



INKOMATI-USUTHU

CATCHMENT MANAGEMENT AGENCY



CATCHMENT TARIFFS CONSULTATION FOR 2024/25 FINANCIAL YEAR

Presented by: Ms. Sandra Mabunda - CFO

LEGISLATIVE MANDATE

The purpose of the meeting is to consult with stakeholders on the proposed water resource management charges for the 2024/25 financial year as per the following legislation:

- ✓ Section 57 of the National Water Act 36 of 1998
- ✓ Pricing Strategy of April 2007*
- ✓ Public Finance Management Act (PFMA) 1 of 1999
- ✓ National Treasury Regulations 2005

* Strategy undergoing review

OUTCOME OF TARIFF CONSULTATION

✓ **Tariff determination cycle:**

- i. The tariff consultations within the Catchment Management Area (CMA) of the IUCMA serve as the first process in tariff determination.
- ii. Following catchment-based sessions, the IUCMA will participate in sectoral tariff consultations where tariffs will be further deliberated.
- iii. All recommendations from (i) and (ii) will be formally submitted to the Minister of Water and Sanitation as the final determiner of applied tariffs for 2024/25.

✓ **Tariffs, as presented today, are influenced by the following factors:**

- i. Water Pricing Strategy;
- ii. Proposed budget for 2024/25; and
- iii. Currently registered water volumes.



WATER PRICING STRATEGY

1. **FORESTRY** (*capped by pricing strategy*)

The application of the strategy requires the Agency to apply the following computations:

- ✓ Capped at R10 per hectare. The Agency has not yet reached this tariff therefore any increment is applicable. The Agency has reviewed 4-year trend and found that a 7% increment is within acceptable limits given the projected registered volumes.

2. **IRRIGATION** (*capped by pricing strategy*)

The application of the strategy requires the Agency to apply the following computations:

- ✓ Capped at 1,5c per cubic meter. The Agency has reached the cap therefore the applicable increment rate should be PPI of 13,6%.

3. **DOMESTIC** (*not capped by pricing strategy*)

The Agency has reviewed 4-year trend and found that the application of PPI of 8,6% is within acceptable limits given the projected registered volumes.



PROJECTED BUDGETED EXPENDITURE BY NATURE FOR 2024/25

- ✓ The budget has been formulated to respond to strategic outcomes identified by costing-associated cost drivers.
- ✓ The projected budget for 2024/25 is presented at an amount 0.1% less than the budget approved and applied for 2023/24.
- ✓ Major movements are reported under projects and goods & services at 11% and 12% lower than last year respectively.
- ✓ The proposed budget of the IUCMA is made up of the following expenses by nature of expenditure:
 - i. 66% (R121,7mil) allocated to salaries and wages for key positions that are deemed critical for the delivery of the overarching mandate;
 - ii. 31% (R58,2mil) allocated to goods and services
 - iii. Less than 1% (R714k) allocated to repairs and maintenance as well as capital outlay
 - iv. 1,5% (R2,8mil) allocated to board-related costs

DESCRIPTION	APPLIED BUDGET 2023/24	PROPOSED BUDGET	
		BUDGET 2024/25	% Movement
Salaries and Wages	114,864,901	121,757,783	6%
Goods and Services	65,339,930	58,257,181	-12%
Repairs and Maintenance	667,445	714,166	7%
Capital Outlay	2,000,000	1,805,000	-11%
Board Related Costs	2,675,000	2,862,250	7%
GRAND TOTAL	185,547,276	185,396,380	-0.1%

BUDGETED EXPENDITURE BY PROGRAM

The budget when viewed per program shows the following trends:

- ✓ 51% (R94,7mil) was allocated to the delivery of water resource charges.
- ✓ 27% (R50mil) allocated to human resources and business support
- ✓ 13% (R23,8mil) allocated to finance
- ✓ 9% (R16,9mil) allocated to administration and governance

The above allocation is indicative that the Agency continuously prioritises all activities supporting the preservation of the water resource.

