

**Bloem Water's Annual report for the
2015/16 financial year**

10 March 2017

Presented by: CE Dr L Moorosi

CONTENTS

- Part 1: Overview of Bloem Water
- Part 2: Infrastructure Development
- Part 3: Overview of the Financial Performance
- Part 4: Challenges
- Part 5: Conclusion

1) Overview of Bloem Water

- Bloem Water was established as a Water Board in 1991, in terms with the Water Services Act (WSA) 108 of 1997
- **Vision**
Assuring sustainable provision of quality water services, for life!
- **Mission**
To create a leading, value-driven, effective and responsive Institution using adaptive best practice methods in anticipating tomorrow's problems today.
- Clause 29:
 - The primary activity of a water boards is to provide water services to other water services institutions within its areas of operations.

Overview of Bloem Water (Cont.)

- **Clause 30:**
Other activities of a water board may include, but are not limited to-providing management services, training and other support services to water services institutions, in order to promote co-operation in the provision of water services;
- **Clause 32:**
Every water board – must enter into written contracts when performing its primary and other activities
- **Clause 34:**
Striving to be financially viable: a water board is financially viable if it is able to:
 - (a) repay and service its debts;
 - (b) recover its capital, operational and maintenance costs

Strategic Objectives

1. Develop, operate and maintain infrastructure to ensure sustainable water service delivery.
2. Manage financial affairs to meet current and future obligations.
3. Securing the supply and quality of raw water resources
4. Achieving an aligned, effective and efficient institution through optimization of all business processes and systems
5. Engaging in strategic partnerships with all relevant stakeholders

- **Note: Strategic Objectives linked to Ministerial Outcomes and DWS Goals, Support and Expectations is included in the Business Plan**

Area of Service

Central and Southern Free State Municipalities

- Mangaung Metro (including former Naledi)
- Kopanong Local
- Mantsopa Local

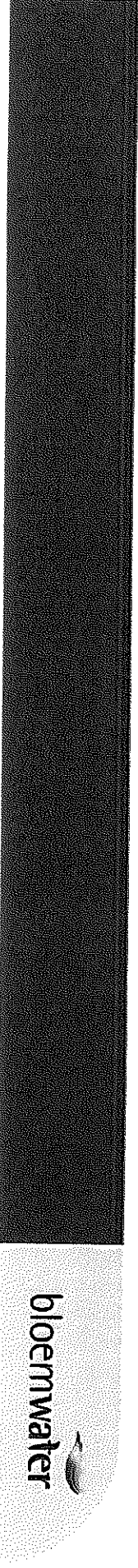
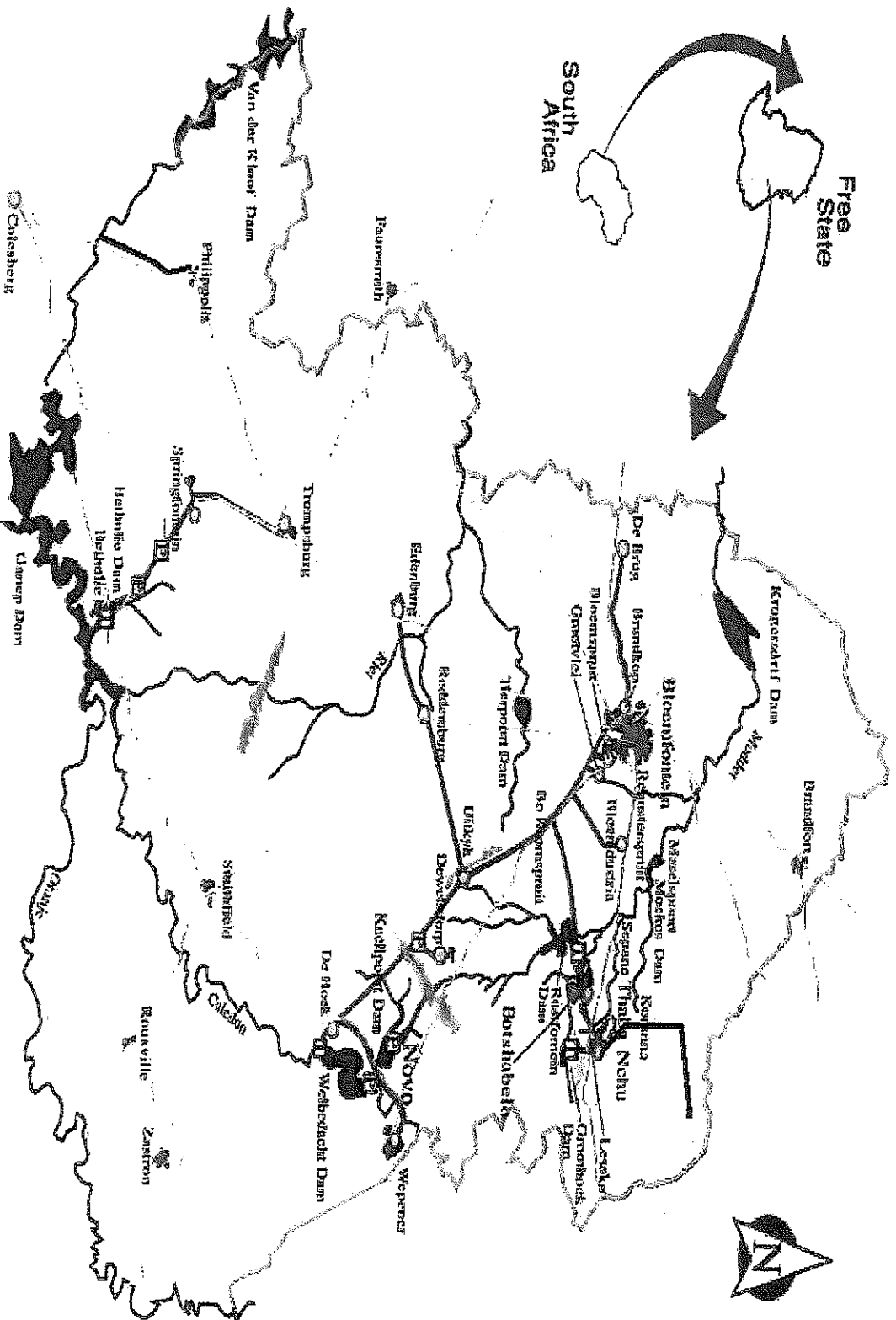
Other: Project Implementing Agent (PIA) for DWS

