

BLOEM WATER ANNUAL REPORTING 2007/2008

PRESENTATION TO THE

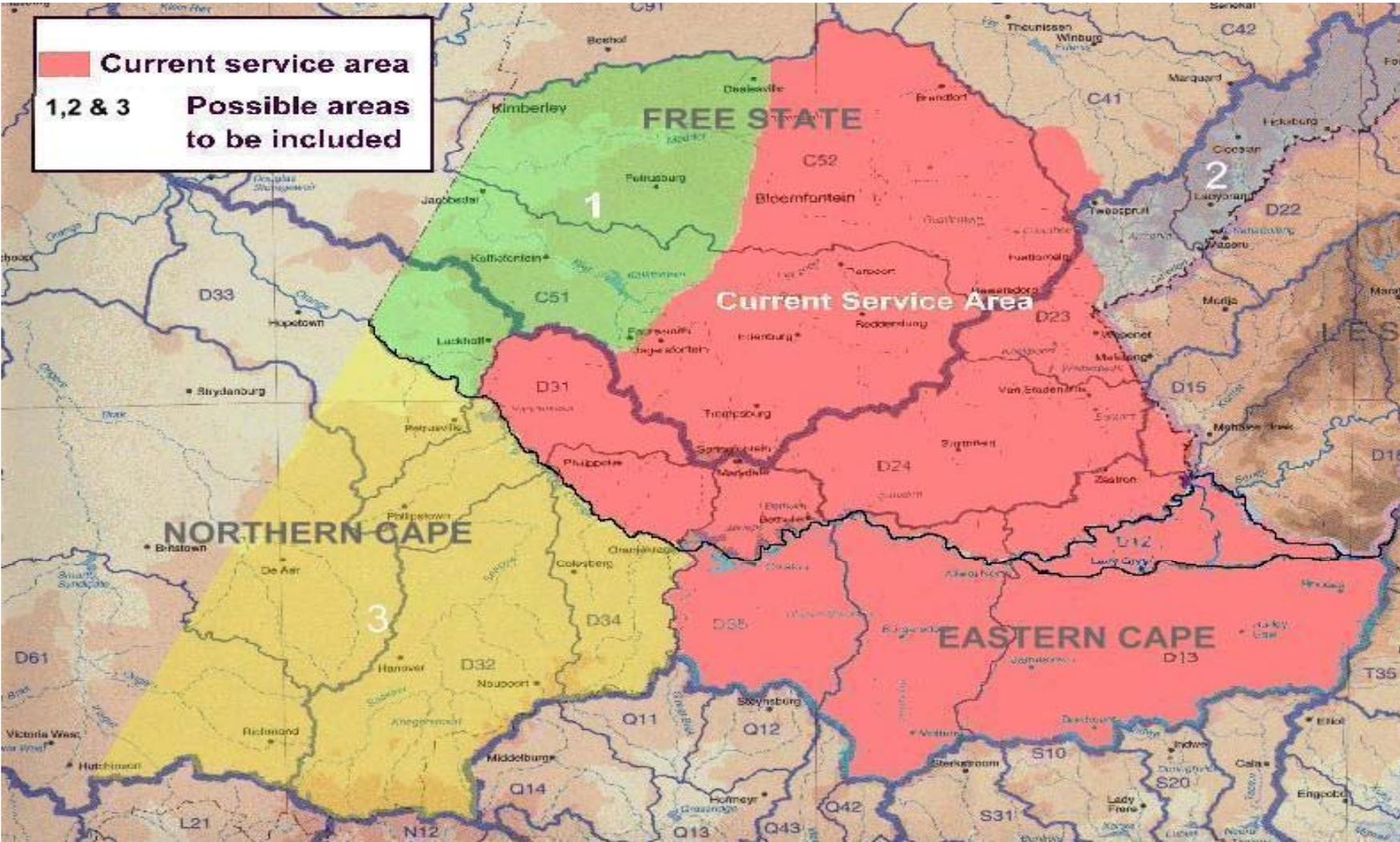
***PORTFOLIO COMMITTEE ON
WATER & ENVIRONMENTAL
AFFAIRS***

1 JULY 2009

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Bloem Water Service Area



SERVICES AREA AND SERVICES PROVIDED

- Bloem Water was established as a Water Board in 1991, with the mandate to provide water services to the Southern and central areas of the Free State. District Municipalities serviced are Motheo and Xhariep and these include the Local Municipalities of Mangaung, Kopanong, Mantsopa and Naledi.
- In terms of the Public Finance Management Act, Act 1 of 1999, Bloem Water is a Schedule 3 B entity, reporting to parliament via its Executive Authority, DWAE.
- In terms of the constitution of South Africa, Bloem Water is an organ of state - established in terms of the Water Services Act, Act 108 of 1997.
- Bloem Water, as a partner of excellence in water, seeks to continue to provide safe, clean, quality water and related services, in line with the Water Services Act, which provides for the establishment of Water Boards to ***assist local government in the delivery of sustainable, efficient and affordable water services.***

ACHIEVEMENTS AND CHALLENGES

- ✓ The year under review has shown that there are exciting possibilities for change which will make universal access to, safe, clean, good quality drinking water and related water services a reality. These exciting possibilities have been embraced successfully.
- ✓ The Organisation has established a reputation for our quality of service and service delivery, which we strive to maintain at all times and shall continue to strive for improvement in order to meet the expectations of the communities we serve and to fulfill our economic, social and environmental responsibilities.
- ✓ We are proud to have realized significant achievements in aspects of our sustainability performance ranging from our impressive financial performance to improved governance practices, effective risk management and the successful implementation of our transformation strategy.