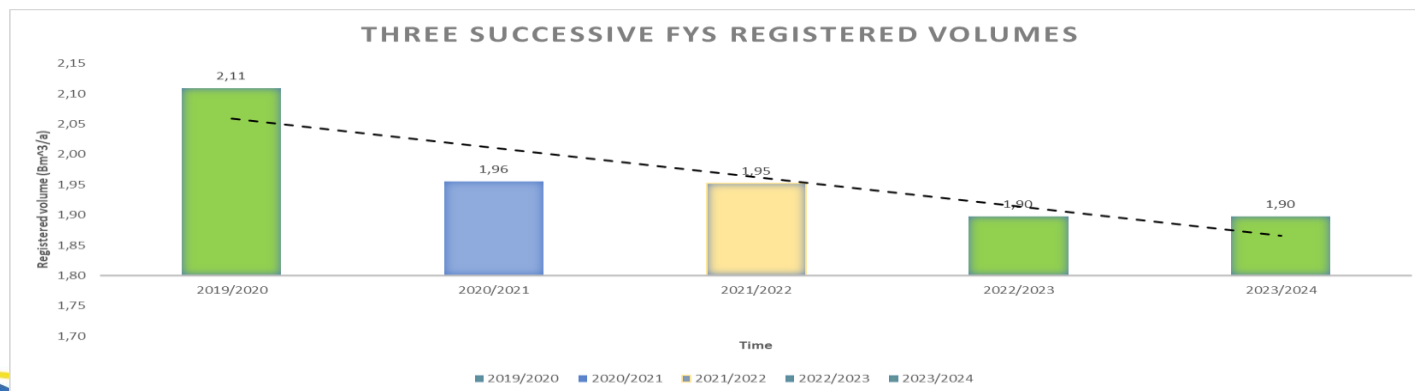
FUNCTION	AUDITED OUTCOME 2021/22	AUDITED OUTCOME 2022/23	AUDITED ADJUSTED OUTCOME 2022/23	APPLIED BUDGET 2023/24	PROPOSED BUDGET 2024/25	% ALLOCATION	PROPOSED BUDGET 2025/26	PROPOSED BUDGET 2026/27
Administration & Governance	R12,006	R8,998	R12,120	R15,240	R16,855	9%	R17,723	R18,638
Board	**	**	**	**	**	**	**	**
Office of the Chief Executive Officer	****	****	****	****	****	****	****	****
Water Resource Management	*****	*****	*****	*****	*****	*****	*****	*****
Protection and Use of Water Resources	R73,303	R69,013	R73,878	R98,556	R94,681	51%	R102,691	R103,784
Governance & Support	***	***	***	***	***	***	***	***
Human Resource an Business Support	R35,467	R46,492	R44,558	R48,463	R50,060	27%	R57,227	R62,835
Finance	R18,933	R23,376	R17,323	R23,288	R23,800	13%	R24,000	R24,724
Total	R139,709	R147,879	R147,879	R185,547	R185,396	100%	R201,641	R209,981

REGISTERED VOLUMES

- ✓ The Agency is continuously reviewing the correctness of its registered volumes and as such the volumes are prone to adjustments.
- ✓ Additional notable changes to volumes include the voluntary surrender of water rights as well as the conversion of land use that impacts volumes per sector.
- ✓ The Agency's largest allocation remains under Irrigation (40%).
- ✓ This sector whilst consuming the most volumes has the lowest assurance. The low assurance inadvertently results in the 2nd lowest tariff being applied.

ANALYSIS OF REGISTERED VOLUMES				
Sectors	Registered Volumes 2022-23	Registered Volumes 2023-24	Movement between years	2024-25 Projected Allocation in %
Domestic & Industry	448,718,101	427,187,328	-21,530,773	16%
Irrigation	1,069,877,740	1,046,586,033	-23,291,708	40%
Forestry	428,320,284	424,141,080	-4,179,204	16%
**Waste Discharge Charge	0	712,231,191	712,231,191	27%
TOTAL	1,946,916,125	2,610,145,632	663,229,506	100%

** New charge that is being introduced in 2024/25



PROPOSED TARIFFS FOR 2024/25

- ✓ The Agency has proposed tariff increments that are aligned with the Pricing Strategy.
- ✓ Proposed increments range from 7% to 13,6% across the 3 sectors
- ✓ The Agency will see the introduction of a new charge in 2024/25 - WWDC
- ✓ Proposed tariffs are deemed to support economic activities in the catchment whilst supporting the Agency to attract sufficient funding to protect the resource.

