

Bloem Water's Annual report for the 2016/17 financial year

March 2018

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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 381 at the time.

Infrastructure Development

- Infrastructure Programme had a total of twenty nine(29) projects, with a budget of R219 million:
 - (i) Capex Extension Projects: Eleven (11)
 - (ii) Refurbishment Projects: Eighteen(18)
- There are Five (5) Completed projects. Three(3) Extension and two (2) Refurbishment projects
- The remaining twenty (24) Projects will be implemented in 2017/2018 Financial Year
- Currently two projects implemented through DWS directives: Construction 33.7km Welbedacht Steel Pipeline and Mangaung Water Augmentation Project (Xhariep pipeline Feasibility Study

Infrastructure Development: Projects

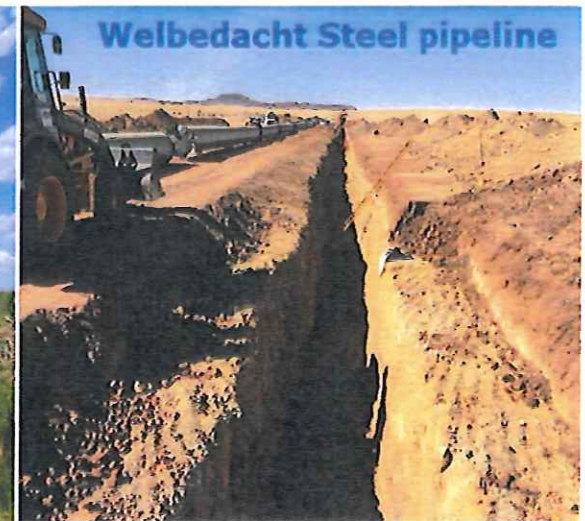
Rustfontein Pipeline



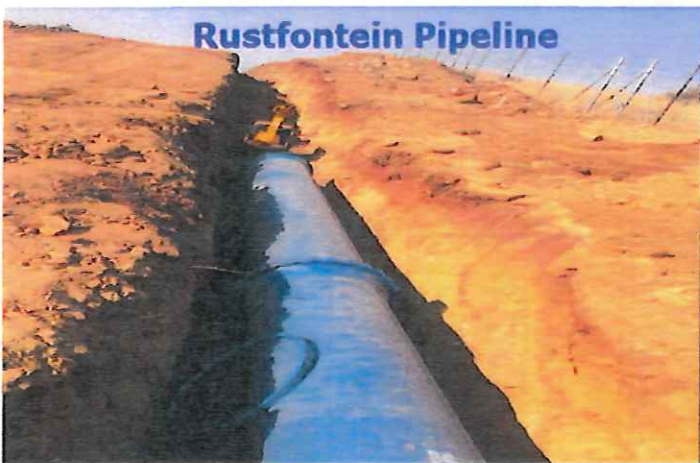
Wegener Pump station



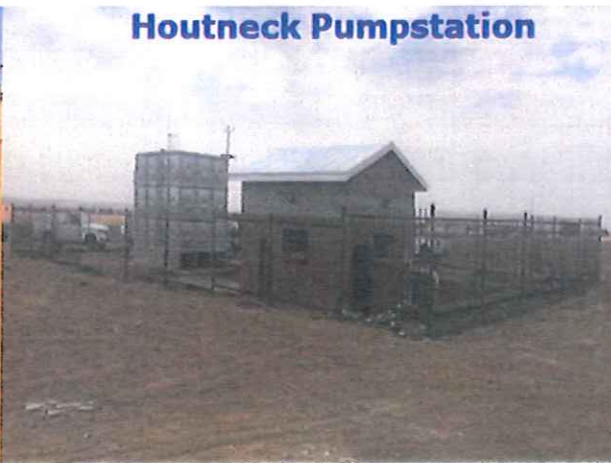
Welbedacht Steel pipeline



Rustfontein Pipeline



Houtneck Pumpstation



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 a directive that will financially assist with a long term solution of the pipeline.
- The annual winter maintenance planning and implementation done by the pipeline reaction team in consultation with Municipalities were successfully completed.
- Bloem water has since put in place a manufacturing workshop aimed at producing pipe distance pieces and pipes. This has reduced costs as most of maintenance material is now done in-house.
- Thirty seven (37) Boreholes exploration and implementation in rural villages of Thaba Nchu were done in conjunction with the University of the Free state. Ten (10) of these boreholes are already in operation.
- Energy efficiency program – Feasibility study to extend Hydro power to the regions is underway. LED lights and Solar geysers are being implemented.

