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**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1867 [NW2077E]**

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**1867. Mr A Lees (DA) to ask the Minister of Finance:**

(a) On which (i) statutory and (ii) National Treasury Guidelines does the Umgungundlovu District Municipality rely for its 37% increase in water tariffs for the 2017-18 proposed budget and (b) what are the legal provisions that he relies on for confirming the water tariff increase? NW2077E

**REPLY:**

**Legal Background/Basis**

(a) (i) The Local Government: Municipal Systems Act (Systems Act), 2000 gives power to municipalities in terms of section 75A to “levy and recover fees, charges or tariffs in respect of any function or service of the municipality”. To give effect to this power, municipalities are required to adopt and implement a tariff policy on the levying of fees for municipal services in terms of section 74 of the Systems Act.

A municipal tariff is defined as: “fees necessary to cover the actual cost associated with rendering a municipal service, and includes-

* bulk purchasing costs in respect of water and electricity reticulation services, and other municipal services;
* overhead operation and maintenance costs;
* capital costs;
* a reasonable rate of return, if authorized by a regulator of or the Minister responsible for that municipal service;”.

The determination and approval of municipal tariffs is done by the municipality in terms of section 75A of the Systems Act but subject to the norms and standards prescribed by relevant national legislation.

The National Treasury only provides inputs / comments on the proposed bulk pricing structure to the organ of state (in this case Water Boards) that is responsible for the provision of such resource (in this case water) to the municipality in terms of section 42 of the Municipal Finance Management Act.

(ii) The National Treasury issues a municipal budget circulars to guide municipalities on the preparation of their Medium Term Revenue and Expenditure Framework (MTREF). Given the drought conditions that were experienced in the country, Circular 85, advised municipalities to ensure that any drought penalty tariffs must be provided for in their tariff policy to be tabled in March 2017 and also to consider incorporating the penalty tariffs in the Inclining Block Tariff (IBT) structure.

(b) The National Treasury does not confirm water tariff increases but provides guidance to municipalities on structuring of their tariffs.