



Harry Gwala District Municipality

HGDM-P007 TARRIF POLICY 2016-17 (DRAFT)

1. INTRODUCTION AND OBJECTIVES

- A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.
- The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 (see part 9 of this policy).
- In setting its annual tariffs the council shall at all times take due cognizance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

2. DEFINITIONS

Major Service - means services relating to the supply of water; sanitation (septic tank clearing) and sanitation (water borne system).

Minor Tariffs - means tariffs that relate to services other than Major Services. Eg, Sale of Tender Document, clearance certificates.

Market-related rentals mean the going rate of rentals of similar properties and in a similar area.

Financial Year means 30 June.

MFMA – means the Municipal Finance Management Act, (No.56 of 2003)

MBRR means Municipal Budgeting & Reporting Regulations (Government Gazette 32141 dated 17 April 2009)

GRAP means Generally Recognized Accounting Practice

DORA - Division of Revenue of Act.

CFO - means Chief Financial Officer

IDP - means Integrated Development Plan

SDBIP - means Service Delivery and Budget Implementation Plan

HOD - means Head of Department

CPIX - means Consumer Price Index excluding interest rates on mortgage bonds

3. GENERAL PRINCIPLES

- The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.
- Tariffs for the major service rendered by the municipality, namely:
 - the supply of water; and
 - sanitation (septic tank clearing)
 - sanitation (water borne system)
- The tariff which a particular consumer or user shall pay is calculated on the basis of quantity of service used. The municipality is committed to providing its services on an acceptable standard of quality, with minimal disruptions (excluding disruptions caused by factors outside of the municipality's control).
- The quality of service shall be monitored on a continuous basis by municipality's management with a specific focus for on-going improvement in the standards of quality over time. Poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidization of tariffs for poor households;
- The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved.
- The municipality shall develop, approve and at least annually review an indigency support program for the municipal area. This programs shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.
- In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.
- The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidization between categories of consumers or users shall be evident to all consumers or users of the service in question.

- The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.
- The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.
- In the case of directly measurable services, namely, water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.
- In addition, the municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question. The municipality has not currently instituted availability charges in respect of both water and sanitation services and is currently levying charges in respect of consumption and thus intends to review the possibility of availability charges for tariffs to be set for subsequent financial years.
- In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge (even though availability charges have not be effected currently) coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.
- In considering the costing of its water and sanitation services, the municipality shall take due cognizance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably 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 which are annually levied.

4. CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of water and sanitation services, the municipality shall identify all the costs of operation of the undertaking, including specifically the following:

- Cost of bulk purchases in the case of water;
- Distribution costs;
- Distribution losses;
- 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 for bad debts, obsolescence of stock and other losses.
- 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; and
 - the cost of approved indigency relief measures.

5. SANITATION

- Sanitation charges shall be charged at applicable tariffs as determined by council in each annual budget, according to the principles set out in 4.3 and 4.4 below.
- Tariff adjustments shall be effective from 1 July each year.
- Sanitation service charges shall be levied on the basis of the type of the tank or disposal system in respect of static sanitation including a transportation charge per km in respect of tank clearance and in terms of water consumption in respect of water borne systems in metered areas and according to flat rate per month in unmetered areas.
- Sanitation services are provided on an “as required” basis and are therefore currently not subject to an availability charge, even though this may be considered in the future.

- Refer to Annexure B for a schedule of applicable sanitation tariffs.

6. WATER

- The categories of water consumers 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 each year.
- Categories of consumption and charges shall be as detailed on the schedule of tariffs as attached in Annexure B.

7. MINOR TARIFFS

- All minor tariffs shall be standardized within the district.
- All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.
- The following services are provided by local municipalities and thus the municipality has not provided tariffs in respect of such services:
 - burials and cemeteries
 - rentals for the use of municipal sports facilities
 - municipal swimming pool
 - disposal of garden refuse at the municipal tip site
 - municipal reference library
 - municipal lending library (except for fines set out below)
 - municipal botanical garden, and all other parks and open spaces
 - maintenance of graves and garden of remembrance (cremations)
 - housing rentals
 - rentals for the use of municipal halls and other premises
 - sales of plastic refuse bags
 - sales of refuse bins
 - cleaning and clearing of stands

- The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:
 - building plan fees
 - water clearance certificates
- The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:
 - penalty and other charges imposed in terms of the municipality's approved policy on debt collection and credit control
 - Penalty charges for the submission of dishonored, stale, post-dated or otherwise unacceptable cheques.
- Market-related rentals shall be levied for the lease of municipal properties.

8. PROPERTY RATES

The municipality's property rates will no longer be charged as the District Management Areas have been dissolved.

9. LEGAL COMPLIANCE

- The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.
- A summary of the provisions of this Act is attached as Annexure I to this policy.

10. REVIEW OF POLICY

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

The following should be taken into account for future amendments to this policy:

- Changes in financial strategy; and

- Changes in legislation

Policy section:	Director: Budget and Reporting
Current date:	30 March 2016
Previous review date:	22 May 2015

11. APPROVAL AND IMPLEMENTATION OF POLICY

This policy shall be implemented on 01 July 2016 once approved by council.