- Kopanong Local Municipality
- Mangaung Metro Municipality (former Naledi Local Municipality)

Staff Compliment

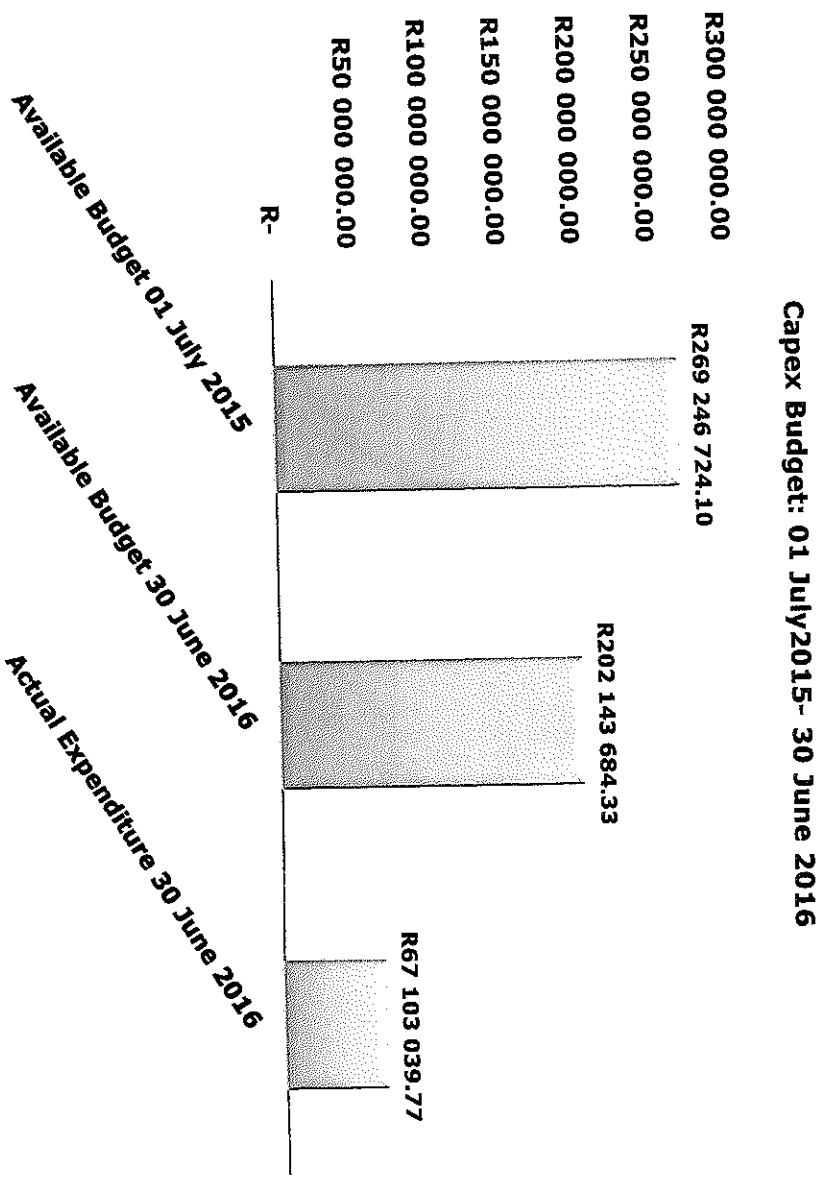
- Staff compliment of 392 at the time.

