

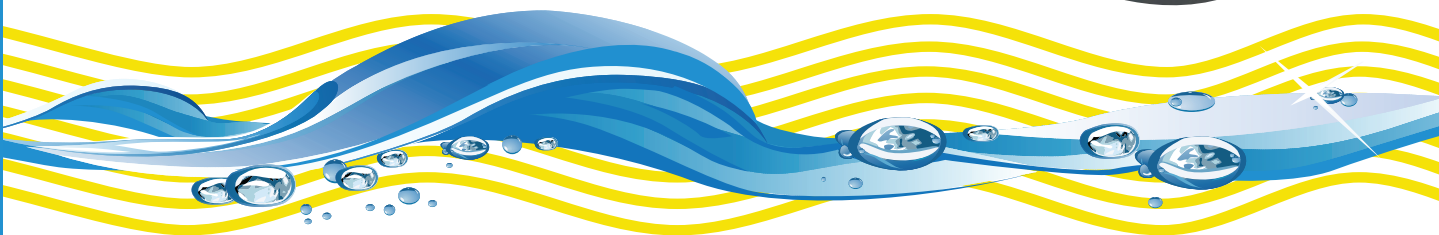


INKOMATI-USUTHU

CATCHMENT MANAGEMENT AGENCY

ANNUAL 2024/25 TARIFF CONSULTATIONS

Crocodile & Lower Komati





ANNUAL 2024/25 TARIFF CONSULTATIONS PROGRAMME

STAKEHOLDER CONSULTATION MEETING ON ANNUAL PERFORMANCE PLAN AND TARIFF SETTING FOR 2024/25 FINANCIAL YEAR

Date: 14 July 2023 | Time: 10:00 to 14:00

Venue: Crocodile & Lower Komati Sub-Catchment

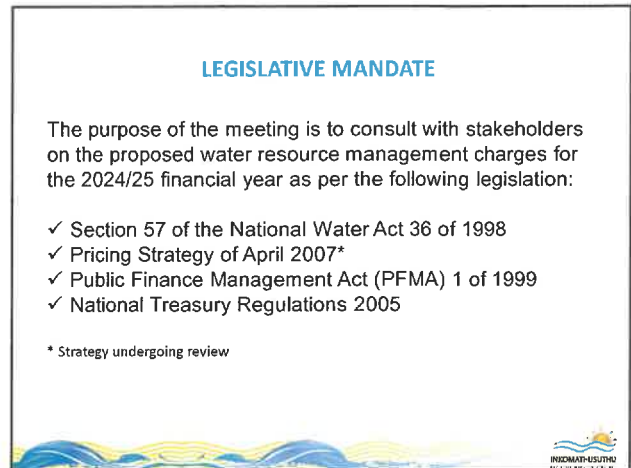
**Programme Facilitator: Advocate MB Shabangu
(Executive Corporate Services)**

Item:	Proposed Time:	Person Responsible:
Registration and Morning Tea	9:30 – 10:00	All
Opening and Welcome	10:00 – 10:10	Governing Board Chairperson: Mr S Mthembu
Annual Performance Plans for 2024/25	10:30 – 11:00	Chief Executive Officer
Water Quality and Quantity Status Report	11:00 – 11:30	Executive Water Resource Management
2024/25 Proposed Budget and Tariff	11:30 – 12:00	Chief Financial Officer
Infrastructure Tariffs for 2024/25	12:00 – 12:30	Department of Water and Sanitation
Question and Answers	12:30 – 13:00	All
Closure	13:00 – 13:10	Governing Board Deputy Chairperson: Ms SD Wiggins
Lunch	13:15 -14:15	All