Policy section:	Director: Budget and Reporting
Approval by council:	

ANNEXURE A: LEGAL REQUIREMENTS

LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements. Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in proportion to the use of such services;
- that poor households must have access to at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use or consumption of services or for basic levels of services, or any other direct or indirect method of subsidization of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;

- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned;
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidization of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and 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 upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

ANNEXURE B: TARIFF SCHEDULE IN RESPECT OF THE 2016-17 FINANCIAL YEAR (PUBLIC NOTICE)



Harry Gwala District Municipality

PUBLIC NOTICE

Issued in terms of the Local Government Municipal Systems Act, Act 32/2000

TARIFF SCHEDULE IN RESPECT OF THE 2016/17 FINANCIAL YEAR

	2016/17 (ALL TARIFFS ARE EXCLUSIVE OF VAT)						
Consumption Increments in R per Kl	0-6	7-20	21-40	41-100	101-200	201 +	Unmetered / flat rate per month
Domestic (Metered)	N/C	R 7,16	R 11,93	R 13,91	R 23,06	R 26,24	
Umzimkhulu							70,24
Fairview							70,24
Consumption Increments in R per Kl	0-100	101-200	201-300	301-400	401-500	500 +	Unmetered / flat rate per month
Commercial & Industrial	R 10,34	R 13,91	R 23,06	R 24,65	R 26,24	R 27,83	
Consumption Increments in R per Kl	0-6	7-100	101-200	201-300	301-400	401-500	501 +
Public Service & Government institutions	R 10,34	R 10,34	R 13,91	R 23,06	R 24,65	R 26,24	R 27,83
Educational Institutions	R 10,34	R 10,34	R 13,91				
Agricultural	R 10,34	R 10,34	R 13,91	R 23,06	R 24,65	R 26,24	R 27,83
Geriatric Institutions, Religious organizations, NGOs and recreational facilities	N/C	R 10,34	R 13,91	R 23,06	R 24,65	R 26,24	R 26,24

Road Tanker delivery of water & Static tank hire in the capacity of the road tanker / tank								
		2500 l.	5000l.	7500 l.	10000 l	Del. charge		
Road tanker delivery		R 1 749,39	R 2 385,54	R 2 783,12	R 3 339,75	R 318,07	(Payable in advance)	
Static tank hire per month		R 159,03	R 397,59	R 556,62	R 795,18	R 318,07	(Payable in advance)	
Misc. Water related tariffs given in service pipe diameter								
		15 mm	20 mm	50 mm	110 mm	+100 mm		
Deposit per meter		R 954,22	R 1 192,77	R 1 590,35	R 2 385,54	R 3 180,71		
New water meter		R 954,22	R 1 351,80	R 1 669,87	R 2 783,12	R 3 975,89		
Disconnections		R 477,10	R 636,14	R 1 192,77	R 1 590,35	R 1 987,95		
Reconnections		R 477,10	R 636,14	R 1 192,77	R 1 590,35	R 1 987,95		
Meter testing		R 159,03	R 238,55	R 318,07	R 397,59	R 477,10	(Refundable if faulty)	
Penalty i.r.o. Tampering & illegal connections		R 2 465,05	R 3 419,27	R 4 532,52	R 6 361,43	R 8 746,97		
Property development costs i.r.o. water and sanitation delivery reticulation given in number of sub-divisions								
		1 Site	2-5 Sites	5-10 Sites	11-20+ sites			
Per Sub-Division		R 9 224,07	R 5 566,25	R 3 180,71	R 1 908,42	(Payable in advance)		
Clearance certificate						R 147,26		
Sanitation costs given in terms of water consumption								
		0-200	201 +	Unmetered / flat rate per month				
Water borne systems		R 5,56	R 7,16					
Bongweni & Fairview				R 54,63				

Static sanitation systems given per	Per Load	Transport per Km					
Conservancy tank clearance on site	R 333,98	R 10,34	(Payable in advance)				
Septic tank clearance on site	R 1 033,73	R 10,34	(Payable in advance)				
Disposal into municipal reticulation system	R 333,98		(Payable in advance)				
Misc. sanitation related tariffs given in service pipe diameter	Up to 600 m	Up to 1200 m	1200 mm +				
New connections	R 3 180,71	R 3 975,89	R 5 566,25	(Payable in advance)			
Disconnect / Reconnection	R 795,18	R 1 192,77	R 1 590,35	(Payable in advance)			
Interest to be charged on accounts 60 days plus at prime banking rate plus 5% and may be subject to change, as nece							
RD cheques will be charged at fee as determined by council,							
I, Nandi Dlamini , in my capacity as the Accounting Officer for Harry Gwala District Municipality							
do hereby, in accordance with the provisions made by Sec. 75(a) of the Municipal Systems Act,							
Act 32/2000, publish the required notice depicting the Municipal Services Tariffs in respect of the Financial year							
ending 30th June 2017 .							
These Tariffs will be implemented and become effective on 1st July 2016.							