Water Supply Systems

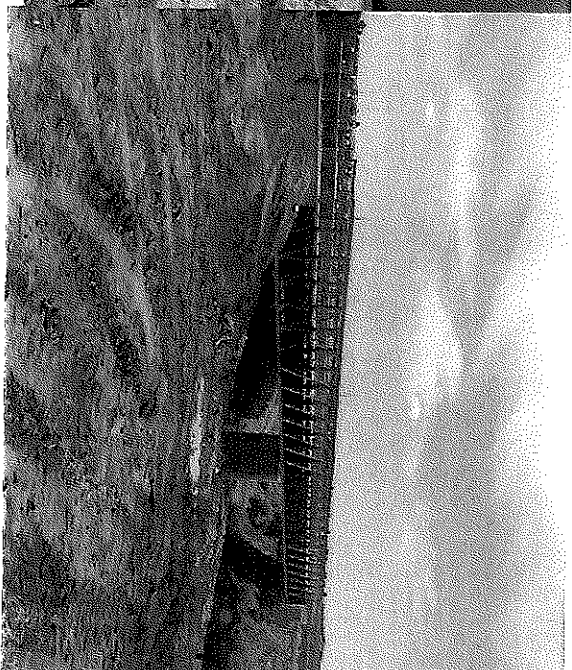
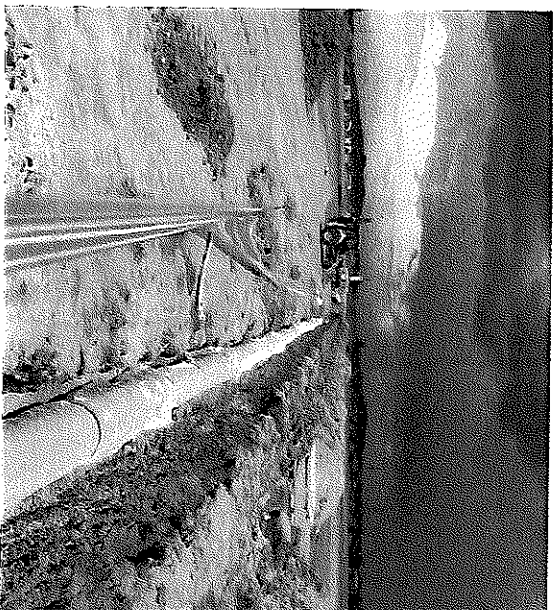
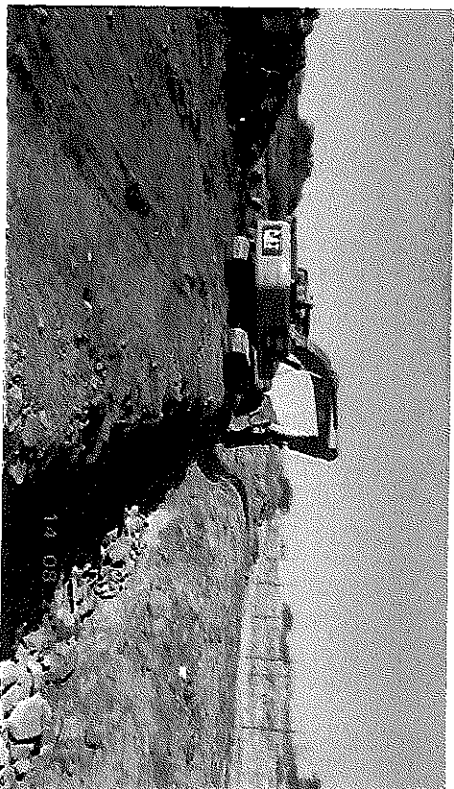