ACHIEVEMENTS AND CHALLENGES ...

- ✓ We provide responsible and sustainable service delivery to our customers (communities we serve) in tandem with upholding the ecological integrity and sustainability of our natural resources – 10 year state of rivers study.
- ✓ We are proud of our initiatives to reach out to the communities we serve, and to provide opportunities for social and economic development. We believe that our service to the community has been rewarded by the high levels of trust and support that we have received from those whom we serve and our stakeholders generally. Trust and support which we will never take for granted and thus we continue to improve on service delivery excellence.
- ✓ Bloem Water, as an employer, is committed to providing a transformed, equitable and rewarding employment in a safe working environment.

OVERVIEW OF BLOEM WATER PERFORMANCE...

- ✓ The transformation and reorientation of the workplace which has been implemented is not merely an adjustment to managerial control, it involves a composite package of:
 - ❑ adjustments to work organisation and allocations (to address the operational challenges and the historical underutilisation of the skills of black workers in particular)
 - ❑ adjustments to grading of positions and introduction of notch increases and its consequent wage and benefits adjustments within the context of the financial positioning of Bloemwater;
 - ❑ Changes to industrial relations generally (spanning the spectrum- from relations with organised labour to enforcing team work and consultation to reducing the length of time of processing disciplinary action and implementation of performance management)
 - ❑ Participation of all workers in and management of Bloem Water as a public service entity.

OVERVIEW OF BLOEM WATER PERFORMANCE..

- ❑ The introduction of flexibility in job profiling and job allocations - the historic rigidities and workplace ethos of hierarchies, strict job demarcations and rigid lines of authority impede communication and makes problem solving and flexibility difficult thus the necessity of introducing amendments to job profiles and allocations.

- ❑ Improved workplace co-operation with labour with the objectives to:
 - ❑ constantly address workplace practices from management and labour which act as impediments to improving communication, equity, efficiency and productivity at all levels and throughout the organisation.
 - ❑ build a new workplace regime, based on a new consensus about roles, rights and responsibilities.
 - ❑ Co-operate in the training of workers on their rights in terms of workplace policies as well as their responsibilities

OVERVIEW OF BLOEM WATER PERFORMANCE...

- ❑ Unite in delivering on our public service mandate - ending the legacy of industrial relations characterised by conflict and confrontation in the interests of all the workers who constitute Bloemwater.
- ❑ Adjustments to the way in which working and living conditions are arranged and allocated;
- ❑ Far reaching, comprehensive and long term skills development planning and implementation is to be effected throughout the organisation so that organisational reorientation and transformation becomes a living reality and a site of ongoing discussion and improvement for each and every employee at Bloem Water irrespective of his or her situation within the organisational structure. In particular the need to identify performing employees to engage in fulltime paid studying so as to fast track the acquisition of qualifications necessary to occupy scarce skilled positions which may be vacant or lacking.

SUMMARY OF BLOEM WATER PERFORMANCE...

- ✓ The improved performance registered from an operations and skills development perspective, bears testimony to the fact that the transformation and democratisation of Bloem Water has begun in earnest.
- ✓ The fine balance upon which Bloem Water's sustainability is premised, namely, financial, operational, environmental and social responsibility decision making and action has once been tried and tested by the challenges of reality. Our unwavering and dedicated support to the Ukahlamba District Municipality and other municipal clients bears testimony to the heightened sense of responsibility which we carry through in practice.
- ✓ As an organization dealing in "*blue gold*" we have once again showed our adaptability, responsibility, responsiveness and accountability. The mammoth task of re-engineering and restructuring the workplace will continue unabated in a consultative and participatory manner.
- ✓ The financial position of Bloem Water remains sound, taking into account the considerable amount payable in interest and capital redemption as well as the involvement of Bloem Water in areas where services are rendered and the operation and maintenance is performed with limited cost recovery.

OVERVIEW OF BLOEM WATER PERFORMANCE...

- ✓ The main concern however remains the non-payment of customers in cost recovery environments. Great strides were made in debt recovery initiatives in respect of the outstanding accounts of major Local Municipality debtors.
- ✓ The payment rate of smaller municipal clients has deteriorated and it is a concern to Bloem Water. The latter continues to receive managements' urgent attention and will be dealt with in terms of the municipal debtors support program aimed at assisting in the improved reduction of commercial losses and revenue collection systems within municipalities. A strict and rigorous debt management strategy has been developed and enforced to address payment challenges by such clients.
- ✓ The Board of Bloem Water has embarked on a revision of the capital expenditure program in consultation with our municipal clients and Regional DWAE. We look forward to the implementation of a more integrated and holistic infrastructure development plan supported by the massive capital injection it will require. We further report that from an operational perspective a turnaround strategy has been developed and implemented incrementally to retake full operational control in addressing challenges identified and its benefits are beginning to show as reflected in the operational departments report.