Sectors	Domestic & Industrial c/m3	Irrigation c/m3	Forestry c/m3	Waste Discharge Charge c/m3
Proposed 2024/25 Tariffs	5,39c	2,57c	1,95c	5,07c
% Increments	13,6%	8,6%	7%	N/A
Capping Policy Applications as per Pricing Strategy	D&I - no capping applicable	Irrigation – Base year x PPI of 13.1% as per Water Pricing Strategy	SFRA – R10 per hectare [10,000c/m3] + Base year x PPI of 13.1% as per Water Pricing Strategy	No capping applicable

Sectors	Registered Volumes 2024-25	Percentage Increase	Proposed Tariffs	Projected Revenue
Abstraction and Streamflow reduction				
<i>Domestic & Industry</i>	434,551,561	13.6%	0.053	R23,031,233
<i>Irrigation</i>	1,016,907,245	8.6%	0.026	R26,134,516
<i>Forestry</i>	424,141,080	7%	0.026	R8,270,751
Waste Water Discharge Charge	712,231,19	n/a	0.051	R36,110,121
TOTAL				R93,546,621

PROPOSED FUNDING MODEL

The budget as presented will be funded using the following major income streams if the proposed tariffs are approved:

- ✓ 48% (R88,3mil) will be requested from the Department of Water and Sanitation as a grant appropriated by parliament. Reliance on grant has reduced by 45% due to the introduction of WWDC;
- ✓ 31% (R57 mil) expected billables from current and new water users (*collection rate targeted for 70% for the year*).
- ✓ 19% (R36,1mil) will be for the newly introduced charge - Water Discharge Charge and
- ✓ 2% (R3,5mil) expected to be received as interest earned on receipts

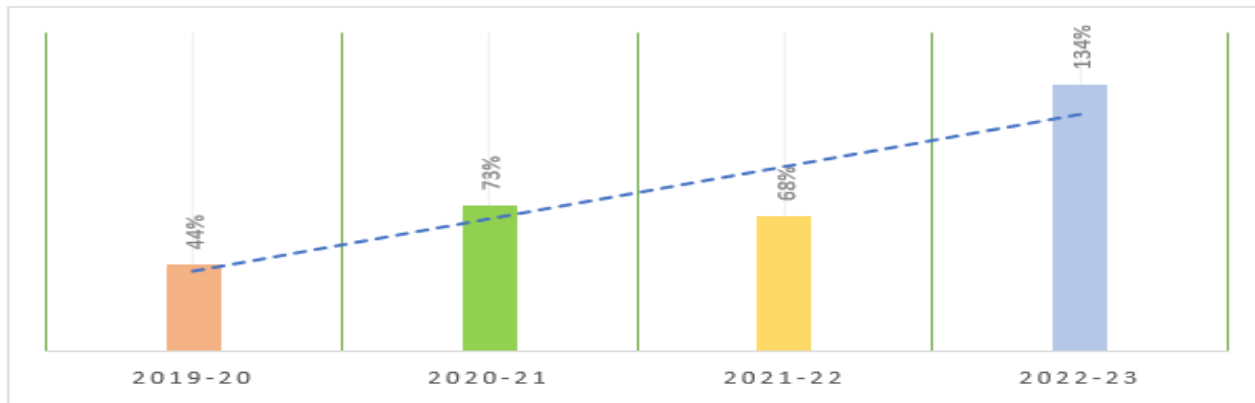
Sources of Funding	Applied and approved budget 2023/24	Proposed Budget 2024/25	% Movement
Grant	R128,234,765	R88,188,662	-45%
Water resource charges - abstraction and streamflow reduction	R54,042,511	R57,827,596	7%
Water resource charges - WWDC	R0	R36,110,121	100%
Interest received	R3,270,000	R3,270,000	0%
TOTAL	R185,547,276	R185,396,379	-0.1%