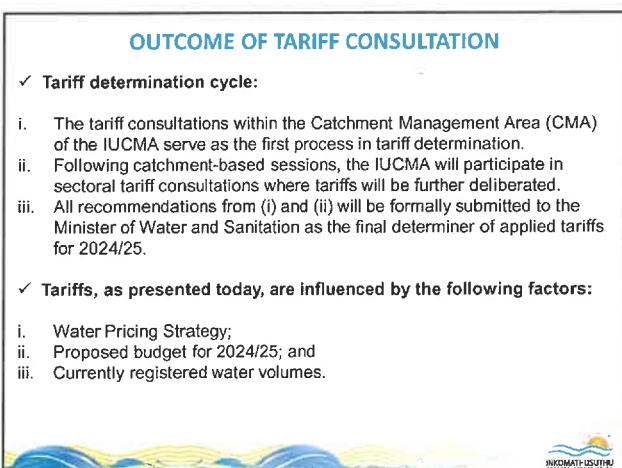




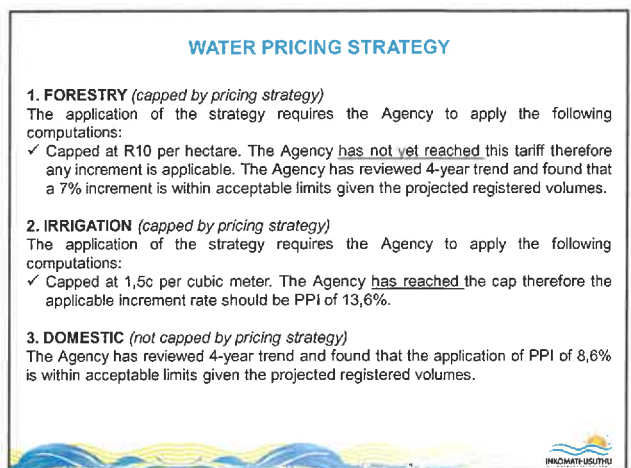
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PROJECTED BUDGETED EXPENDITURE BY NATURE FOR 2024/25

- ✓ 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:
 - 66% (R121,7mil) allocated to salaries and wages for key positions that are deemed critical for the delivery of the overarching mandate;
 - 31% (R58,2mil) allocated to goods and services
 - Less than 1% (R714k) allocated to repairs and maintenance as well as capital outlay
 - 1,5% (R2,8mil) allocated to board-related costs

DESCRIPTION	APPLIED BUDGET 2023/24	PROPOSED BUDGET 2024/25	% Movement
Salaries and Wages	114 854 901	121 757 733	6%
Goods and Services	65 330 930	58 257 181	-12%
Repairs and Maintenance	867 445	714 166	7%
Capital Outlay	2 000 000	1 800 000	-11%
Board Related Costs	2 675 500	2 863 250	7%
GRAND TOTAL	185 547 216	185 398 380	-0.1%



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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 AS AT 30/06/23 OUTCOME 2023/24	APPLIED BUDGET 2024/25	PROPOSED BUDGET 2024/25	% ALLOCATION	PROPOSED BUDGET 2024/25	PROPOSED BUDGET 2024/25
Administration & Governance	R12,006	R8,958	R21,120	R15,240	R16,811	9%	R17,723	R18,538
Board	0	0	0	0	0	0%	0	0
Office of the Chief Executive Officer	0	0	0	0	0	0%	0	0
Water Resource Management	0	0	0	0	0	0%	0	0
Protection and Use of Water Resources	R73,963	R69,013	R73,878	R66,556	R64,633	51%	R102,691	R105,784
Governance & Support	0	0	0	0	0	0%	0	0
Human Resource and Business Support	R35,467	R46,492	R44,508	R46,453	R50,060	27%	R57,227	R62,835
Finance	R18,933	R21,375	R17,323	R23,288	R23,800	13%	R24,000	R24,724
Total	R139,299	R147,829	R147,829	R145,547	R150,984	100%	R201,441	R201,441



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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 reduces 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 Proposed Allocation in %
Domestic & Industry	448 718 101	427 187 328	-21 530 772	18%
Irrigation	1 038 877 740	1 045 588 032	6 710 292	42%
Forestry	426 320 284	424 141 060	-2 179 224	18%
Waste Discharge Charge	0	712 231 181	712 231 181	27%
TOTAL	1 844 816 125	1 848 146 501	3 330 376	100%

