

**BLOEM WATER REPORTING  
STRATEGIC (BUSINESS) PLAN,  
ANNUAL REPORT 2010/2011, BUDGET AND  
2012/2013 TARIFF INCREASES**

***PRESENTATION TO THE PORTFOLIO COMMITTEE ON  
WATER & ENVIRONMENTAL AFFAIRS***

***24 April 2012***

**Presented by: Chairperson: Mr TB Phitsane  
Chief Executive: Dr B Malakoane  
Chief Financial Officer: Mr OJ Stadler**

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8. Key Strategic focus areas 2012/13
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# 1. Overview of BW

- **Vision**

Assuring sustainable provision of quality water services, for life!

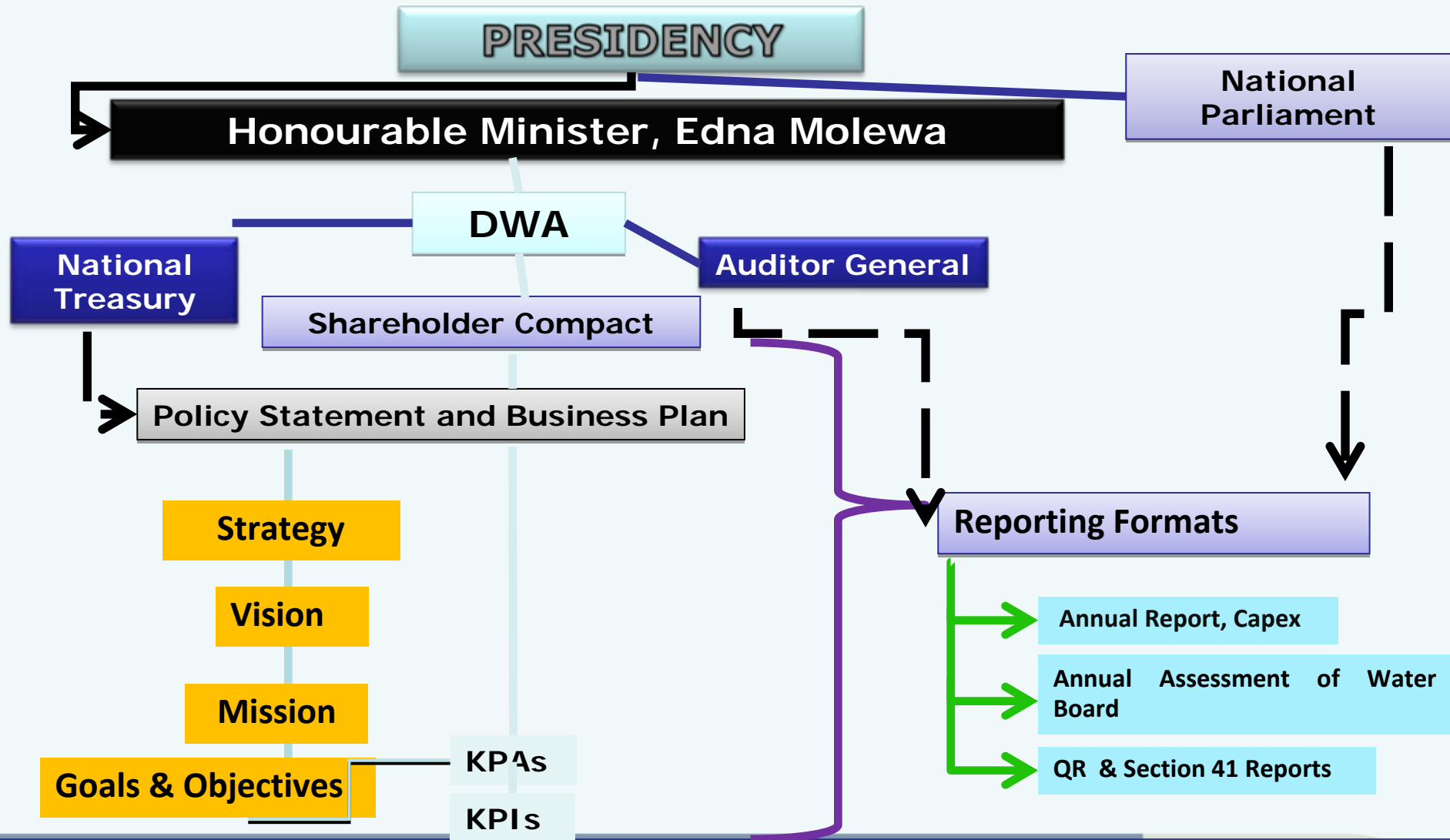
- **Mission** (*defining our purpose*)

To create a leading, value-driven, effective and responsive Institution using adaptive best practice methods in anticipating tomorrow's problems today

# Overview of BW cont...

- **Areas of service – Central and Southern Free State**
- **Local Municipalities**
  - Mangaung
  - Kopanong
  - Mantsopa
  - Naledi
- Other: as P.I.A. for DWA

# Accountability Matrix



## 2. Feedback Issues raised during 2011

### **Bulk Water Supply agreement/Capex**

- Consultation with MMM done on 16 January 2012  
11/12 and 12/13 CAPEX programme submitted to MMM
- CAPEX 2011 programme was submitted subsequent to the PWCEA

### **Salary structure**

- Information was submitted to PWCEA subsequent to the 2011 sessions. Performance Assessments to be applied in terms of policy and audited performance rating at year end.

# 3. Annual Report

## a. Annual Financial Statements 2010/11

### Statement of comprehensive income

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Revenue</b>		274 452	226 488
Water purchased		<u>(22 724)</u>	<u>(21 980)</u>
<b>Gross income</b>		251 728	204 508
Other operating income		2 749	2 370
Chemicals		(13 616)	(11 579)
Depreciation		(35 113)	(34 707)
Distribution cost		(7 576)	(7 841)
Energy cost		(38 467)	(34 155)
Repairs and maintenance		(6 956)	(7 123)
Staff costs		(67 393)	(65 311)
Impairment of trade receivables		(14 965)	(39 362)
Operating expenses		<u>(21 162)</u>	<u>(20 790)</u>
<b>Operating profit / (loss)</b>	11	49 229	(13 990)
Finance income	12	18 480	25 475
Finance costs	13	<u>(23 906)</u>	<u>(28 104)</u>
<b>Profit / (loss) for the year</b>		<u>43 803</u>	<u>(16 619)</u>
<b>Other comprehensive income</b>			
Available-for-sale investment fair values reserve		<u>-</u>	<u>290</u>
<b>Total comprehensive income / (loss) for the year</b>		<u>43 803</u>	<u>(16 329)</u>

Income lower than contractual requirements and budget  
Expenditure aligned to raw water transfer, treated volumes and budget  
Provision for bad debt  
Finance revenue high for interest charges on debtors.  
Finance cost aligned to budget.

