



Trans-Caledon Tunnel Authority

2022-23 Annual Report Presentation to Portfolio Committee on Water and Sanitation

10 October 2023

*Presented by
Mr. Percy Sechemane
Chief Executive Officer*

Outline



- ❑ Strategic overview
 - Vision & Mission
 - Mandate
 - TCTA, the Organisation
- ❑ Organisational Performance
 - Debt Management
 - Projects in Implementation
 - Projects in Operation and Maintenance
- ❑ Financial Summary
 - Highlights
 - External Audit Opinion
 - Irregular Expenditure
 - Going Concern



Strategic Overview

TCTA Vision & Mission

Vision

To be the Leader in the Sustainable Supply of Water in the Southern Africa Region

Mission

To facilitate water security through the planning, financing and implementation of bulk raw water infrastructure, in the most cost-effective manner that benefits water users



Mandate

Mandate is derived from the Notice of Establishment and work undertaken on behalf of the Department of Water and Sanitation through directives from the Minister.



TCTA, the Organization



Who is TCTA?

State-owned Entity

Established in 1986 to fund and implement South African portion of the Lesotho Highlands Water Project

1994 the mandate was expanded to fulfill the financial obligations of South Africa to Lesotho

Now a multi-project entity, to fund & implement bulk raw water infrastructure

What do we do?

- Project structuring
- Project funding
- Project implementation
- Liability management
- Tariff setting
- Advisory services
- Knowledge management

TCTA, the Organization



<i>Who is TCTA?</i>	<i>What do we do?</i>
<i>Reports to the Minister of Water & Sanitation</i>	On behalf of the Department of Water and Sanitation <ul style="list-style-type: none">• Build infrastructure• Where required raise funding, to be repaid by the users, for the construction of infrastructure (includes raising funding for construction of infrastructure in Lesotho)• Operate and maintain Acid Mine Drainage treatment plants and Delivery Tunnel North of the LHWP
<i>Shareholder's Compact: agreement with the Minister on the expected performance targets</i>	
<i>Quarterly Reports to the Minister from Board</i>	



Organisational Performance



Organisational Performance

- ❑ TCTA continued to play its critical role in the water sector which is supported by its track record of raising funding for the implementation of infrastructure, and infrastructure project delivery within budget, and debt management,



Projects in Preparation

- ❑ Berg River Voëlvlei Augmentation Scheme
- ❑ Phase 1 of the uMkhomazi Water Project

Berg River Voëlvlei Augmentation Scheme

- ❑ The project will augment water supply to Western Cape Water Supply System during winter months.
- ❑ A weir and pump station at the Berg River with a 6,3 km pipeline discharging water into Voëlvlei Dam
- ❑ Project cost: R1.2 billion
- ❑ Issuing of the tender document for the Professional Service provider for the detail design is dependent on the securing of the total project funding or National Treasury granting exemption from the requirement in National Treasury Supply Chain Management Note No.3 that requires funding to be available before going out on tender.



uMkhomazi Water Project Phase 1 - uMWP-1

- ❑ uMWP-1 will transfer water from the uMkhomazi River to augment the Mgeni System, which supplies domestic water to approximately 6 million people and industries in Durban and Pietermaritzburg regions.
- ❑ Dam at Smithfield on the uMkhomazi River, 33km raw water tunnel and 5.1km water pipeline to connect the raw water tunnel to the Baynesfield Water Treatment Works
- ❑ The project is in the Concept Design phase.
- ❑ Project cost: R23.2 billion
- ❑ Issuing of the tender documents for the Professional Service Providers for the dam and water conveyance infrastructure is dependent on the conclusion of the water supply agreements by all Municipalities.





Projects in Implementation

- ❑ Vaal River System
- ❑ Phase 2A of the Mokolo and Crocodile River Water Augmentation Project

Vaal River System

- ❑ The funding programme on the Vaal River System is used to meet the financial obligation of South Africa to Lesotho to pay for Phase 2 of the Lesotho Highlands Water Project
- ❑ The Vaal River System supplies water to 46% of the country's economy and 33% of the population
- ❑ Phase 2 of the Lesotho Highlands Water Project comprises the Polihali Dam and a transfer tunnel to Katse Dam
- ❑ The project will augment the water supply in Vaal River System by 480million m³/annum.
- ❑ TCTA was ready with funding for LHWP-2 when the Lesotho Highlands Development Authority needed to award contracts.
- ❑ Project cost: R42,5 billion



Phase 2A of the Mokolo-Crocodile Water Augmentation Project

- ❑ The project will augment water supply to Eskom, IPP power generation, associated coal mining, Lephalale Municipality and unlock economic development in the Waterberg Coalfields.
- ❑ Weir and pumps station at Thabazimbi and 160 km steel pipeline to Lephalale in Limpopo.
- ❑ The project is in the fund raising and Tender Design and Procurement phase.
- ❑ Work began on raising R22.5billion for with a good market response from lenders.
- ❑ Project cost: Ca. R12.3 billion
- ❑ Issuing of the construction tender is dependent on the securing of the total project funding or National Treasury granting exemption from the requirement in National Treasury Supply Chain Management Note No3 that required funding to be available before going out on tender.