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

THREE SUCCESSIVE YRS REGISTERED VOLUMES



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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	5.30c	2.57c	1.95c	5.07c
% Increments	13.6%	8.6%	7%	N/A
Capping Policy	DB - no capping applicable	Irrigation - Base year x PPI of 13.1% as per Water Pricing Strategy	SFRA - R10 per hectare x PPI of 13.1% as per Water Pricing Strategy	No capping applicable

Sectors	Registered Volumes 2024-25	Percentage Increase	Proposed Tariffs	Projected Revenue
Domestic & Industry	434 551 561	13.6%	0.053	R23,031,233
Irrigation	1 018 907,245	8.6%	0.026	R26,134,516
Forestry	424,141,080	7%	0.026	R11,020,751
Waste Discharge Charge	712,231,19	n/a	0.051	R36,110,121
TOTAL				R96,346,621



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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	R66,186,062	-49%
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	R163,393,779	-12%

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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.

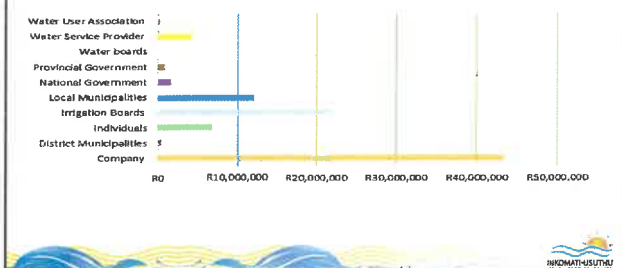
Period	Projected Billing	Actual Billing	Actual Payments	Collection Rate
2019-20	R51,967,516	R47,601,490	R20,845,686	44%
2020-21	R42,139,963	R44,897,733	R32,880,946	73%
2021-22	R55,485,141	R34,884,114	R23,614,065	66%
2022-23	R54,425,406	R40,350,343	R54,214,046	134%



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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.



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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.

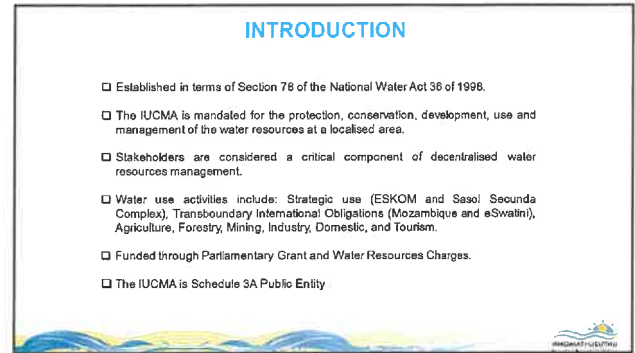
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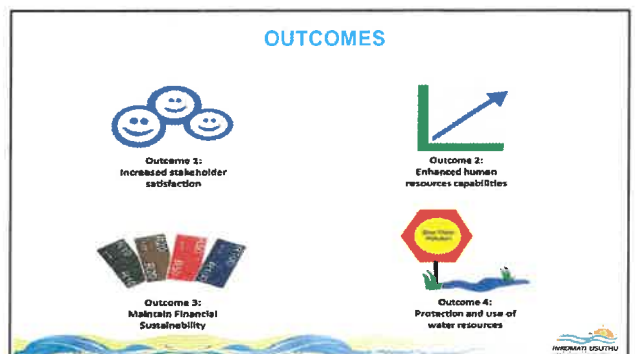
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OUTCOMES ALIGNMENT

Outcome	Programme	Output	Output indicators
Outcome 1: Integrated water service satisfaction	Programme 1: Infrastructure and Governance	Water service satisfaction	Percent of implementation of a comprehensive water service plan
Outcome 2: Sustainable financial resource availability	Programme 2: Human Resources and Business Support	Employee satisfaction	Quarterly survey frequency rate
Outcome 3: Sustainable financial resource availability	Programme 3: Finance	Cost control	Rate of employee turnover
Outcome 4: Protection and use of water resources	Programme 4: Water resource management	Effective resource management	Monitoring rate of water resource use
		Water use authorisation	Percent compliance to Resource Quality objectives
		Negative compliance	Percent compliance to Resource Quality objectives
			Percent of water use authorisation procedures within the regulated timeframe
			Percent of reported cases of non-compliance cases investigated