# Statement of financial position

at 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Assets</b>			
<b>Non-current assets</b>			
		598 825	583 933
Property, plant and equipment	2	591 141	582 322
Employee benefits	16	7 684	1 611
Available-for-sale investments	3	-	-
<b>Current assets</b>			
		298 078	298 291
Inventories	4	6 669	5 443
Trade and other receivables	5	35 101	30 547
Short term investments	6	206 491	216 576
Cash and cash equivalents	7	49 817	45 725
<b>Total assets</b>		<u>896 903</u>	<u>882 224</u>

Non current assets marginally lower than budget as not all CAPEX projects were concluded  
Employee benefits in pension fund improved  
Current assets marginally higher than budget as funding committed for CAPEX projects



## Equity and liabilities

### Capital and reserves

		600 671	556 866
Retained earnings		389 030	346 244
Capital replacement fund		87 350	87 350
Capital development fund		70 217	70 217
Insurance fund		6 474	5 455
Urban development fund		-	-
Asset DWAF reserve fund		43 579	43 579
Revaluation reserve		4 021	4 021
Available-for-sale investment fair value reserve		-	-

Reserves improved from retained earnings  
Non current liabilities aligned with budget  
Current liabilities aligned with budget

### Non-current liabilities

Interest bearing loans and borrowings	8	229 174	257 515
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### Current liabilities

		67 058	67 843
Trade and other payables	9	33 778	37 448
Current portion of interest bearing loans and borrowings	8	33 280	30 395

### Total equity and liabilities

		<u>896 903</u>	<u>882 224</u>
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# a. Annual Financial Statements:2010/11

- **Indicators and Financial Actions**

- Continued Solvency
- Ongoing Liquidity
- Remain a Going Concern
- Debtors position worsened
- Cash position reduced marginally
- Debt ratios remained high due to CAPEX requirements
- Treated water volumes lower and raw water volumes higher than budgeted for
- Streamlining of the pension fund in terms of Funding the deficit.

# b. Audit Report

- Unqualified report
- No Matter of emphasis
- Opinion that financial statements fairly presents the financial position

# C. Summary of Performance Against Strategic Objectives and KPI's 2010/11

## Job creation – Annexure 1

STRATEGIC GOAL	STRATEGIC GOAL	RATING PER CONTRACT	SELF ASSESSMENT	KPMG RATING
1	Ensuring sustainable and equitable water resource management	97	64	64
2	Manage financial affairs to meet current and future obligations	73	62	62
3	Build, operate and maintain infrastructure	76	67	67
4	Ensuring sustainable and equitable water resource management	49	34	34
5	Transformation	52	40	40
6	Aligned and effective institution	63	56	56
7	Pursuing African advancement	34	22	22
	<b>TOTAL ENTITY PERFORMANCE</b>	<b>444</b>	<b>345</b>	<b>345</b>
	<b>OVERALL PERCENTAGE ACHIEVED</b>			<b>78%</b>

## 4.CAPEX

10/11: Achieved 97.19% of CAPEX Implementation. (Annexure 2)

11/12: Achieved to date: 72.72% of CAPEX implementation, projected to 95% by June 2012. (Annexure 3)

# CAPEX Consultations

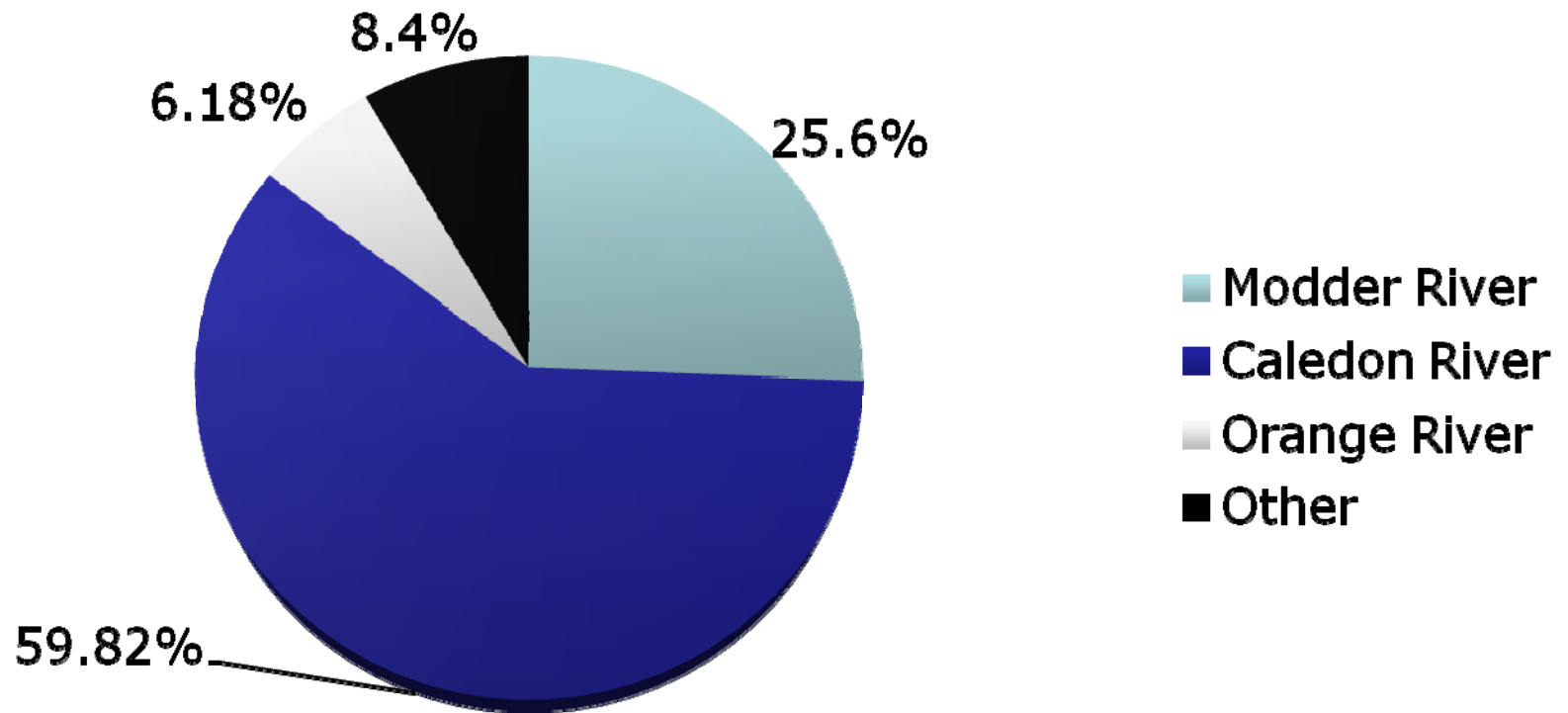
- Meeting held with municipalities on 16 January 2012