Projects in Operation and Maintenance

- ❑ Acid Mine Drainage water treatment plants
 - Eastern Basin
 - Central Basin
 - Western Basin
- ❑ Delivery Tunnel North of the Lesotho Highlands Water Project

Acid Mine Drainage Water Treatment Plants

- ❑ Operation of 3 plants in Gauteng to treat acid mine drainage to an acceptable quality before discharge into the environment.
- ❑ All water that was pumped and treated before discharge into the environment, met the required specification.
- ❑ The required volumes were treated in the Central and Western Basin plants
- ❑ The required volume was not achieved in the Eastern Basin plant due to failure of all the pumps which abstract water from the mine void. The plant was brought back to full operation following the procurement of new pump motors from an alternative supplier.
- ❑ In the Western Basin there was uncontrolled discharge to the environment due to heavy rains. This was mitigated by implementing a temporary dosing solution and no adverse environmental impacts were noted.



Delivery Tunnel North of the Lesotho Highlands Water Project

- ❑ The tunnel is from the border between Lesotho and South Africa to the Ash River outfall North of Clarens in the Free State.
- ❑ TCTA complied with all its operations and maintenance obligations to ensure that the infrastructure could receive the water released by the Lesotho Highlands Development Authority and release it at the designated outlet point in the Ash River.





Debt Management

Repayment of Capital and Interest

- ❑ On all projects, capital and interest payments were made on the due date and the borrowing limits on the projects were not breached.
- ❑ The debt of Mooi-uMngeni Transfer Scheme Phase 2 was repaid in full in 2022, well ahead of the original 2031 repayment date. This was to make way for the funding of uMkhomazi Water Project,.
- ❑ Demonstrated to the market, the ability to finance national water resource infrastructure and repay the money owed, through the tariffs received from the users.
- ❑ New R400m facilities for Vaal River Eastern Subsystem Augmentation Project was raised to maintain liquidity





Financial Summary

Highlights

Analysis of significant items in the statement of financial position:

- Tariff Receivable
- Cash and Cash-equivalents
- Retained Income
- Financial Market Liabilities



Financial Reporting Highlights

	2023 (R'm)	2022 (R'm)
Tariff receivable*	8 881	9 545
Cash and cash equivalent #	9 359	8 849
Retained Income >	4 961	3 890
Financial market liabilities @	13 383	15 199

* The balance reduced predominantly due to the costs capitalized as a result of the level of project activity being lower than the amounts received from DWS.

there has been improved payments by DWS which resulted in higher cash on hand for some projects

> Increased due to the increased surplus for the year

@ The decrease mainly due to capital repayments

Financial Operational Highlights

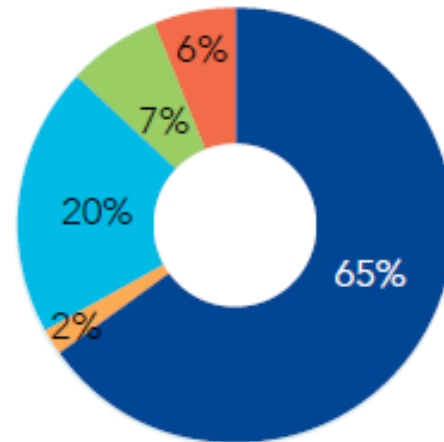
- Tariffs billed – exceeds budget due to volumes billed being higher than budgeted volumes
- Running Expenses – below budget due to Lower staff costs, O&M, Royalties and LHDA operations and maintenance.
- Finance charges – below budget due to the delays in setting up the JSE program for VRS funding and lower than anticipated costs for the LHWP and due to lower funding being needed due to general expenditure being below budget.