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2023.24 PERFORMANCE TARGETS

OUTPUT INDICATORS	ANNUAL TARGET 2023/24	QUARTERLY TARGETS	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Percentage implementation of a comprehensive water service plan	100%		100%	100%	100%	100%
Percentage implementation of a communication plan	100%	25%	25%	25%	25%	25%
Percentage implementation of human Resource management plan	100%	25%	25%	25%	25%	25%
Percentage implementation of the ICT strategy	100%	25%	25%	25%	25%	25%
Percentage of identified COBIT gaps addressed	100%	25%	25%	25%	25%	25%
Engagement rate (cash based)	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Collection rate, Healthy book	95%	15%	30%	45%	60%	75%
Collection rate, Basic book	85%	15%	30%	45%	60%	75%
Self payment period in days (Healthy book)	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	DAI ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days

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2023.24 PERFORMANCE TARGETS

OUTPUT INDICATORS	ANNUAL TARGET 2023/24	QUARTERLY TARGETS	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Engagement rate (Quality, Quantity and BIOA) report	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage monitoring of compliance to (Water Quality, Quantity and BIOA) obligations	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage monitoring of compliance to (Water Quality, Quantity and BIOA) obligations	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage of planned inspections for quality	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage of planned inspections for quantity	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage of enforcement action taken against non-compliant users	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage of approved water use licences registered on WARMS	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%
Percentage of water use authorisations issued within the regulated timeframe	≥80%	≥80%	≥80%	≥80%	≥80%	≥80%