## *Presentation:*

- *Addressing water supply challenges on both raw and treated water supply systems*
- *Water safety planning*
- *CAPEX 11/12 and 12/13*

# 2011/2017 Refurbishments

(Annexure 4)

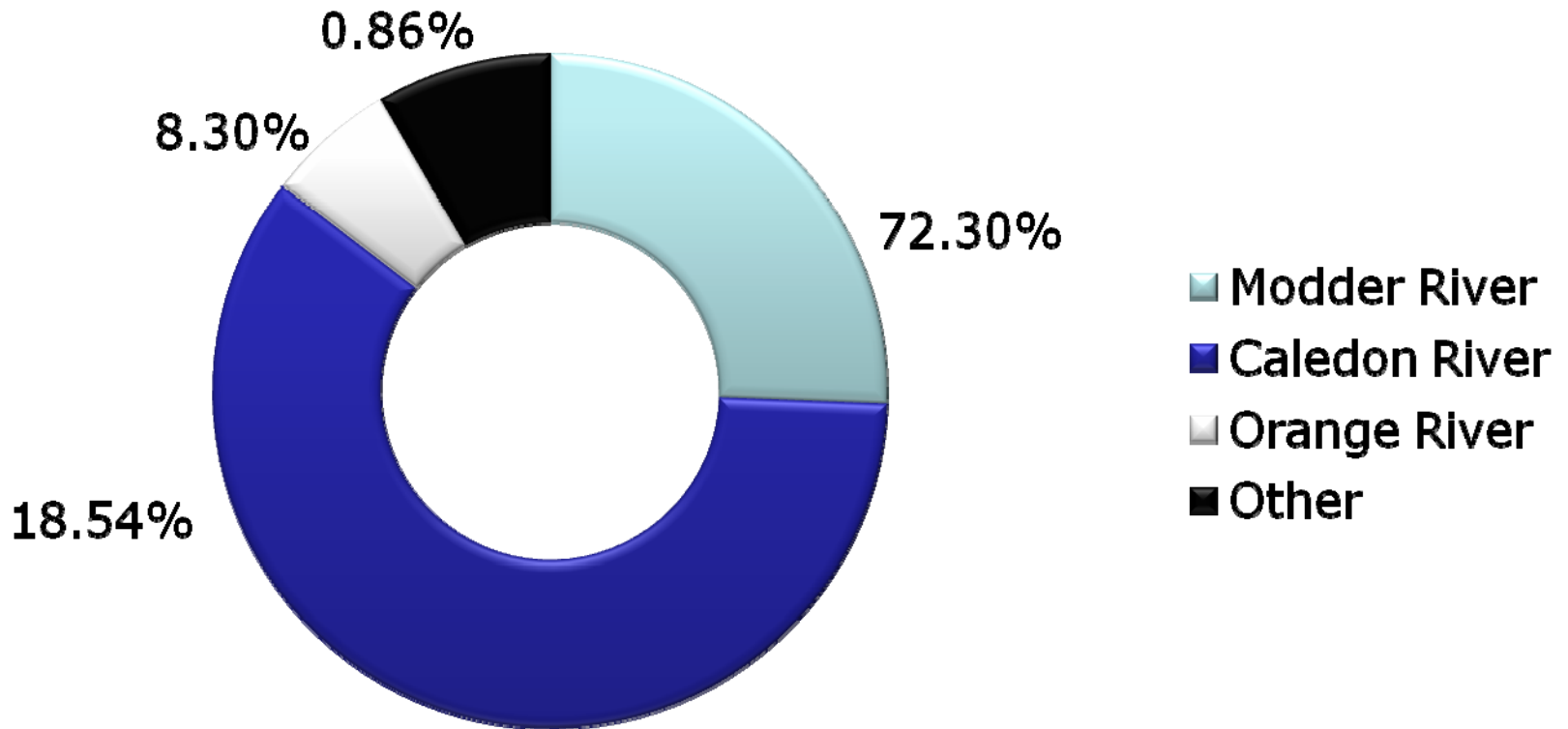


# CAPEX - Refurbishments

REGION	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Maselspoort	–	–	–	–	–	–
Modder River	R11.1 m	R16.3 m	R13.1 m	R7.7 m	R7.1 m	R6.0m
Caledon River	R14.3 m	R20.1 m	R31.8 m	R22.8 m	R25.5 m	R28.7 m
Orange River	R1.6 m	R5.2 m	R2.8 m	R1.6 m	R1.7 m	R1.9 m
Other	R10.8m	R7.2 m	R0.5 m	R0.5 m	R0.7 m	R0.4 m
Total estimated cost for refurbishment	R37.8 m	R48.8 m	R48.2 m	R32.6 m	R35.0 m	R37.0 m

# 2011/2017 Extensions

(Annexure 5)





