

Budgeting and financial management in the Department of Water and Sanitation and the Water Trading Entity

Portfolio Committee on Water and Sanitation

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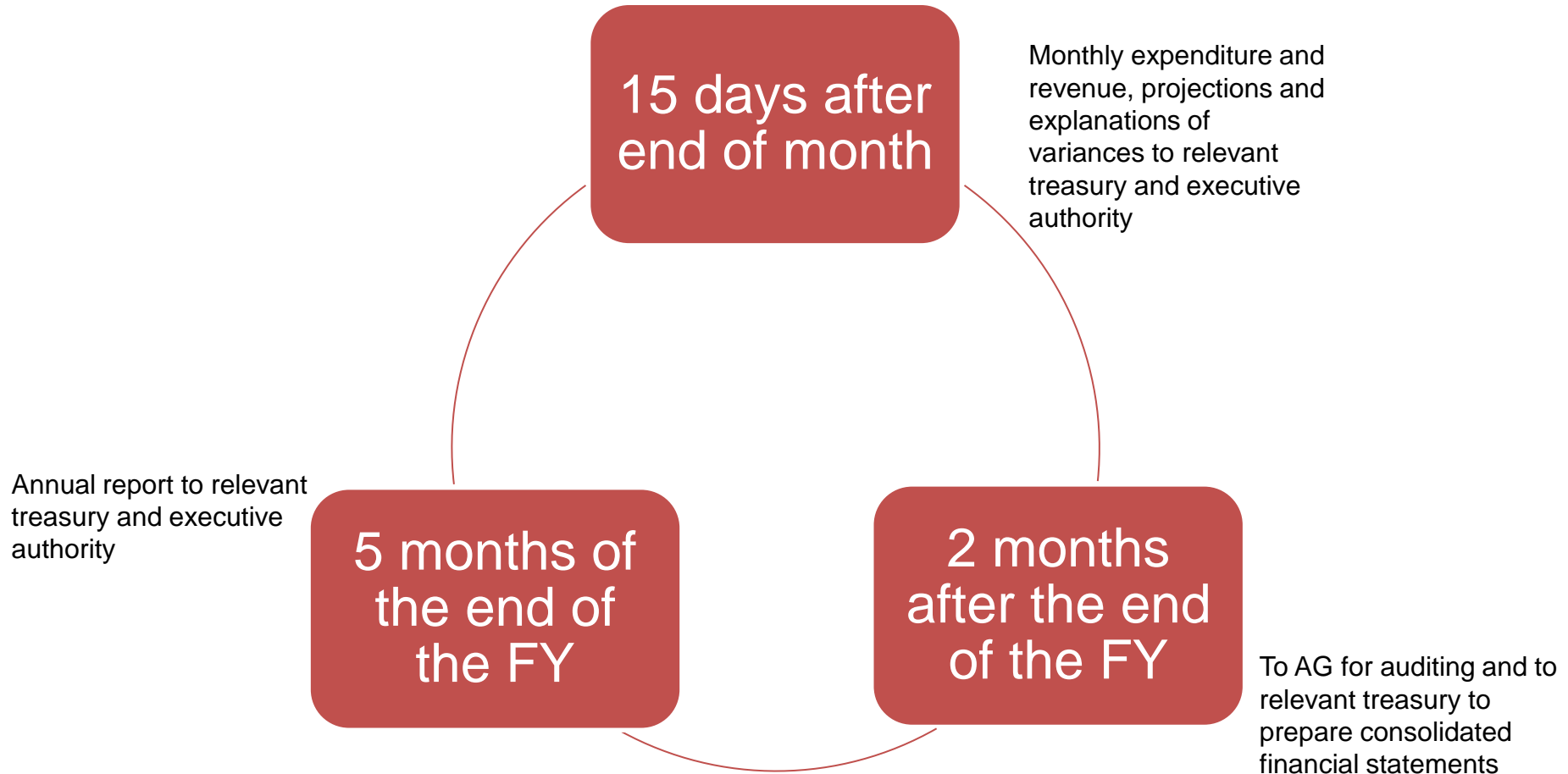
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Accounting officer reporting requirements



Vote 36: Water and Sanitation



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2017/18 preliminary spending outcome