DEBTORS PERFORMANCE FOR 2022/23

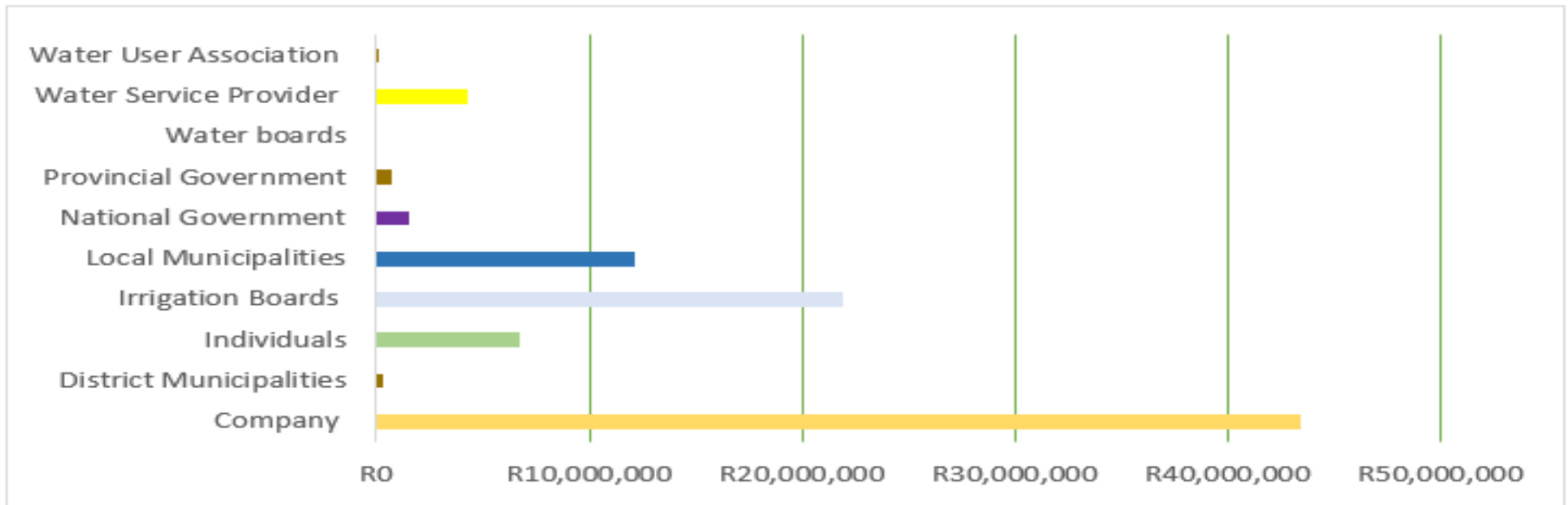
- ✓ Collection rates have improved over the years as noted by the four year analysis
- ✓ Collections have increased from 44% to 134% over the last four years due to increased strategic engagements as well as the implementation of a responsive debt management strategy.
- ✓ However; the sector remains definitive of slow paying customers as good performance is due to responsiveness of less than 15% of customers in the sector.

Period	Projected Billing	Actual Billing	Actual Payments	Collection Rate
2019-20	R51,967,518	R47,601,490	R20,845,686	44%
2020-21	R42,139,563	R44,897,733	R32,880,946	73%
2021-22	R55,485,141	R34,894,114	R23,614,065	68%
2022-23	R54,425,408	R40,350,343	R54,214,046	134%



DEBTORS PERFORMANCE FOR 2023/24

- ✓ Total debt owed year to date amounts to R91mil.
- ✓ The highest debt is owed by companies and Irrigation Boards at 46% and 25% respectively.
- ✓ Of the reported debt outstanding, 82% of the debt is older than 180 days and 18% ranges between 120 days to the current.



FUTURE PLANS ON IMPROVING THE FINANCIAL POSITION OF THE AGENCY

The Agency continuously assesses opportunities to improve its economic viability by the development and identification of innovative solutions.

i. Implementation of a responsive and measurable debt management strategy that ensures:

- ✓ Customer data integrity
- ✓ Legal action against non-paying customers
- ✓ Increased engagement at strategic levels

ii. Implementation of cost containment strategy

- ✓ The Agency has already seen R17million savings under goods and services in financial year 2022/23

iii. Identification of alternative funding streams to augment the currently strained revenue streams

- ✓ Management has identified areas worth exploration. Management is now actively working on a concept document that hopes to see a change of how CMA's are funded and managed.



THANK YOU