# CAPEX - Extensions

Fin. Year	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Modder River	R35.0 m	R45.8 m	R0.0 m	R73.5 m	R102.5 m	R86.0 m
Caledon River	R61.5 m	R10.0 m	R0.0 m	R0.0 m	R0.0 m	R16.5 m
Orange River	R23.2 m	R16.5 m	R0.0 m	R0.0 m	R0.0 m	R0.0 m
Other	R4.1 m	R0.0 m	R0.0 m	R0.0 m	R0.0 m	R0.0 m
Total estimated cost for extensions	R123.8 m	R72.3 m	R0.0 m	R73.5 m	R102.5 m	R102.5 m

# 5.a. Strategic Objectives 2011/12

## Strategic Themes/Goals

(Aligned to SONA, SOPA, DWA goals & outcomes)

### **(a) Manage financial affairs to meet current and future obligations**

- *Strategic Result: Financial sustainability*

### **(b) Build, operate and maintain infrastructure**

- *Strategic Result: Ensure universal access to safe and affordable water*

### **(c) Ensuring sustainable and equitable water resource management**

- *Strategic Result: Securing the water value chain*

### **(d) Transformation/business processes/research and development**

- *Strategic Result: Achieving an aligned and effective Institution through optimisation of business processes*

### **(e) Engaging in strategic partnerships**

- *Strategic Result: Benchmarking, knowledge-sharing and pursuing international best practices*

## b. Summary Progress to 3<sup>rd</sup> Q v/s Strategic Objectives and KPI's 2011/12

STRATEGIC GOAL	STRATEGIC GOAL	RATING PER CONTRACT over 3 quarters	SELF ASSESSMENT	YEAR TO DATE %
1	Manage financial affairs to meet current and future obligations	65	49	75.3
2	Build, operate and maintain infrastructure	50	37	74.0
3	Ensuring sustainable and equitable water resource management	42	28	66.66
4	Transformation/Business process improvement	74	59	79.7
5	Strategic Partnerships	36	33	91.66
	<b>YEAR TO DATE PERFORMANCE</b>			<b>77.46%</b>
	<i>Refer Enterprise wide BSC provided separately</i>			

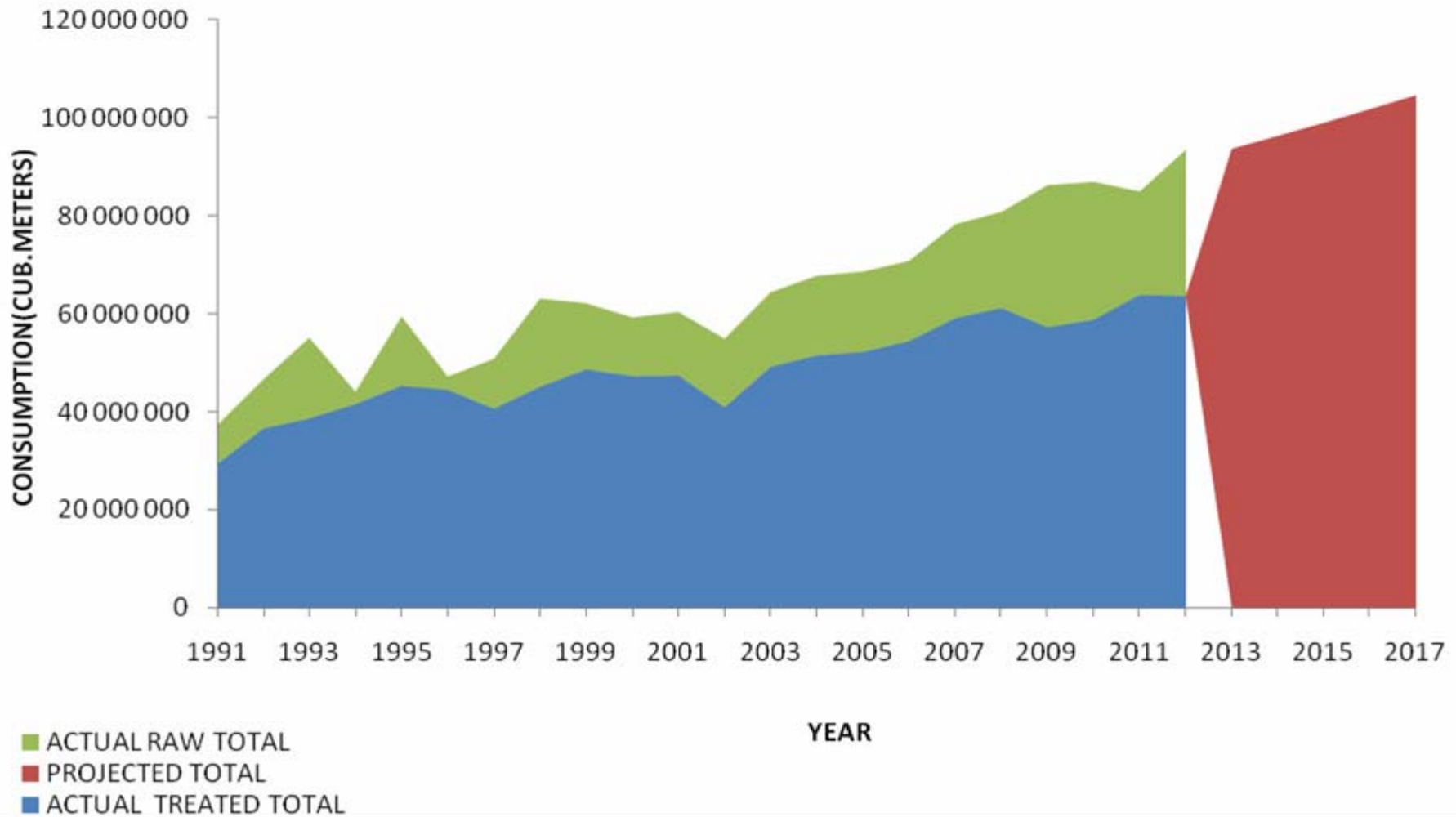
## 6. Bulk Water Tariffs

- Regulated by MFMA Section 42 and Circular 23
- WSA Section 4 ss(2), (3) and (4)
- PFMA Section 51 ss(1)(a)(i) and 51(b)(i)

