

Assessment of Water Board Bulk Tariffs 2022/23



Every year Water Boards apply to the Department of Water and Sanitation, as the sector regulator, for increases to their bulk water tariffs. Section 42 of the Municipal Finance Management Act (MFMA) 56 of 2003 requires water boards who intend to increase the price of bulk water to municipalities to consult organised local government (SALGA) and invite it to make written submissions on the proposed amendments. SALGA's aim is to ensure that bulk water tariffs remain affordable to municipalities and users, but at the same time do not compromise the financial feasibility of the water boards. PDG was appointed by SALGA for a fifth time to review the submissions of all nine water boards for 2022/23 and prepare SALGA's comments on the proposed increases, as well as consolidated comments and recommendations for the Department of Water and Sanitation and Parliament.

PDG used the pro forma reporting template and tariff analysis tool developed in the previous round to undertake detailed analysis of the financial statements and business plans of each water board, isolating the cost drivers and tracking these over time. The proposed capital investment programme and increase in sales revenue was reviewed in light of anticipated growth in demand. The projected net operating position was compared with the funding required for the capital programme.

PDG found that In most cases water boards provided reasonable assumptions to increases in input costs, and many of these, such as electricity, raw water, and (to some extent) staff costs are beyond the direct control of the water boards. Where these cost increases appear unreasonable or unjustified, PDG proposed alternative increases, resulting in



alternative tariff increase proposals. Those water boards proposing reasonable tariff increases had realistically appraised the impact of their operating environment on their financial models and have considered the interests of their municipal customers. Water boards proposing high tariff increases are either in financial distress or have used inappropriate methods or logic in determining tariff increases.

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SABT5 PROJECT:

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