<i>Rand million</i>	Main Budget	Adjustments	Adjusted appropriation	Expenditure	Under/(over) expenditure	Spending as % of adjusted appropriation
Programme						
Administration	1 628.4	21.4	1 649.9	1 998.7	(348.8)	121.1%
Water Planning and Information Management	816.5	(14.0)	802.4	653.3	149.2	81.4%
Water Infrastructure Development	12 251.7	508.6	12 760.4	12 146.2	614.1	95.2%
Water Sector Regulation	410.8	(16.0)	394.8	308.1	86.7	78.0%
Total	15 107.4	500.0	15 607.4	15 106.2	501.2	96.8%
Economic classification					-	
Current Payments	3 301.5	(145.8)	3 155.7	3 546.9	(391.2)	112.4%
Compensation of Employees	1 651.9	(80.0)	1 571.9	1 535.6	36.2	97.7%
Goods and Services	1 649.6	(65.8)	1 583.8	1 999.7	(415.9)	126.3%
Interest on rent and land	-	-	-	11.5	(11.5)	#DIV/0!
Payments for Capital Assets	3 691.5	344.2	4 035.7	3 373.7	662.0	83.6%
Buildings and Other Fixed Structures	3 559.9	334.6	3 894.5	3 301.1	593.4	84.8%
Machinery and Equipment	89.3	25.8	115.0	45.1	69.9	39.2%
Software and Intangible Assets	42.3	(16.1)	26.1	27.4	(1.3)	105.0%
Transfers and Subsidies	8 114.5	301.6	8 416.1	8 185.7	230.4	97.3%
Departmental Agencies and Accounts	1 586.1	300.0	1 886.1	1 885.6	0.5	100.0%
Foreign Governments and International Organisations	197.7	-	197.7	112.1	85.6	56.7%
Households	36.1	1.4	37.5	30.1	7.4	80.2%
Non Profit Institutions	1.2	-	1.2	0.8	0.4	67.2%
Provincial and Local Government	5 194.9	0.3	5 195.2	5 134.8	60.4	98.8%
Public Corporations and Private Enterprises	1 098.5	-	1 098.5	1 022.3	76.2	93.1%
Total	15 107.4	500.0	15 607.4	15 106.2	501.2	96.8%

2018 MTEF budget

Programme	Adjusted appropriation	Medium-term expenditure estimate				Average annual growth rate
	2017/18	2018/19	2019/20	2020/21	2017/18 - 2020/21	
R million						
1. Administration	1 649.9	1 714.6	1 808.0	1 921.9	5.2%	
2. Water Planning and Information Management	802.4	862.1	964.8	1 029.8	8.7%	
3. Water Infrastructure Development	12 760.4	12 496.2	13 232.5	13 958.5	3.0%	
4. Water Sector Regulation	394.8	498.6	461.4	498.8	8.1%	
Total	15 607.4	15 571.5	16 466.6	17 409.0	3.7%	
Change to 2017 Budget estimate	500.0	(989.3)	(1 048.2)	(1 106.2)		
Economic classification						
Current payments	3 167.3	3 293.8	3 464.5	3 687.7	5.2%	
Compensation of employees	1 571.9	1 720.2	1 851.3	1 990.2	8.2%	
Goods and services	1 583.8	1 573.6	1 613.2	1 697.5	2.3%	
Interest and rent on land	11.6	–	–	–	-100.0%	
Transfers and subsidies	8 416.1	8 633.3	9 160.5	9 664.1	4.7%	
Provinces and municipalities	5 195.2	5 438.6	5 736.2	6 051.6	5.2%	
Departmental agencies and accounts	1 886.1	2 269.8	2 396.2	2 528.0	10.3%	
Foreign governments and international organisations	197.7	209.2	220.9	233.1	5.6%	
Public corporations and private enterprises	1 098.5	694.7	782.9	825.8	-9.1%	
Non-profit institutions	1.2	1.0	0.9	0.9	-7.5%	
Households	37.5	20.0	23.4	24.7	-13.0%	
Payments for capital assets	4 024.1	3 644.4	3 841.5	4 057.2	0.3%	
Buildings and other fixed structures	3 884.2	3 520.1	3 715.0	3 919.3	0.3%	
Machinery and equipment	113.0	96.8	100.6	107.6	-1.6%	
Software and other intangible assets	26.9	27.5	26.0	30.3	4.0%	
Total	15 607.4	15 571.5	16 466.6	17 409.0	3.7%	

Water Trading Entity



national treasury

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2017/18 preliminary outcome and 2018 MTEF budget