# Salient Features

- Volume growth of 2%;
- Input costs increase higher than tariffs increases
- CAPEX & Investment plan of R1bn: 12/13 to 16/17
- Improving profitability but returns still under pressure;
- Borrowing costs capitalized to assets;
- Retention of cash reserves
- Utilize reserves for refurbishments
- Debt service ratio of 25% maintained

# WATER CONSUMPTION ANNUAL: ACTUAL AND PROJECTED



<b>Bulk Demand Volumes</b>								
	Historic Demand					Projected Dema		
Financial year ending 30 June	08	09	10	11	12	13	14	15
<b>Treated Demand</b>								
Mangaung	53 988 061	48 846 129	51 015 740	54 397 084	55 000 000	59 462 457	61 421 233	63 441 719
Kopanong	3 478 640	3 791 890	3 699 461	4 354 874	4 720 000	4 890 000	5 007 800	5 127 956
Naledi	1 647 407	1 743 721	1 709 916	1 500 557	1 800 000	1 800 000	1 816 000	1 832 320
Mantsopa	168 837	164 376	186 581	166 965	150 000	200 000	200 000	200 000
Other	1 976 472	1 956 287	1 859 119	1 919 039	2 043 973	1 947 000	1 966 470	1 986 135
<b>Total Treated</b>	<b>61 259 417</b>	<b>56 502 403</b>	<b>58 470 817</b>	<b>62 338 519</b>	<b>63 713 973</b>	<b>68 299 457</b>	<b>70 411 503</b>	<b>72 588 129</b>
<b>Raw Demand</b>								
Mangaung	19 643 672	28 992 603	28 141 159	22 720 010	29 854 822	25 527 135	26 037 678	26 558 431
Other	655	553	127	3 027	3 027	3 088	3 149	3 212
<b>Total Raw</b>	<b>19 644 327</b>	<b>28 993 156</b>	<b>28 141 286</b>	<b>22 723 037</b>	<b>29 857 849</b>	<b>25 530 223</b>	<b>26 040 827</b>	<b>26 561 644</b>
<b>Total Demand</b>	<b>80 903 744</b>	<b>85 495 559</b>	<b>86 612 103</b>	<b>85 061 556</b>	<b>93 571 822</b>	<b>93 829 680</b>	<b>96 452 330</b>	<b>99 149 773</b>

# Budget: 2012/13

- Consult with its municipal clients required by Section 42 MFMA & Circ 23.
- The implication of the above incorporates the following major components:
  - An increase in the raw water cost up to 16.6%
  - An increase in chemical cost: 20%
  - An increase in electricity cost: 28% plus additional requirements
  - An increase in human resources cost: 9% plus additional requirements

**CAPEX:** The proposed tariff will result in the downscaling of CAPEX projects in future years.

It impacts the National Treasury requirements regarding debt service ratios – restricting Bloem Water to obtain external funding for the debt service ratio above 25% and as aligned with the approved borrowing limits by DWA and NT

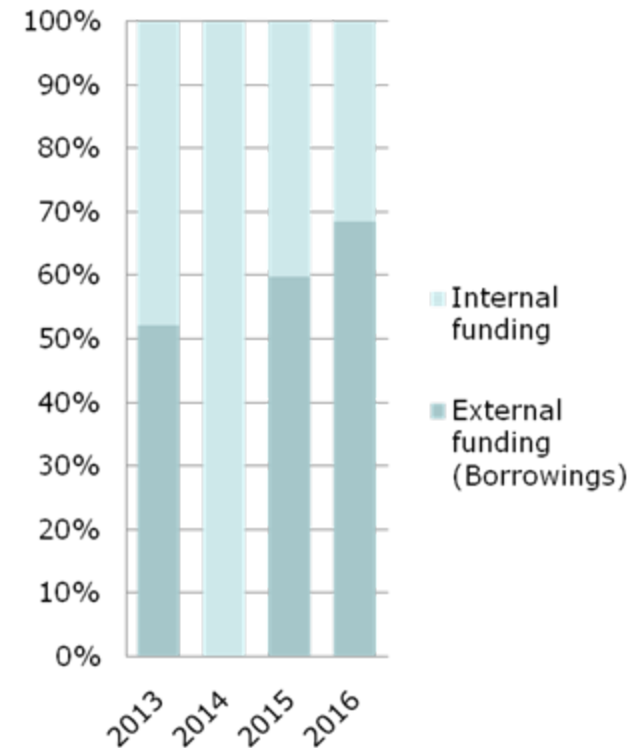


# Budget: 2012/13

## FINANCIAL FUNDING REQUIREMENTS

For the year ended June 30,	2013 Year 1 R Mil	2014 Year 2 R Mil	2015 Year 3 R Mil	2016 Year 4 R Mil	2017 Year 5 R Mil	2018 Year 6 R Mil	TOTAL R Mil
<b>External funding (Borrowings)</b>							
Capex requirements	72.3	0.0	73.5	102.5	102.5	150.0	500.8
<b>TOTAL</b>	<b>72.3</b>	<b>0.0</b>	<b>73.5</b>	<b>102.5</b>	<b>102.5</b>	<b>150.0</b>	<b>500.8</b>
<b>Internal funding</b>							
Capex requirements	48.8	48.2	32.6	35.0	37.0	35.0	201.6
Pension fund	7.5	7.5	5.0				
Movable assets	10.0	11.0	11.6	12.1	12.7	13.4	57.4
<b>TOTAL</b>	<b>66.3</b>	<b>66.7</b>	<b>49.2</b>	<b>47.1</b>	<b>49.7</b>	<b>48.4</b>	<b>259.0</b>
<b>TOTAL FUNDING REQUIREMENTS</b>	<b>138.6</b>	<b>66.7</b>	<b>122.7</b>	<b>149.6</b>	<b>152.2</b>	<b>198.4</b>	<b>759.8</b>