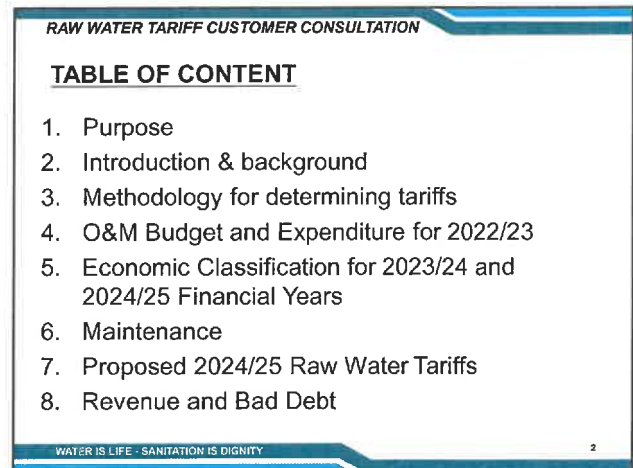
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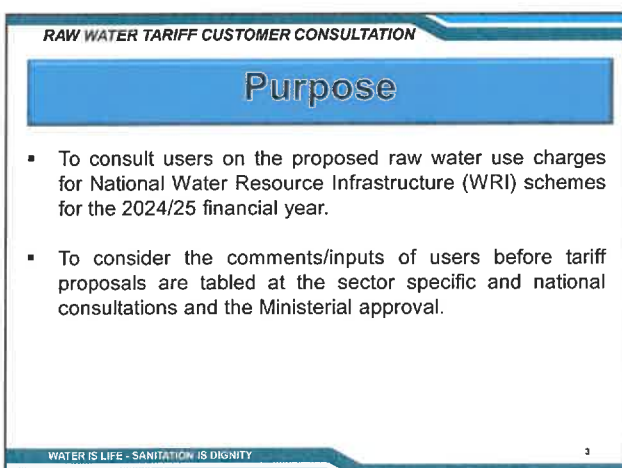
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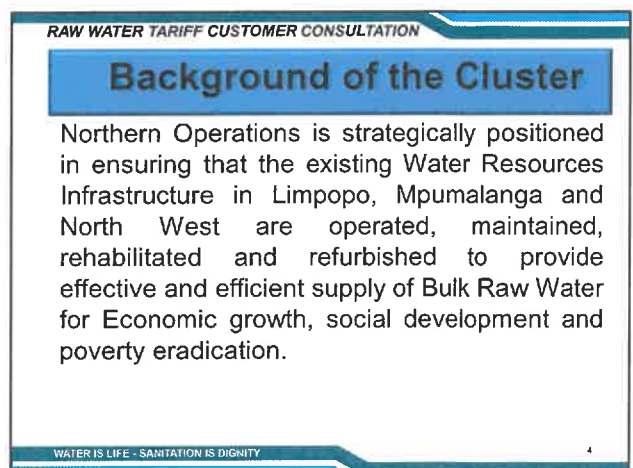
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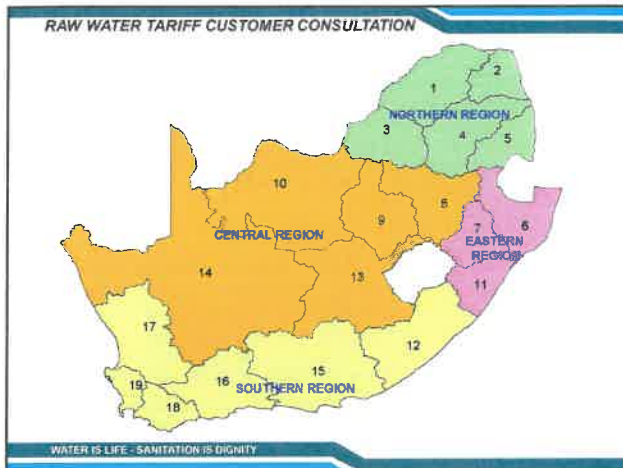
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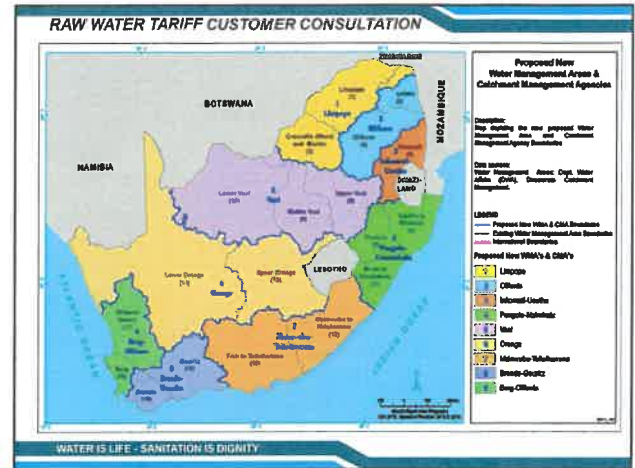
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RAW WATER TARIFF CUSTOMER CONSULTATION

Methodology for determining raw water tariffs

Legislative Framework

- Legislative mandate: Sect 56-60 of NWA
- Raw Water Pricing Strategy established in Nov 1999
- First draft revision published in 2005
- Approved revision published on 16 March 2007
- Currently under review

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RAW WATER TARIFF CUSTOMER CONSULTATION

Types of Pricing

- Water Resource Management Charges
- **Water Resource Infrastructure Charges**
(Responsibility of Infrastructure Branch)
- Water Research Levies
- Waste Discharge Charging System

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RAW WATER TARIFF CUSTOMER CONSULTATION

Summary of Increases & Capping on Raw Water Charges for 2024/25

- **Water Resource Infrastructure Charges:**
 - **Domestic & Industrial:**
 - Annual increase is limited to PPI (April 8,6 %) plus 10% up until the target for development charge (**full cost recovery**) is achieved on state GWS
 - Tariffs increase range from: 0% to 18,6%
 - **Irrigation charges:-**
 - Operation and maintenance cost increases limited to 50% p.a. (capping)
 - Tariffs increase range from: 0% to 50%

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RAW WATER TARIFF CUSTOMER CONSULTATION