Cash flow data

R thousand	Main budget	Adjusted budget	Preliminary outcome	Outcome as % of adjusted budget	Medium-term estimate			Average growth rate (%)
					2018/19	2019/20	2020/21	
								2017/18 - 2020/21
		2017/18			2018/19	2019/20	2020/21	
Cash receipts from stakeholders	10 318 179	10 318 179	11 870 572	115%	10 522 479	12 240 193	12 375 225	6.2%
Sales of goods and services other than capital assets	8 465 800	8 165 800	9 971 326	122%	8 039 953	9 674 472	9 669 250	5.8%
Transfers received	1 582 881	1 882 881	1 795 480	95%	2 266 928	2 393 243	2 524 872	10.3%
Interest and rent on land	269 498	269 498	103 766	39%	215 598	172 478	181 102	-12.4%
Cash paid to stakeholders	3 951 555	3 951 555	6 030 583	153%	3 583 768	3 782 560	3 971 688	0.2%
Current payments	3 951 555	3 951 555	6 030 583	153%	3 583 768	3 782 560	3 971 688	0.2%
Compensation of employees	972 120	972 120	1 382 611	142%	1 040 168	1 119 221	1 175 182	6.5%
Goods and services	2 895 233	2 895 233	3 961 548	137%	2 454 514	2 568 017	2 696 418	-2.3%
Interest and rent on land	84 202	84 202	686 424	815%	89 086	95 322	100 088	5.9%
Cash flow from operating activities	6 366 624	6 366 624	5 839 989	92%	6 938 711	8 457 633	8 403 536	9.7%
Cash flow from investing activities	(1 899 224)	(1 899 224)	(1 699 693)	89%	(2 089 147)	(2 298 061)	(2 412 964)	8.3%
Acquisition of property, plant, equipment & intangible assets	(1 899 224)	(2 199 224)	(1 699 693)	77%	(2 089 147)	(2 298 061)	(2 412 964)	3.1%
Cash flow from financing activities	(4 583 280)	(4 583 280)	(3 360 379)	73%	(5 040 711)	(5 543 836)	(5 821 027)	8.3%
Borrowing Activities	(4 562 904)	(4 562 904)	(3 360 379)	74%	(5 019 194)	(5 521 113)	(5 797 169)	8.3%
Repayment of finance leases	(20 376)	(20 376)	–	0%	(21 517)	(22 722)	(23 858)	5.4%
Net increase / (decrease) in cash and cash equivalents	(115 880)	(115 880)	779 917		(191 147)	615 736	169 544	

Overdraft agreement

- Agreement
 - Reduce overdraft by R748 million in 2017/18 to R1.9 billion
 - Fund and implement projects as per mandate
- Progress
 - Overdraft balance reduced
 - Continue to fund water services projects
- Way forward
 - Request to reduce balance of overdraft over 3 years
 - Risks to TCTA

Response to the Budgetary Review and Recommendations Report

Recommendation	Response
<p>The Department should differentiate co-funding alignment between the Municipal Infrastructure Grant and the Regional Bulk Infrastructure Grant. The National Treasury should consider a differentiated approach when dealing with municipalities and bulk water projects</p>	<ul style="list-style-type: none">• New Grant Co-Funding Committee established to review applications for the waiving of co-funding requirements on Regional Bulk Infrastructure Grant and Municipal Infrastructure Grant projects.• Allows for differentiation on a project-by-project basis so that where it is possible for high income households and businesses to pay for the costs of infrastructure that will benefit them• Allows for grant funds to focus on low income households only

Response to the Budgetary Review and Recommendations Report

Recommendation	Response
<p>The Department should engage the National Treasury on a collaborative review of infrastructure grants on 3 key priority areas, (i) improving the grant structure of water and sanitation infrastructure, (ii) emphasising and improving asset management and (iii) clearer roles for national and local departments in the management of grant systems.</p>	<ul style="list-style-type: none">• Recommendation supported• Will engage the Department of Water and Sanitation further through the Review of Local Government Infrastructure Grants.• This grant review process includes emphasis on:<ul style="list-style-type: none">• (i) grant structure, which has already led to the merger of several overlapping grants;• (ii) incentivising asset management, through which a portion of the indirect grants managed by the department will be set aside for capacity building to ensure municipalities are capacitated to maintain the infrastructure built for them; and• (iii) clarifying the role of the national department in overseeing and supporting the implementation of grant-funded infrastructure projects.

Response to the Budgetary Review and Recommendations Report

Recommendation	Response
<p>The Department should work closely with the Minister of CoGTA and the National Treasury to access the Equitable Share for municipalities that deals with outstanding debt.</p>	<ul style="list-style-type: none">• The local government equitable share is a statutory allocation to local government as per the Constitution.• Water boards and the WTE should be allowed the National Water Act and the Water Services Act to implement their debt collection policies in cases of non-payment.• NT and DCoG continue to engage on this matter• Provincial Treasury also requested to assist in ensuring that municipalities honour their financial obligations with a view to withhold the equitable share should these processes fail.

Response to the Budgetary Review and Recommendations Report

Recommendation	Response
<p>The DWS, National Treasury and CoGTA must sign a memorandum of understanding that clearly outlines the budget processes and procedures to be followed in an event of emergency interventions, especially those with no budget allocations.</p>	<ul style="list-style-type: none">• Recommended that the department develops a framework for water services emergency interventions.• Allows for greater certainty in determining roles, responsibilities and accountability in the provision of water services emergencies.• The Division of Revenue Act and the Public Finance Management Act provides flexibility to shift funds in the budget to ensure services are delivered.

Thank you