## Funding Requirements



# Budget: 2012/13

Description	R'000 2011/12	R'000 2011/12	R'000 2012/13	R'000 2012/13	% Increase
Chemicals	14.10		17.04		20.9%
Electricity	52.03		70.52		35.5%
Human Resources	79.00		88.64		12.2%
Operation and maintenance	26.00		27.50		5.8%
Raw water charges	21.27		23.22		9.2%
Depreciation	39.30		42.90		9.2%
Other	63.50		57.10		-10.1%
HR, labour relations, payroll and HCD					
IT and systems					
Corporate services, liaison and marketing					
Administration, finance, supply chain and fleet					
Engineering services and projects					
Board related matters					
		295.20		326.92	10.7%
Current Loan obligations in tariffs	29.9	29.9	43.2	43.2	44.3%
TOTAL EXPENDITURE		325.1		370.1	13.8%
TOTAL VOLUMES FOR SALE ( Mil kub Meters)	92.791	92.791	93.829	93.829	
SYSTEMS TARIFF APPROVED BY BOARD/DIRECTIVE		3.50		3.94	12.6%
Current Loan obligations not included in tariff (Directive)	28.0		13.3		-52.5%
New Loan obligations not included in tariff (Directive)			21.8		
Internal Capital expenditure	36.4		56.3		54.7%
Pension fund	7.5		7.5		0.0%
Movable assets	8.4		10.0		19.0%
Other income	-13.668		-13.196		-3.5%
Fund from internal sources/funds		66.6		95.7	

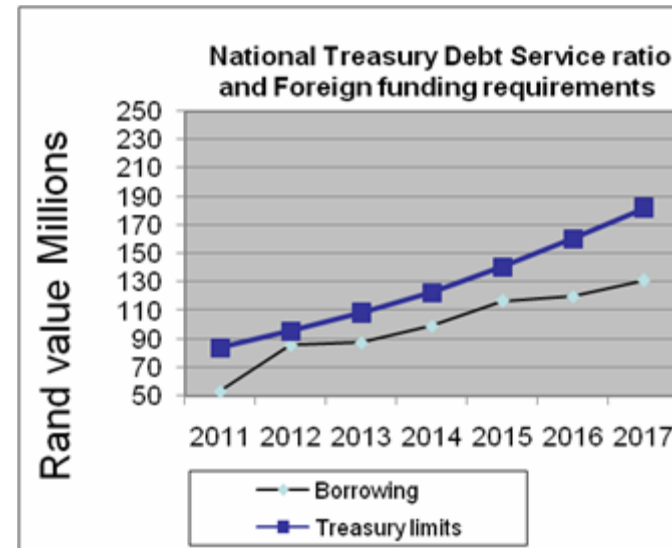
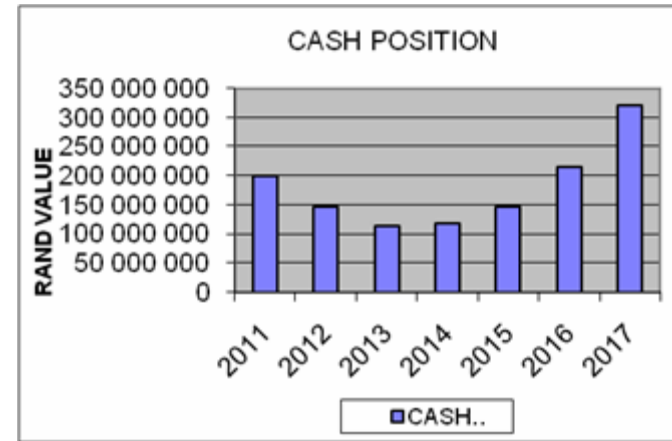
# Budget: 2012/13

Income Statement (in R'000 000)

For the year ended June 30,	Notes	Current	2013	2014	2015	2016	2017	Row
		Year	Year 1	Year 2	Year 3	Year 4	Year 5	
		Actual						
Volume of water sold (in kl'000) (all water from 2011/12)		92.000	93.830	96.452	99.150	101.924	104.778	10
<b>Revenue</b>		332.000	370.111	423.127	483.235	553.194	630.225	11
Cost of sales (cost of water purchased)		21.000	23.221	25.543	27.586	29.793	32.176	12
<b>Gross margin/profit</b>		311.000	346.891	397.584	455.649	523.401	598.049	13
Other operating income		2.500	1.820	1.847	1.875	1.443	1.472	14
Operating, general & administrative expenses		268.513	305.102	347.136	396.726	455.559	527.158	15
Direct labor costs		75.000	91.141	99.344	108.285	116.947	126.303	16
Energy		52.000	70.520	95.202	123.763	160.891	209.159	17
Maintenance materials		25.000	25.000	27.500	30.800	34.496	38.636	18
Chemicals/purification		14.100	17.042	18.746	20.621	22.064	23.609	19
Depreciation		38.413	42.899	44.919	48.761	53.438	58.344	20
Amortisation								21
Other general, operating & administrative expenses		64.000	58.500	61.425	64.496	67.721	71.107	22
<b>Operating income</b>		44.987	43.608	52.295	60.798	69.286	72.363	24
								25
<b>Operating income before interest</b>		44.987	43.608	52.295	60.798	69.286	72.363	26
Net interest and finance charges		26.327	30.343	28.766	33.485	38.455	40.190	27
<b>Net Operating income</b>		18.660	13.265	23.529	27.313	30.831	32.174	28
								29
<b>Net income after operating subsidies</b>		18.660	13.265	23.529	27.313	30.831	32.174	30
Accumulated reserves at beginning of period		595.899	614.559	627.824	651.353	678.665	709.496	31
<b>Accumulated reserves at end of period</b>		614.559	627.824	651.353	678.665	709.496	741.670	32