2) Infrastructure Development

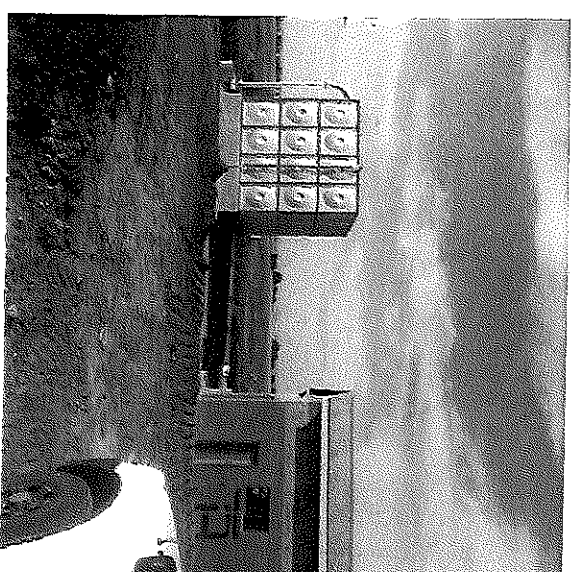
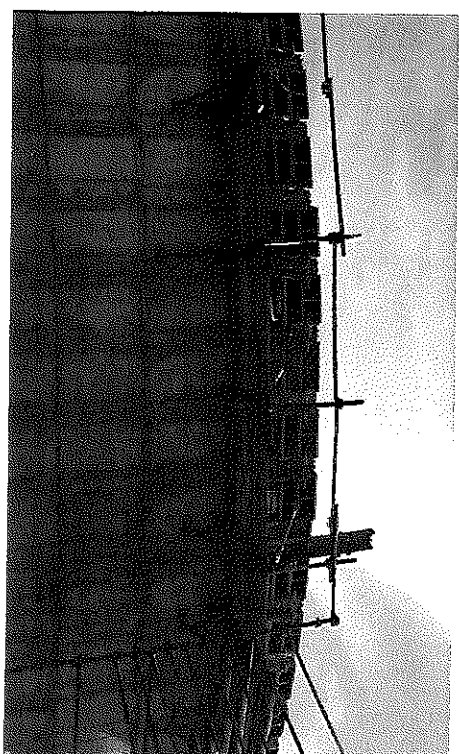
- 2015/2016 Infrastructure Programme had 59 projects
- Which comprised of 21 Capex and 38 Refurbishment Projects
- 2015/2016 Budget was R269 million
- 30 Projects Completed & 29 In Progress
- Indirect jobs created 182
- Unsecured funding for construction of major Capital Projects delayed the implementation of major projects
- Prioritized Capex for 2016/2021 targeting the strategic projects