AGEING INFRASTRUCTURE



PIPELINE REACTION TEAM AT WORK



Analysis: matters relating the audit report per year

2012/13	2013/14	2014/15	2015/16	2016/17
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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2017 R'000	2016 R'000
Revenue	661 274	469 885
Water abstraction costs	<u>(21 004)</u>	<u>(21 166)</u>
Gross income	640 270	448 719
Other income	3 745	13 131
Chemicals	(15 130)	(14 383)
Depreciation	(60 275)	(59 920)
Distribution cost	(14 367)	(15 298)
Energy cost	(93 140)	(96 585)
Repairs and maintenance	(11 473)	(11 460)
Employment costs	(170 300)	(150 691)
Impairment of trade receivables	(246 684)	(111 660)
Operating expenses	<u>(37 873)</u>	<u>(48 081)</u>
Operating (loss)	(5 227)	(46 228)
Finance income	57 335	35 719
Finance costs	<u>(15 117)</u>	<u>(17 935)</u>
Profit/(Loss) for the year	36 991	(28 444)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive profit/(loss) for the year	<u><u>36 991</u></u>	<u><u>(28 444)</u></u>

Income aligned to volumes budgeted and tariff
Expenditure aligned to raw water transfer, treated volumes and budget

Decrease in Implementing agent fees

HR expenditure accommodated pension fund valuation movements, filling of vacant positions

Deterioration of provision for bad debt

Finance revenue high due to interest charges on debtors.
Finance cost – payment of loans

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017

	2017 R'000	2016 R'000
Assets		
Non-current assets	825 276	858 761
Property, plant and equipment	776 761	828 627
Defined benefit asset	48 515	30 134
Current assets	439 242	471 612
Inventories	13 272	12 238
Trade and other receivables	219 519	96 267
Cash and cash equivalents	134 067	235 971
Infrastructure project receivable	72 384	127 136
Total assets	<u>1 264 518</u>	<u>1 330 373</u>

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 Metro and Kopanong Local municipalities outstanding accounts
Funding committed for loans and CAPEX projects

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017 cont...

Equity and liabilities

Capital and reserves	863 617	826 626	Reserves increased from increased retained earnings
Retained earnings	647 989	613 358	
Capital replacement fund	87 350	87 350	
Capital development fund	70 217	70 217	Transfer to insurance Fund
Insurance fund	14 482	12 122	
Asset DWS reserve fund	43 579	43 579	
Non-current liabilities	215 771	319 256	Non current liabilities aligned with implementation plan and budget
Interest bearing loans and borrowings	190 749	231 537	
Deferred income	25 022	87 719	
Current liabilities	185 130	184 491	Current liabilities aligned with revised implementation plan and budget
Current portion of interest bearing loans and borrowings	47 455	58 771	
Trade and other payables	137 675	125 720	Accruals for Implementing Agent projects, Eskom, etc
Total equity and liabilities	<u>1 264 518</u>	<u>1 330 373</u>	

Ratios

Liquidity

The current ratio:2.37

Cash and cash equivalents

The cash and cash equivalent at the end of the year amounted to: R134 mil. It is earmarked for capital projects – commitments of R182 mil – Seriously impacted by non payment

Debtor days

During the period under review, the debtor days' analysis reflected a regression from 2015/16 : 70 days to 2016/17 : 111.4 days

This is due to Late or non-payment of invoices: by Mangaung Metro Municipality on normal and drought accounts and continued defaulting and non payment of accounts by Kopanong Local Municipality

Indicators and Financial Actions

- Drought experienced in service area affecting the water demand
- Marga Mangrove 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
- Inability to operate in accordance with approved budgets, tariffs, Capex requirements and funding

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	2016/17 R'000	2015/16 R'000	Variance R'000	% Variance
Unauthorised expenditure	0	0	0	0

DESCRIPTION	2016/17 R'000	2015/16 R'000	Variance R'000	% Variance
Irregular expenditure	0	0	0	0

Fruitless and Wasteful Expenditure

DESCRIPTION	2016/17	2015/16	Variance	%
	R'000	R'000	R'000	Variance
Fruitless and Wasteful expenditure	0	0	0	0

Directives

Ministerial Directives

(i) The Construction of Welbedacht Pipeline: 33.7km Steel pipeline – under Regional Bulk Infrastructure Grant(RBIG) contractor appointed and construction underway :

Scope: Construction of Welbedacht 33.7km ,1000mm Diameter Steel

Project value: R500 million

Duration: 24 months

(ii) The Directive for Mangaung Water Augmentation Project Xhariep Pipeline :The pre- feasibility study completed.

Scope : Detailed Feasibility and Preliminary designs

Duration 16 months

Corporate Social Investment

- Schools Health and Hygiene programme continued to address issues of Water and Sanitation challenges in the rural and underdeveloped communities in areas of service.
- The scope of the Projects entails – repairs of the schools ablution facilities, leakages and provision of the health and Hygiene materials 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 District Mangaung Metropolitan Municipality	school sanitation, leakages, cleaning and monthly service monitoring.
School Renovations	8	Xhariep District	Repairing and replacing plumbing and sewerage systems. Attending to water leakages.
Water Related School Projects	10	Xhariep District Mangaung Metropolitan Municipality	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	Xhariep District Mantsopa LM	Deep Cleaning, providing Cleaning chemicals and cleaning material, wall and floor painting, Plumbing, Replacements of toilet seats and door handles

Schools that won toilet maintenance



Toilet Repairs at schools



DROUGHT



Challenges

- Ability to fund current and future Capex projects
- Continuing Drought
- Ageing infrastructure
- Under recovery due to on going non payment
- Debtors position and Cash flow constraints
- Siltation remains

CONCLUSION

- Drought has impacted the availability of the resource
- 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
- Municipal challenges on tariffs and implementation