# Budget: 2012/13

Balance Sheet (in R'000 000)							Row
As at June 30,	Current Year	2013 Year 1	2014 Year 2	2015 Year 3	2016 Year 4	2017 Year 5	
Actual							
<b>ASSETS</b>							
<b>Non-current assets</b>	737.781	833.482	855.262	929.151	1017.340	1100.230	11
Property, plant and equipment	730.097	825.798	847.578	921.467	1009.656	1092.546	12
Available for sale Investments							13
Employee benefits	7.684	7.684	7.684	7.684	7.684	7.684	14
							15
<b>Current Assets</b>	268.036	225.737	187.046	169.988	163.447	167.032	17
Inventories	6.500	6.955	7.442	7.888	8.362	8.863	18
Accounts receivable	41.000	43.500	46.161	49.993	53.007	57.215	19
Current portion of employee loans							20
Short-term investments	152.536	130.282	93.443	62.106	42.078	40.953	21
Bank balances and cash	68.000	45.000	40.000	50.000	60.000	60.000	22
<b>Total assets</b>	<b>1005.817</b>	<b>1059.219</b>	<b>1042.308</b>	<b>1099.139</b>	<b>1180.787</b>	<b>1267.261</b>	24
<b>RESERVES &amp; LIABILITIES</b>							
<b>Reserves</b>							
Accumulated reserves	614.559	627.824	651.353	678.665	709.496	741.670	28
<b>Non-current liabilities</b>	316.944	343.090	293.321	307.274	352.623	391.526	30
Interest bearing borrowings	316.944	343.090	293.321	307.274	352.623	391.526	31
Post retirement medical benefit obligations							32
Provisions							33
<b>Current liabilities</b>	74.314	88.304	97.634	113.199	118.667	134.066	35
Accounts payable	36.500	42.150	47.865	53.652	59.517	65.468	36
(including accruals & leases)							37
Current portion of interest bearing loans	37.814	46.154	49.769	59.547	59.151	68.597	38
Other payables/loans							39
Bank overdrafts							40
<b>Total reserves and liabilities</b>	<b>1005.816</b>	<b>1059.218</b>	<b>1042.308</b>	<b>1099.138</b>	<b>1180.787</b>	<b>1267.261</b>	42



# Budget: 2012/13

## Financial Indicators and Ratios

		2012	2013	2014	2015	2016	2017	Formula
		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Refer to rows in Income Statement and Balance Sheet
<b>A</b>	<b>Performance criteria/indicators</b>							
1	Volume of water sold (in million kl)	92.000	93.830	96.452	99.150	101.924	104.778	Income St 10
2	Total gross revenue (R'000)	332.000	370.111	423.127	483.235	553.194	630.225	Income St 11
3	Average water tariff (Rand/kl); show tariff build-up explanations and scheme-specific tariffs	3.609	3.945	4.387	4.874	5.428	6.015	Income St 11/Income St 10
4	Cost of raw water (Rand/kl)	0.228	0.247	0.265	0.278	0.292	0.307	Income St 12/Income St 10
5	Total cost/volume (Rand/kl)	2.919	3.252	3.599	4.001	4.470	5.031	Income St 15/Income St 10
6	Finance costs (Rand/kl)	0.286	0.323	0.298	0.338	0.377	0.384	Income St 27/Income St 10
<b>B</b>	<b>Operating Risks</b>							
7	Working ratio (operating expenses divided by operating revenues)	5.969	6.996	6.638	6.525	6.575	7.285	Income St 15/Income St 24
8	Controllable working ratio (operating expenses exclud.raw water, deprec & inter. divided by operat. rev.)	5.115	6.013	5.779	5.723	5.804	6.479	(Income St 15-Income St 20)/Income St 24
9	Return on assets (income before interest & taxes divided by total assets)	0.045	0.041	0.050	0.055	0.059	0.057	Income St 24/Balance Sheet 24
10	Asset turnover (revenue divided by total assets)	0.330	0.349	0.406	0.440	0.468	0.497	Income St 11/Balance Sheet 24
11	Gross margin %	0.937	0.937	0.940	0.943	0.946	0.949	Income St 13/Income St 11
12	Current asset turnover (revenue divided by current assets)	1.239	1.640	2.262	2.843	3.385	3.773	Income St 11/Balance Sheet 17
13	Fixed asset turnover (revenue divided by fixed assets)	0.455	0.448	0.499	0.524	0.548	0.577	Income St 11/Balance Sheet 12
14	Inventory turnover (cost of maintenance materials divided by inventory)	3.846	3.595	3.695	3.904	4.125	4.359	(Income St 18+Income St 19)/Balance Sheet 18
15	Debtors collection period (debtors divided by revenue times 365)	45.075	42.899	39.820	37.761	34.975	33.137	Balance Sheet 19/Income St 11*365
16	Accounts receivable turnover (revenue divided by accounts receivable)	8.098	8.508	9.166	9.666	10.436	11.015	Income St 11/Balance Sheet 19
<b>C</b>	<b>Financial Risks</b>							
17	Current ratio (current assets divided by current liabilities)	3.607	2.556	1.916	1.502	1.377	1.246	Balance Sheet 17/Balance Sheet 35
18	Debt service/interest cover ratio (income before interest & taxes divided by interest)	1.709	1.437	1.818	1.816	1.802	1.801	Income St 26/Income St 27
19	Debt ratio (total debt divided by total assets)	0.315	0.324	0.281	0.280	0.299	0.309	Balance Sheet 31/Balance Sheet 24
20	Debt-equity ratio (total liabilities divided by total accumulated reserves)	0.637	0.687	0.600	0.620	0.664	0.709	(Balance Sheet 30+Balance Sheet 35)/Balance Sheet 28
21	Weighted Average Cost of Capital (WACC)	0.074	0.078	0.084	0.091	0.093	0.087	Income St 27/(Balance Sheet 31+Balance Sheet 38+Balance Sheet 39 +Balance Sheet 40)
	Net profit margin %	5.620	3.584	5.561	5.652	5.573	5.105	(Income St 30/Income St 11)*100

# Water Tariff increases: 2012/13

- The consultation process resulted in certain municipalities noting the 12.6% increase in tariff to R3.94, while others did not respond.
- Following the above, consultation with National Treasury, SALGA and DWA ensued. **Result:**
  - DWA, NT and Minister of Water Affairs supported the increase.
  - SALGA used 2010/11 instead of 2012/13 information for appraisal and still awaiting new comments.
- Impact – Still under recovering for the period 2012/15, affecting cash position

## 7. Alignment of BW's Strategy With Government Outcomes

- ***Enterprise Balanced scorecard (provided separately)***  
Alignment per strategic performance objective **(Annexure 6)**
- ***DWA Priorities linked to National outcomes and aligned with Bloem Water strategic goals (Annexure 7)***  
Alignment per strategic goal