Rustfontein Ductile Pipeline

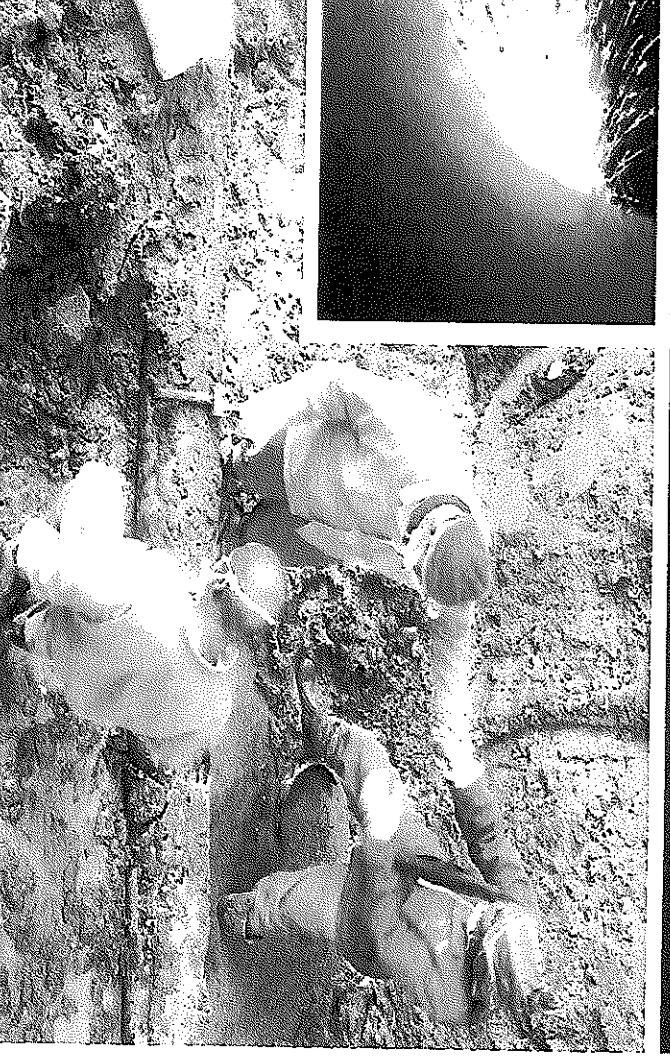
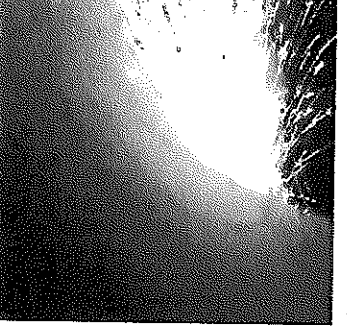
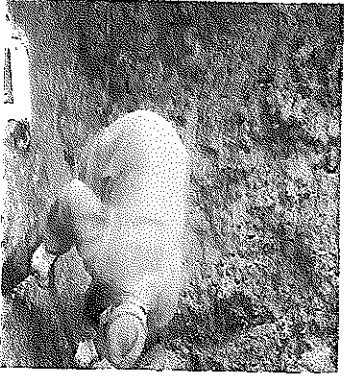
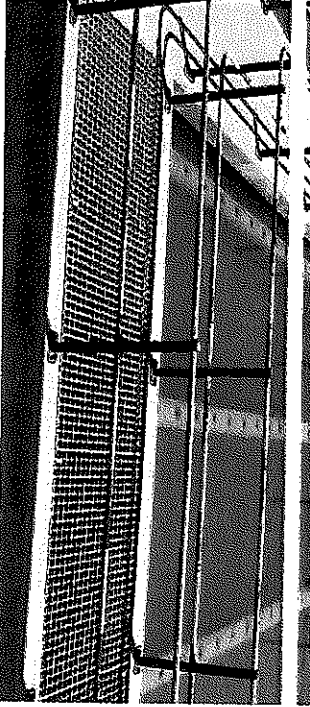
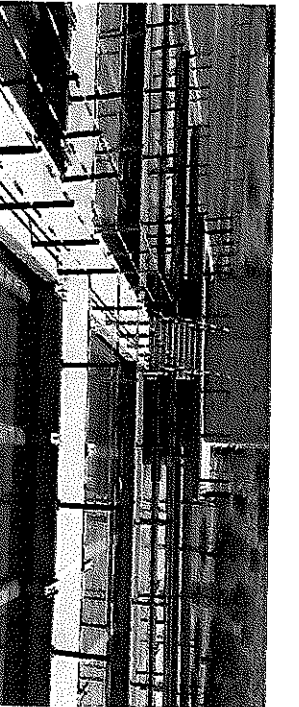
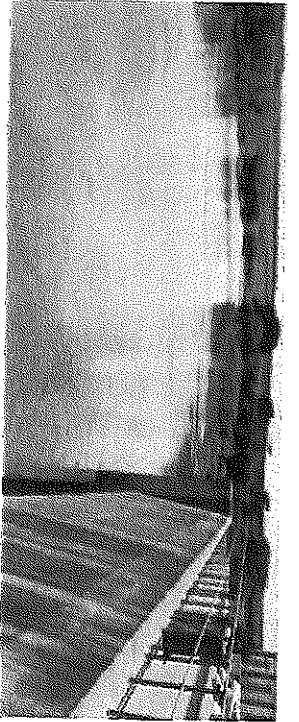


Trompsburg Reservoir



Operations and Maintenance

- During normal operations and scheduled maintenance two major pipe bursts were experienced on the main line. The Minister has since given directive that will financial assist with a long term solution to the problem.
- Winter maintenance planning in consultation with Municipalities and planned activities were 15 and successfully completed
- Thirty seven (37) Borehole exploration and implementation in rural villages were done in conjunction with the university of the Free state. Ten (10) boreholes are already in operation.
- Energy efficiency program – Hydro power is currently operational at Head office and feasibility to extend to the region is underway. LED lights and Solar geysers are being implemented.