Distribution of total debt across projects



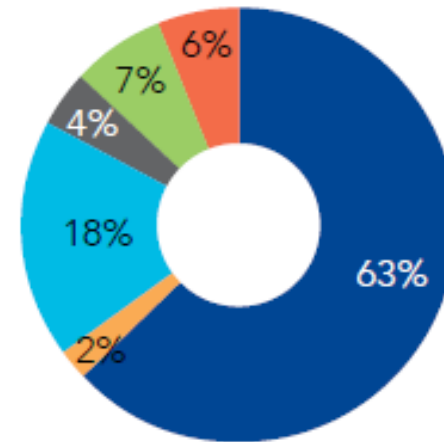
Total debt 2023 - R13 383 million



LHWP
MMTS

BWP
KWSAP

Total debt 2022 - R15 199 million

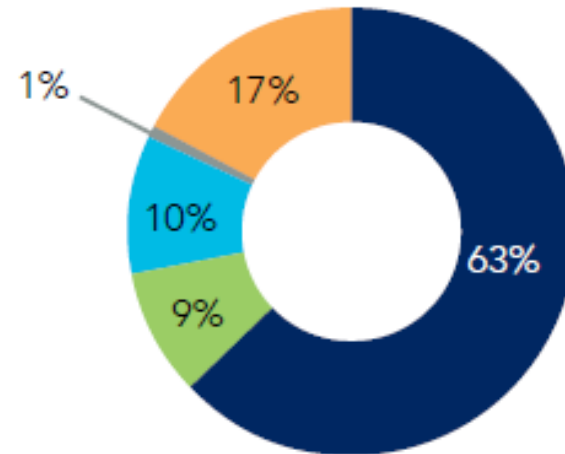


VRESAP
MCWAP

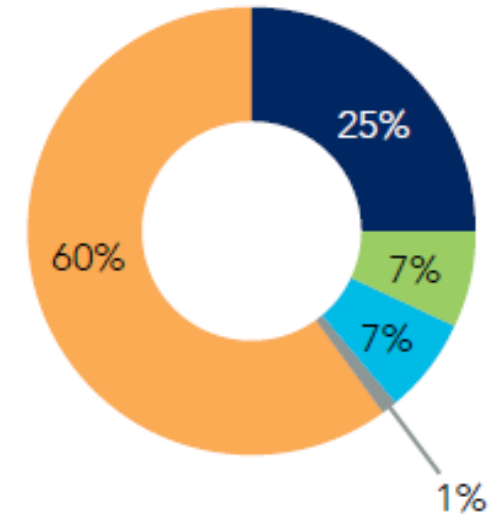
Cash Flow Analysis



Total 2023 - R11 120 million



Total restated 2022 - R20 057 million



- Cash paid to suppliers, cost related payments and employees
- Interest paid per cash flow
- Repayment on borrowings

- Interest paid
- Other finance costs

Irregular Expenditure

(Services not procured in accordance with regulation but value for money received)

Details	2023 Rand	2022 Rand
Irregular expenditure	3 781 827	156 710 581
Total	3 781 827	156 710 581

Irregular expenditure confirmed	2023 Rand	2022 Rand
Identified in the current financial year	3 781 827	156 710 581
Previously identified and confirmed	-	-
2021/22 Irregular expenditure identified in 2022/23	-	-
Total	3 781 827	156 710 581
Less	-	-
Condoned	-	-
Not condoned but removed	-	-
Irrecoverable	-	-
Amounts not recovered and written off	-	-
Total at the end of the year	3 781 827	156 710 581

Progress Update on Irregular Expenditure Incurred

- ❑ The majority of reported irregular expenditure relates to contracts that were entered into in prior years.
- ❑ The Board resolved to remove from the Annual Financial Statements an amount of R555 516 437 after following a due process, which, amongst others, included approaching the National Treasury for condonation. An adjustment of R3 180 877 was made in the annual financial statements, this adjustment relates to transactions which were erroneously declared as irregular expenditure.
- ❑ There has been an improvement in the procurement control environment, and this has resulted in a few incidences of non-compliance being reported in the current financial year.
- ❑ A Loss Control Committee is in place to quantify the losses and make recommendations to the Chief Executive Officer on the actions to be taken.
- ❑ The Loss Control Committee will continue to consider the reported irregular expenditure with the aim of appropriately assessing and applying for condonation of the remaining balance of R253 486 326 declared historical irregular expenditure.



External Audit Opinion

The AGSA issued an unqualified audit opinion with a matter of emphasis. This was a result of a material misstatement that was corrected during the audit process.



Going Concern

- The underlying operating model for TCTA has remained the same as it has been in previous years, and continues to assure the long-term solvency of TCTA, as well as the ability to meet all its obligations as they fall due and to continue to operate as a going concern.





Discussion & Clarifications ...