# Alignment (cont)

No	DWA PRIORITIES LINKED TO NATIONAL OUTCOMES	STRATEGIC OBJECTIVES	BLOEM WATER ALIGNMENT
1	Contribute to economic growth, rural development, food security and land reform	1.1 To ensure the availability of water supply for economic and domestic use	<b>Strategic Goal: 2 - Build, Operate &amp; maintain infrastructure</b> Masterplan: Water Source management - boreholes
		1.2 To implement programmes to create job opportunities	<b>Strategic Goal: 2 – Build, operate and maintain infrastructure</b> CAPEX programme (In-house and sourced projects)
2	To promote sustainable and equitable water resources management	2.1 Setting a strategic framework for water management in the country	N/a
		2.2 To ensure balance of water supply and demand	<b>Strategic Goal: 3 –Ensuring sustainable and equitable water resource management</b> Demand management programme and management of abstraction volumes
		2.3 To improve the protection of water resources and ensure sustainability	<b>Strategic Goal: 1 – Manage financial affairs to meet current and future obligations</b> Non-revenue water management, Plant performance management <b>Strategic Goal 3: Ensuring sustainable and equitable water resource management</b> Dam Safety Inspections
		2.4 To improve equity in water allocation	N/a
		2.5 To improve water use efficiency	Strategic Goal: 2 = <b>Build, Operate &amp; maintain infrastructure</b> Water losses below 12%
		2.6 To improve the management of the water resources	Strategic Goal: 3 – <b>Ensuring sustainable and equitable water resource management</b> Orange River Basin Committee involvement
3	Strengthening the regulation of the water sector	3.1 To improve the regulation of the water sector	N/a
		3.2 To improve the water use authorisation	Strategic Goal:3– <b>Ensuring sustainable and equitable water resource management</b> Abstraction permits application and volumes
		3.3 To improve the regulation of water quality through compliance, monitoring and enforcement	Strategic Goal 3: – <b>Ensuring sustainable and equitable water resource management</b> SANS 241 compliance
4	Support Local Government to deliver water services	4.1 Ensure the provision of local government institutional support	<b>Strategic Goal: 5 – Engaging in Strategic Partnership</b> Implementing agent projects on behalf of DWA Operation and Maintenance Services to Municipalities
		4.2 To broaden access to water services (basic services and eradication of backlog)	Strategic Goal: 2 – <b>Build, operate and maintain infrastructure</b> CAPEX and Borehole masterplan
5	Contribute to improved International Relations	5.1 To coordinate strategic international water cooperation	Strategic Goal 5: <b>Engaging in Strategic Partnerships</b> IWA; Twinning agreement with Northern Region Water Board, Malawi and Fredskorpset Exchange Programme (Norway)
6	Build Capacity to deliver quality services	6.1 To ensure organisational performance and leadership	Strategic Goal 4: <b>Transformation/business processes/ R&amp;D</b> Leadership Training
		To ensure transformed socio-economic participation	Strategic Goal 4: <b>Transformation/business processes/ R&amp;D</b> Financial training of contractors on database Strategic Goal: 2 = <b>Build, Operate &amp; maintain infrastructure</b> Increase BBEEE spending



## 8. Key Strategic Focus Areas for 2012/13 – *aligned to SHC*

*(see the **BSC document** provided separately) They are:*

- **Organisational Capacity Perspective:**

- *Improve access to technology & equipment*
- *Train, retain technical skills* (DWA 13,16,18)
- *Improve internal & external communication*
- *Improve accountability by clarifying roles and responsibilities* (DWA 6&19)

- **Internal Process Perspective:**

- *Improve use of best management practices* (DWA 1,5,19)
- *Improve operational efficiencies* (DWA 2,12)
- *Improve statutory compliances* (DWA 4,10,13,15,16)
- *Improve risk-based management practices* (DWA 7)
- *Improve monitoring and reporting on performance* (DWA 9,11,15)
- *Improve sustainable development initiatives* (DWA 14,17)

## Focus areas cont....

- **Customer/Stakeholder Perspective**

- *Improve customer and stakeholder satisfaction* (DWA 3, 13, 17)
- *Improve brand awareness* (DWA 14, 17)
- *Increase strategic partnerships* (DWA 8, 18)

- **Financial Perspective**

- *Improve financial stewardship* (DWA 4, 7, 10, 11, 12, 13, 19)
- *Increase Corporate prosperity* (DWA 9)

# 9. Current Challenges Experienced

- Deteriorating raw water quality as a result of inadequate catchment management
- Delays in issuing Abstraction permits
- Availability of Water Resources
- Payment Default risk by municipalities
- Sustainable tariff structure
- Ageing infrastructure –rollout of CAPEX program within resource constraints v/s demand
- Experiencing rising input costs, i.e. Chemicals, raw water, energy and O & M cost
- Failing WCDM



# Current Challenges Experienced

## Caledon River Region

- Welbedacht Dam Siltation
- Sand abstraction in the plant
- Plant operate at maximum (145 ML/day)
- Distribution system (ageing PCP pipeline)
- Tienfontein /Novo Pump station (Water volumes and Quality)
- Lack of storage capacity



## Modder River region

- Tienfontein /Novo reduced transfer capacity
- Modder river catchment (Pollution of raw water)
- Plant capacity (85 of 100 ML/day) vs urban sprawl (ratio of 33/67 ML/day)
- Maintenance and refurbishment frequency pump sets
- Municipal Water losses



# Strategic interventions (Shareholders compact)

## Caledon River

- Extension of supply and increase capacity by 45 ML/day, tariff increases inevitable
- Current PCP pipeline not upgradable as no additional pressure can be put on pipeline

## Modder River

- Extension of supply by 2015 to meet supply emergencies to Bloemfontein
- Dependant on Tienfontien-Novo transfer scheme for raw water, tariff increase inevitable

## Maselspoort (owned by Mangaung Metro)

- Dependant on Tienfontein-Novo-Rustfontein transfer scheme primarily for use in Bloemfontein
- Imminent extension, tariff increase inevitable

# 10. Questions