementation of this Policy the total volume of water produced per annum will be used to reduce the increase in water tariff, and a phase in period of two years will be used to apply the full cost of water.

10.2.2 In accordance with the Free Basic Services policy the municipality shall provide the first 6 kl of water per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief programme.

10.2.3 Where prepaid water meters are used, the requirement for a deposit and for basic charges may be omitted, and the unit tariff will be adjusted appropriately to compensate for the fixed cost portion of the tariff.

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

Table 1: Water Tariff Structure

Potable Water Tariff structure				
Block	Category	kl/month	Volumetric Rate	Basic charge
1	Domestic - Registered Indigents	0-6	Free	Free
1	Domestic - Non Indigents	0-6	Variable cost per kl less 15%	Fixed cost per customer
2	Domestic - All	>6-10	Variable cost per kl	Fixed cost per customer
3	Domestic - All	>10-30	Variable cost per kl plus 15%	Fixed cost per customer
4	Domestic - All	>30-60	Variable cost per kl plus 33%	Fixed cost per customer
5	Domestic - All	60 plus	Variable cost per kl plus 100%	Fixed cost per customer
NA	Prepaid yard/ house connections	Any volume	Variable cost per kl plus 33%	Included
NA	Domestic - Communal Taps (pre-paid)	0-6	Variable cost per kl less 15%	NA
NA	Domestic - Communal Taps - Indigents	0-6	Free	NA
NA	Domestic - Communal Taps - all	more than 6	Variable cost per kl less 15%	NA
4	Business	NA	Variable cost per kl plus 33%	Fixed cost per customer
4	Industrial	NA	Variable cost per kl plus 33%	Fixed cost per customer
4	All government/ municipal	NA	Variable cost per kl plus 33%	Fixed cost per customer
3	Institutions/ schools (NGO), churches	NA	Variable cost per kl plus 15%	Fixed cost per customer
4	Institutions	NA	Variable cost per kl plus 33%	Fixed cost per customer
4	Institutions including Sports	NA	Variable cost per kl plus 33%	Fixed cost per customer
4	Bulk users	NA	Variable cost per kl plus 33%	Fixed cost per customer
4	Other users	NA	Variable cost per kl plus 33%	Fixed cost per customer

10.2.4 The fixed cost will consist primarily of an amount required to fund asset renewals, plus such costs as determined by the CFO (Chief Financial Officer), including interest and redemption on external loans and part of remuneration or any other costs not directly affected by the volume of water provided.

10.3. Sanitation

10.3.1 For the volumetric component of the tariff the total operational cost to provide waterborne sanitation services, divided by the estimated volume of waste water treated should be used to determine cost of sanitation services per kl effluent. The SDM will reduce the initial sanitation tariff by a proportion similar to the reduction in the tariff for potable water, and use a phase in period of two years if it deems this necessary.

10.3.2 In accordance with the Free Basic Services policy the municipality shall provide free sanitation services to registered indigents in terms of the municipality's indigent relief programme using less than 6 kl of water per month free of charge to consumers who have registered as indigents.

10.3.3 The municipality shall provide sanitation services to registered indigents that use less than 6 kl of potable water free of both volumetric and basic charge, or reduce such charges to the extent that the council deems such relief affordable in terms of each annual budget.

The following tariff structure will be used to determine sanitation tariffs:

Table 2: Waste Water Tariff Structure

Sanitation Tariff structure - for users connected to Waste Water system				
Ref	Category	kl water/m	Deemed waste water use	Basic charge
1	Domestic - Registered Indigents	0-6 kl		Free
2	Domestic - Non Indigents	0-6	75% of water used	Fixed cost per customer
3	Domestic - All	>6-10	75% of water used	Fixed cost per customer
4	Domestic - All	>10-30	75% of water used	Fixed cost per customer
5	Domestic - All	>30-60	30% of water used	Fixed cost per customer
6	Domestic - All	60 plus	30% of water used	Fixed cost per customer
7	Business/ Industrial/ Government	0 - 30	75% of water used	Fixed cost per customer
8	Business/ Industrial/ Government	above 30	30% of water used	Fixed cost per customer
9	Institutions (church / education)	0 - 30	75% of water used	Fixed cost per customer
10	Institutions (church / education)	above 30	30% of water used	Fixed cost per customer
11	Institutions -	0 - 30	75% of water used	Fixed cost per customer
12	Institutions - Sports	above 30	30% of water used	Fixed cost per customer
13	Customers with Sports Facilities	above 100	10% of water used	Fixed cost per customer
14	Municipal & Other	above 30	30% of water used	Fixed cost per customer
15	Municipal & Other	above 100	10% of water used	Fixed cost per customer
16	Tanker removals - Government schools	Per student	Per emptying service	None
16	Tanker removals - Other schools	Per student	Per emptying service	None
16	Tanker removals - Business	Per tankload	Per emptying service	Fixed cost per customer
16	Tanker removals - Residential	Per tankload	Per emptying service	None
16	Tanker removals - Resid. - Indigent	Per tankload	None for 1st visit	Free

10.3.4 The fixed cost, as for water tariffs, will consist primarily of an amount required to adequately fund asset renewals, plus such costs as determined by the CFO (Chief Financial Officer), including interest and redemption on external loans, part of remuneration costs or any other costs not directly affected by the volume of waste water collected and treated.

10.3.5 A separate tariff will be calculated for the collection and treatment of 'Industrial effluent', as addressed in section 10 of the Water Services bylaws. For this purpose, permission must be applied for in the format indicated in Schedule C of the Water Services bylaws. A tariff will be calculated for each individual application in terms of Annexure A, and in terms of the standards and criteria as indicated in Schedule B of the Water Services bylaws.

10.4 Non Potable Water And Sludge

10.5.1 The SDM may sell raw (untreated) water or treated wastewater effluent to customers for non potable use at rates which will be determined for each individual case. Such provisions and transactions shall be concluded in terms of a written agreement, stipulating the location, conditions, permissible uses, duration, fixed and unit costs as well as all other relevant aspects.

10.5.2 Sludge or other by-products produced in the process of water and waste water treatment may be sold at rates and on conditions as indicated in clause 11.11.1, and in terms of a written agreement.

10.5.3 Provision of non potable water may only be allowed in terms of section 52 of the municipal Water Services Bylaws.

10.5 Minor Tariffs

10.5.1 All minor tariffs (being tariffs in respect of water and sanitation related services other than water consumed, or sewerage services used), shall be approved by the council in each annual budget and captured in, and published as part of the 'Water Tariff Schedule':

- i) Water and sewerage - new connection fees;
- ii) Water: Re-connection fees;
- iii) Contents removed by tanker;
- iv) Removal of blockages;
- v) Repairs in case of damage to water or sanitation system;
- vi) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection;
- vii) Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques;
- viii) All tariffs as approved in terms of a drought relief program;
- ix) Fines- All relevant fines to be implemented by Council;
- x) Fees for testing a water meter if the meter accuracy is found to meet requirements;
- xi) Fees for water analysis requested by customer based on laboratory charges plus 35%, repayable if for municipal water and the results does not meet Class 2 criteria.
- xii) Penalties for tampering with a water meter or using water illegally as determined by Council;
- xiii) Penalties for causing rainwater or any harmful substance to be diverted or introduced into the sewer system as determined by Council.

10.5.2 In terms of section 115 of the Water Services bylaws the SDM may recover all costs associated with water or sanitation services required by, or arising as a result of an act or omission of a customer, owner or other person that is not covered by the fees and charges indicated in this policy or the Water Tariff Schedule'.

10.6 Deposits

10.6.1 Each customer will be required to pay an amount as deposit before a connection to the municipal water and/ or sanitation system is provided. The amount of the deposit will be equivalent to twice the expected monthly account per connection per service, and will be repaid with interest (at a rate as determined by the municipality) when the agreement is terminated.