Overhead costs and O&M costs

- Overhead costs
 - ❖ Direct Overhead costs of Area Office:
 - Functional Support
 - Civil Maintenance
 - Mechanical & Electrical Maintenance
 - ❖ Indirect Overhead costs for Directors Office
 - ❖ Indirect Overhead costs for Head Office
NOT INCLUDED
- O & M budgets for schemes

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RAW WATER TARIFF CUSTOMER CONSULTATION

Allocation of components of charge between Water Use Sectors

Costs are divided between Sectors in Proportion to Assurance of Supply

Sector	% of sectoral allocation	Calculation of Sectoral allocation %
Irrigation	91%	(100%quota@70% + 70%quota @30% of the time)
Domestic, Industrial & Mining	97%	(100%quota@70% + 90%quota@30% of the time)
Strategic Industrial	100%	No water restrictions

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RAW WATER TARIFF CUSTOMER CONSULTATION

BUDGET AND EXPENDITURE

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RAW WATER TARIFF CUSTOMER CONSULTATION

Staff Establishment

- Total Establishment = 254
- Current Establishment = 108
- Post filled in 2022/23 = 4
- Post in process of being filled this financial year = 36
- Post to be filled in 2024/25 = 35

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OPERATIONS AND MAINTENANCE

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RAW WATER TARIFF CUSTOMER CONSULTATION

Performance

OPEX PROJECTS COMPLETED FOR 2022/23 FINANCIAL YEAR

Maintenance Projects Completed for Q1	Maintenance Projects Completed for Q2	Maintenance Projects Completed for Q3	Maintenance Projects Completed for Q4
Repair of broken outlet at Injaka dam	Fixing a leaking pipe at Kwena dam	Groblersdal - Supply and deliver LED lights for various dam galleries	Groblersdal Area Office : Service and Maintenance of cameras and beams at Injaka dam
Repair of tractor at Injaka dam	Cleaning and lubrication of sleeve valves at Wilkip dam	Groblersdal - Installation of automatic pump at Kweisa Dam Gallery (Mash)	Groblersdal Area Office : Replacement of damaged gate valve at Tours dam
Repair of tractor at Wilkip dam	Cleaning and lubrication of sleeve valves at Kwena dam	Groblersdal - Installation of pump service hood at Kwena Dam (Mash)	Groblersdal Area Office : Repair gear lever of the tractor at Wilkip dam
Recommencing pump stop valves at Q1 Seruwanong Dam		Groblersdal - Repair of sleeve hood and chocolate work at Kweisa Dam (Coff)	Groblersdal Area Office : Repair of damaged pipe for submersible pump at Blyde dam
Repairing of submersible pumps in Kweisa Dam		Groblersdal - Fixing the raw water pipeline from the dam to reservoir in Kweisa Dam	Groblersdal Area Office - repair and/or Replacement of brush cutters