Operations and Engineering

bloerwater



3) Financial Overview: Statement of Comprehensive Income For The Year Ended 30 June 2016

	2016 R'000	2015 R'000	
Revenue	469 885	462 255	Income aligned to volumes budgeted and tariff
Water abstraction costs	(21 166)	(23 323)	Expenditure aligned to raw water transfer, treated volumes and budget
Gross Income	448 719	438 932	
Other Income	13 131	25 453	Decrease in Implementing agent fees
Chemicals	(14 383)	(18 899)	
Depreciation	(59 920)	(52 508)	HR expenditure accommodated pension fund valuation movements, filling of vacant positions
Distribution cost	(15 298)	(16 592)	
Energy cost	(96 585)	(87 645)	
Repairs and maintenance	(11 460)	(14 523)	
Employment costs	(150 691)	(140 790)	Improvement of provision for bad debt
Impairment of trade receivables	(111 660)	(34 754)	
Operating expenses	(48 081)	(66 971)	
Operating (loss) / profit	(46 228)	31 703	
Finance Income	35 719	27 772	Finance revenue high due to interest charges on debtors.
Finance costs	(17 935)	(17 339)	Finance cost – payment of loans
(Loss) / profit for the year	(28 444)	42 136	
Other comprehensive Income	-	-	
Total comprehensive (loss) / income for the year	(28 444)	42 136	

Statement of Financial Position for the Year Ended 30 June 2016

	2016	2015
	R'000	R'000
Assets		
Non-current assets	858 761	859 648
Property, plant and equipment	828 627	833 242
Defined benefit asset	30 134	26 406
Current assets	471 612	504 574
Inventories	12 238	10 581
Trade and other receivables	96 267	103 700
Cash and cash equivalents	235 971	293 564
Infrastructure project receivable	127 136	96 729
Total assets	1 330 373	1 364 222

Non current assets marginally lower than budget as not all CAPEX projects were concluded
Defined Benefit asset pension fund improved

Current assets declined due to reduced revenue and non-payment

Mangaung and Kopanong outstanding accounts
Funding committed for loans and CAPEX projects

Statement of Financial Position for the Year Ended 30 June 2016

Equity and liabilities		
Capital and reserves	826 626	855 070
Retained earnings	613 358	643 482
Capital replacement fund	87 350	87 350
Capital development fund	70 217	70 217
Insurance fund	12 122	10 442
Asset DWS reserve fund	43 579	43 579
Non-current liabilities	319 256	320 765
Interest bearing loans and borrowings	231 537	233 046
Deferred income	87 719	87 719
Current liabilities	184 491	188 387
Current portion of interest bearing loans and borrowings	58 771	69 362
Trade and other payables	125 720	119 025
Total equity and liabilities	1 330 373	1 364 222

Reserves declined from declined retained earnings

Transfer to Insurance Fund

Non current liabilities aligned with implementation plan and budget

Current liabilities aligned with revised implementation plan and budget

Accruals for Implementing Agent projects, Eskom, etc

Ratios

Liquidity

The current ratio: 2.55

Cash and cash equivalents

The cash and cash equivalent at the end of the year amounted to: R235 mil. It is earmarked for capital projects – commitments of R206 mil

Debtor days

During the period under review, the debtor days' analysis reflected a regression from 2014/15: 76.27 days to 2015/16 : 70 days

This is due to Late or non-payment of invoices by Mangaung Metro Municipality and continues defaulting and non payment of accounts by Kopanong Local Municipality

Indicators and Financial Actions

- Drought experienced in service area affecting the water demand
- Mangaung Metro as major client payment status
- Sales volumes/revenue below the budget
- Revised budgets to accommodate challenges
- Continued Solvency concern
- Ongoing Liquidity concern
- Debtors position worsened
- Cash position worsened
- Debt ratios remained high due to CAPEX requirements

Notes to the financial statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Public Management Act of South Africa.

Unauthorised and Irregular expenditure

DESCRIPTION	2015/16	2014/15	Variance	Variance	%
	R'000	R'000	R'000	R'000	
Unauthorised expenditure	0	0	0	0	0

DESCRIPTION	2015/16	2014/15	Variance	Variance	%
	R'000	R'000	R'000	R'000	
Irregular expenditure	0	0	0	0	0



Fruitless and Wasteful Expenditure

DESCRIPTION	2015/16	2014/15	Variance	Variance
	R'000	R'000	R'000	%
Fruitless and Wasteful expenditure	0	0	0	0

Analysis: matters relating the audit report per year

2011/12	2012/13	2013/14	2014/15	2015/16
Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

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

Agreed upon procedures on engagements –
performance contracts

Implementing Agent & Directives

Implementing Projects for DWS in support of the Municipalities for Accelerated Community Infrastructure Programme (ACIP) and Municipal Infrastructure Grant (MWIG)

Projects implemented in:

- (i) Xhariep District Municipality – Trompsburg Bulk Water Supply - MWIG
- (ii) Mangaung Metropolitan Municipality (then Naledi LM) - Wepener Outfall Sewer – ACIP

Ministerial Directives

- (i) The Construction of Welbedacht Pipeline: 33.7km Steel pipeline**
 - under Regional Bulk Infrastructure Grant(RBIG) In progress- contractor appointed
- (ii) The Directive for Xhariep Pipeline:** The pre- feasibility study completed and to proceed with detailed feasibility study.
- (iii) Bucket Eradication Programme-** There was no allocation for 2015/2016 and instruction from National treasury that DWS to refrain utilizing Water Boards to implement Bucket Eradication programme.