10.6.2 Customers may be required to increase deposits should the municipality deem it necessary as a result of increased risk to timeous and full payment of municipal charges, based on the payment history of any customer.

10.7 Water Tariff Schedule

A 'Water Tariff Schedule' containing detailed volumetric tariffs, basic charges and all other fees and charges, for both water and sanitation services, shall be prepared annually for the following financial year, in compliance with this policy and the relevant sections of the Water Services bylaws, notably section 86 to 93, and submitted to Council for approval to form part of the annual budget.

11 ADJUSTMENT OF ACCOUNTS

Where incorrect debits were raised, the accounts under query if found to be incorrect will be rectified for the current financial year and two preceding years. Adjustments made to the customers' service account, where the adjustment is in the customers favour, will be made for the three preceding years.

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

12 IMPLEMENTATION OF THE POLICY

12.1 The tariffs, set out in a 'Water Tariff Schedule', will be approved as part of the annual budget.

12.2 The tariffs will come into effect as and when determined by the Council.

12.3 Tariffs have been equalised across municipalities in the 2016/17 financial year, using the Tubatse LM tariffs as base except for water tariffs, which were based on the SDM tariffs.

13 CONFLICT OF LAW

This tariff policy must be read with all other Acts, Ordinances and Regulations pertaining to the supply of services by the Municipality, including the Water Services bylaws, and the tariffs and fees payable in respect thereof. In the event of any inconsistency between this tariff policy and any other legislation in force when this tariff policy comes into effect, this tariff policy shall prevail.

14 SHORT TITLE

This policy is called the Sekhukhune District Municipality Water and Sanitation Tariff Policy

ANNEXURE A: INDUSTRIAL EFFLUENT CHARGES

The charge for industrial effluent per kilolitre for the disposal of effluent that does not comply with residential effluent standards and may include effluent discharged into a stormwater system shall be determined in accordance with the following formula:

$$T_c = X + Y(\text{COD}_i/\text{COD}_w) + Z + \text{Penalty}$$

Where T_c = Extraordinary treatment cost to consumer per kl

X = Conveyance cost per kl
= CC / VA

Conveyance = The transport of effluent or any liquid waste in the bulk or external sewer network from the point of discharge to the inlet of the of the treatment works

CC = The operation and maintenance expenditure towards the conveyance of the waste water in kl per annum

VA = Adjusted volume (Adjusted volume means total volume corrected for infiltration) in kl per annum

Y = Variable treatment costs per kl
= CT / VA

Variable = These costs are defined as expenditure that does Treatment Costs vary significantly with volume and COD loading

CT = The operation and maintenance expenditure towards the treatment of the waste water in kl per annum

VA = Adjusted volume (Adjusted volume means total volume corrected for infiltration) in kl per annum

COD_i = Average of each industria, inclusive of both biodegradable and non-biodegradable portion of COD

COD_w = Average of works (weighted for more than one works), inclusive of both biodegradable and nonbiodegradable portion of COD

Z = Fixed Costs per kl
= CF / VA

Fixed Costs = These costs are defined as expenditure that does not vary significantly during a particular financial year and which is not affected by COD loading

CF = Fixed cost expenditure towards the treatment of the waste water in kl per annum

VA = Adjusted volume (Adjusted volume means total volume corrected for infiltration) in kl per annum

Penalty = Penalty per kl charged in addition to the effluent charge based on volume and COD, for prohibited effluents, for instances where COD_i of the effluent exceeds 3000 mg/L or where any other quality parameter exceeds the maximum value allowed according to Annexure A of the by-laws, as contained in the permit for the industry = $P \times (\text{value measured}/\text{maximum allowed})$ If value measured is lower than maximum value $P = 0$, except in the case of pH were $P = 0$ if pH is between 6 and 10 and the Penalty = $P \times (\text{value measured}/10)$ if the pH is above 10 and

P = $x\{[6+(6\text{-value measured})]/6\}$ if it is below 6
Unit penalty charge as determined by Council

NOTE: An incremental penalty (P) is payable per non-compliance, and will increase by 0.5 per non-compliance.