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Performance Photos

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Performance Photos

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Performance

PLANNED MAINTENANCE PROJECTS FOR 2023/24 FINANCIAL YEAR

Planned Maintenance Projects Completed for Q2	Planned Maintenance Projects Completed for Q3	Planned Maintenance Projects Completed for Q4
Crocodile River GWS (Kwena Dam) - Servicing of brush cutters and chain saw	Sand River GWS (Whitlip Dam) - Annual Mechanical section routine maintenance (as per logbook) - Witlip Dam	Sand River GWS (Whitlip Dam) - Servicing of a tractor and ride on lawn mower
Crocodile River GWS (Kwena Dam) - Servicing of tractor and TLB	Inyaka River GWS (Inyaka Dam) - Repair and overhaul of crane	Sable River GWS (Inyaka Dam) - Servicing of brush cutters and chain saw
Sand River GWS (Whitlip Dam) - Servicing of brush cutters and chain saw	Sand River GWS (Whitlip Dam) - Repair of leaking pipe in the reservoir	Sable River GWS (Inyaka Dam) - Repair and load test of crane
Crocodile River GWS (Kwena Dam) - Repair of TLB	Sable River GWS (Whitlip Dam) - Conversion and overhaul of hand saw	Crocodile River GWS (Kwena Dam) - Servicing of standby generator
Sable River GWS (Inyaka Dam) - Repair and service of hydraulic systems	Sand River GWS (Whitlip Dam) - Manufacture & install assembly door on the left bank	Crocodile River GWS (Kwena Dam) - Installation of submersible pump
Sable River GWS (Inyaka Dam) - Servicing of brush cutters and chain saw	Sable River GWS (Inyaka Dam) - Repair and Servicing of a tractor	Sand River GWS (Whitlip Dam) - Servicing of brush cutters and chain saw
Sand River GWS (Whitlip Dam) - Servicing of a tractor and ride on lawn mower	Sand River GWS (Whitlip Dam) - Supply and installation of JVA water system for Whitlip Dam office	Toure Dam - Annual Electrical section routine maintenance (as per logbook) - Toure Dam
Sand River GWS (Whitlip Dam) - Repair and service hydraulic systems	Sable River GWS (Inyaka Dam) - Supply and installation of JVA water system for Inyaka Dam office	Sable River GWS (Inyaka Dam) - Annual Electrical section routine maintenance (as per logbook) - Inyaka Dam
	Crocodile River GWS (Kwena Dam) - Annual Electrical section routine maintenance (as per logbook) - Kwena Dam	Sable River GWS (Inyaka Dam) - Annual testing of earth leakage and socket outlet at Inyaka Dam houses and offices
	Sand River GWS (Whitlip Dam) - Annual Electrical section routine maintenance (as per logbook) - Whitlip Dam	

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RAW WATER TARIFF CUSTOMER CONSULTATION

Performance

2023/24 PLANNED CAPEX PROJECTS

Project	Implementing Agent
Witlip dam - Upgrade lighting system at Witlip dam	Term Contractor
Kwena dam - Upgrade lighting system at Kwena dam	Term Contractor

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2024/25 TARIFF PROPOSALS

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RAW WATER TARIFF CUSTOMER CONSULTATION			
Revenue Collection 2022/23			
Region	April 2021 - March 2022	April 2022 - March 2023	Difference
Mpumalanga	R 120 730 992	R 139 918 481	R 19 187 489
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RAW WATER TARIFF CUSTOMER CONSULTATION	
Hall of Fame/ Major Contributors (Million) for 2022/23 Deserve a Round of Applause	
WATERVALS RIVER IRRIGATION BOARD	
BOOYSENDAL PLATINUM PTY LTD	
LEBALELO WATER USER ASSOCIATION	
HEREFORD IRRIGATION BOARD	
LOSKOP IRRIGATION BOARD	
LOWER BYDE WATER USER ASSOCIATION	
KOMATI RIVER IRRIGATION BOARD	
EMALAHLENI MUNICIPALITY	
LEPELLE NORTHERN WATER	
OTHER WATER USERS BELOW R1M	
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RAW WATER TARIFF CUSTOMER CONSULTATION	
Hall of Shame/Total Outstanding Debt as at 31 March 2023 (Pleading for Payments to Reduce Outstanding Debt)	
Sector	Amount
Municipalities	R 250 383 913
Company	R 411 075 505
Water boards	R 217 825 751
Farmers/ Individuals	R 101 478 491
Government Departments	R 43 459 129
Irrigation Boards	R 292 427 093
Total Outstanding	R 1 316 649 882
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RAW WATER TARIFF CUSTOMER CONSULTATION	
Customer Relations	
➤ AMBITION TO RESOLVE ALL QUERIES	
➤ CUSTOMER VISIT	
➤ REPAYMENT PLAN AND INCENTIVES	
➤ LITIGATION	
➤ IMPLEMENTATION OF SECTION 59 OF NWA (RESTRICTION OF WATER)	
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RAW WATER TARIFF CUSTOMER CONSULTATION

COMMENTS CAN BE SENT TO:

NAME	E-MAIL ADDRESS	TELEPHONE NUMBER
Mr. Sipho Ngobe	NgobeS@dws.gov.za	082 320 7249
Ms. Siphesihle Ngcobo	NgcoboS@dws.gov.za	082 382 2801

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