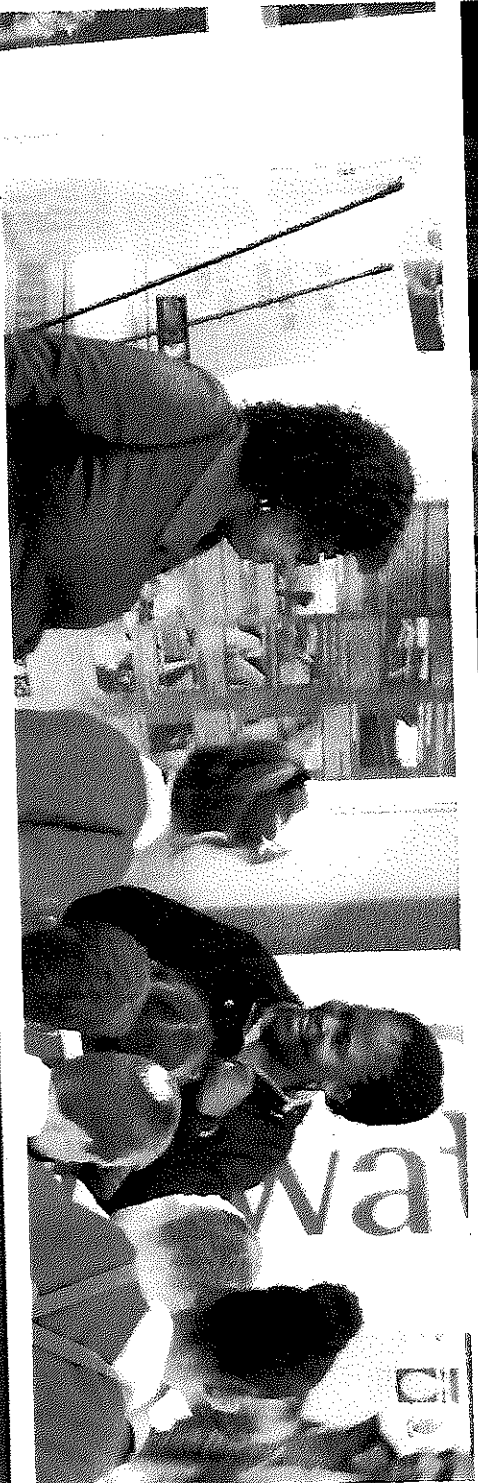
Corporate Social Investment

- Schools Health and Hygiene programme continued to address the issue of sanitation challenges in the rural and underdeveloped communities
- The scope of the Projects entails – renovations of the schools ablution facilities, supply and delivery of the health and Hygiene material , and deep cleaning of schools toilets
- The following are the 68 Schools where the projects were successfully implemented.

Name of the Project	Number of Schools	District	Summary Description of the project
School Health and Hygiene	25	Xhariep, Naledi Municipality	Public school sanitation, cleaning and waste removal, monthly service monitoring and equipment rental
School Renovations	8	Motheo	Repairing, replacing/installing roofs, electricity wiring, plumbing and sewerage systems. Replacement of floors, renovation of restrooms, unblocking pipes
Water Related School Projects	10	Motheo	Connection of pressure valves and pumps, plumbing, Installation of tanks, Provide Jojo tanks, Repair leaks, installation of water basins with taps, water awareness sessions
School Deep Cleaning Project	25	Motheo	Deep Cleaning, Toilet refurbishments, Cleaning chemicals and cleaning material, wall and floor painting, Plumbing, Replacements of toilet seats and door handles



Corporate Social Responsibility



Stakeholder Relations

Support to Municipalities

Bloem Water renders support in operations and maintenance to the following municipalities:

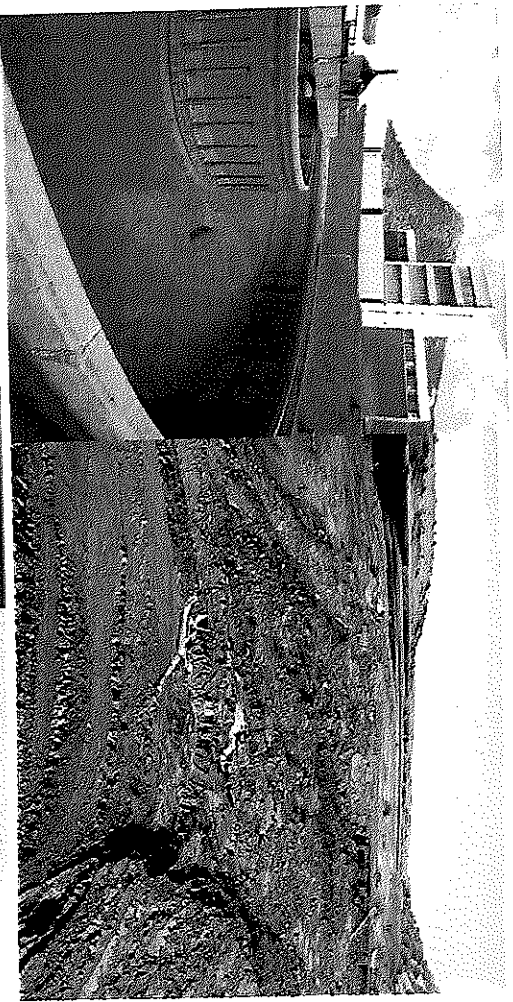
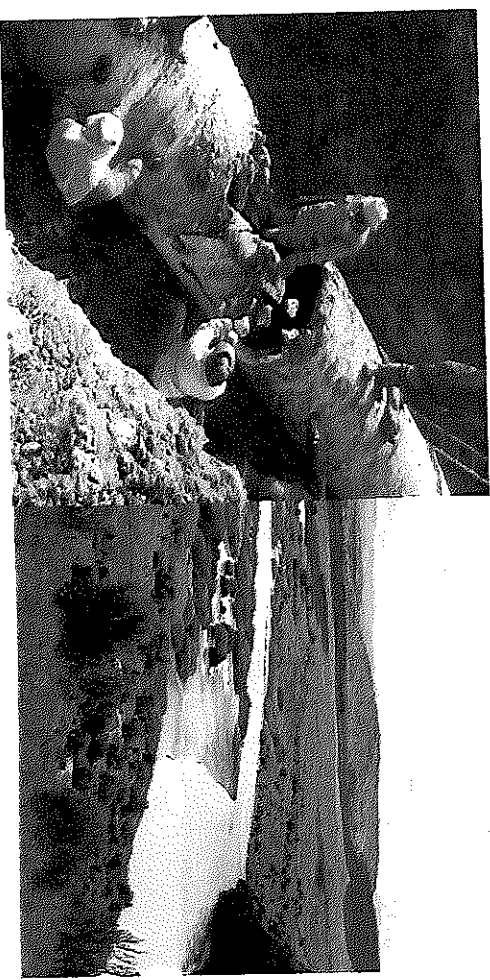
- Mangaung Metro Municipality, (including former Naledi Local Municipality) and is the most frequently assisted with the following services:
 - Daily water delivery via trucks
 - Maintenance of boreholes
 - Maintenance of pipelines (pipe leak repairs)
- Kopanong Local Municipality
 - Maintenance of pipelines (pipe leak repairs)
- Storm Water draining

4) Challenges

- None payment by Municipalities impacting on Implementation of Infrastructure Projects
- Funding requirements for extension projects not secured

High risk of security of water supply due to:

- Infrastructure operating close to its design limit
 - Infrastructure exceeding its lifespan (ageing)
 - Provision for future water demand not in line with the developments in infrastructure
 - Climatic changes- Drought in Catchment
- Deteriorating raw water quality as a result of inadequate catchment management
- Availability of Water Resources
- Siltation of the Caledon River
- Sustainable tariff structure



Challenges conti...

- Water Challenges due to drought
- Capacity constraints and Capex projects
- Aging infrastructure
- Ability to fund future Capex
- Under recovery and affordability
- Debtors position and Cash flow constraints
- Bucket eradication

5) CONCLUSION

- Continuous non-payment by the Municipalities is bringing the financial viability of the entity in jeopardy-intergovernmental relations mechanisms are not assisting
- Planned projects cannot be implemented and the efficient running of the entity is being compromised
- Drought has impacted the availability of the resource