SUMMARY OF BLOEM WATER PERFORMANCE...

- ✓ Operational effectiveness inter alia encompasses making the best use of organisational resources. Effectiveness in Bloem Water has been achieved by focussing on quality assurance, cost management and delivery systems with the aim of fostering continuous improvement and the constant evaluation thereof.
- ✓ Bloem Water's commitment to excellence is abundantly established by its support through the funding of water quality management and related projects. The organisation aims to continue and extend its reputation by providing a seamless and extensive service to its customers within its area of supply. The aim is to extend this reputation by taking on additional responsibilities in support of DWAE and assisting municipalities through value added customer service, problem resolution and extensive involvement in identified support programs. These programs shall be extensive enough to include various youth and skills development programmes and projects particularly in the rural areas in which we operate where the need is greatest.

AUDIT REPORT AND FINANCIAL OVERVIEW

- ✓ **External Audit Report**
 - ❑ No Qualification

- ✓ **Major Achievements in terms of financial performance for period 1 July 07 to 30 June 08 – in relation to the budget:**
 - ❑ Continued Solvency
 - ❑ Ongoing Liquidity
 - ❑ Remain a Going Concern
 - ❑ Debtors position improved with proactive debt management process in place.
 - ❑ Cash position improved
 - ❑ Debt ratios remained high due to CAPEX requirements
 - ❑ Water sales higher than budgeted for
 - ❑ Streamlining of the pension fund in terms of funding the deficit

- ✓ **Net surplus of R49,1 million, of which R47 million was transferred to capital replacement and development fund as well as the insurance fund.**

GENERAL ...INFRASTRUCTURE DEVELOPMENT

- ✓ Factors influencing infrastructure development are listed as:
 - Growth in volumes of water supplied (Water Demand)
 - Refurbishment, renovation or replacement of existing assets

- ✓ Infrastructure development comprises of:
 - Expansion of Area of Supply (this entails "new" areas of supply);
 - Refurbishment of assets (work undertaken to existing assets to renovate, upgrade to standard, repair or replace existing assets without increasing system capacity).

- ✓ Infrastructure development projects, (current) amount to R64 million and is premised on the need to preserve existing capacity, optimize operational and maintenance efficiency and reduce the risk of failing to supply. Thus the projects range from the installation of standby pump capacity to the installation of chlorine booster stations, telemetry and leak detection.

- ✓ Infrastructure development projects (pending) amount to R48 million for the new fiscal year.

REFURBISHMENT PROJECTS

Description	Priority	Proposed date	Est. Present Value (million)
Thaba Nchu Bulk/Reticulation Separation	Medium	2008	R 0.5
Lesaka Pump Station: Additional Standby Pump	Medium	2008	R4.2
OK Pump Station: Additional Standby Pump	Medium	2008	R1.2
Thaba Nchu: Replace tanks at rural villages (5 x 6kl)	Medium	2008	R0.8
Tienfontein: Transformers	High	2008	R1.7
Novo: Transformers	High	2008	R3.9
Welbedacht: WTW: Raw Water Connection	High	2008	R1.7
Welbedacht WTW: Ammonia & Chlorine Treatment	High	2008	R1.8
Welbedacht WTW: Washwater Recirculation	Low	2009	R3.0
Welbedacht WTW: Refurbish Filters	Medium	2008 to 2010	R3.0
Wel-Bfn Pipeline: Inline Cl2 & pH monitoring	High	2008	R0.8
Wel-Bfn Pipeline: Pipeline renovation & relining	High	2008 to 2011	R8.0
Wel-Bfn Pipeline: Replace air and isolating valves	Low	2008 to 2010	R1.0
Wel-Bfn Pipeline: Upgrade connections	High	2008 to 2009	R3.2
Wel-Bfn Pipeline: Chlorine dosing at Uitkijk Res.	High	2008	R2.0
Wel-Bfn Pipeline: De Hoek rising main repair	Medium	2009	R1.0
Reddersburg WTW: Refurbishment	Medium	2008	R0.5
Hennie Steyn: Gravity Line (Bethulie WTW)	High	2008	R2.8
Bethulie WTW: Extend sludge dams	Low	2009 to 2010	R2.0
Philippolis Supply: New Reservoir	Medium	2008	R0.6
Orange River Region: Upgrade Chlorine dosing installations	Medium	2008 to 2010	R0.5
Other: Upgrade SCADA/Telemetry System	High	2008 to 2009	R6.0
Other: Bloemfontein Office	Medium	2008	R3.0
Other Civil houses in regions	Medium	2008	R2.0
Other: Additional boreholes in regions	Medium	2008 to 2009	R0.4
Other: Cathodic protection systems rehabilitation	High	2008 to 2011	R8.0
TOTAL REFURBISHMENT PROJECT COST			R63,2

GENERAL ...STATE OF WATER QUALITY

- ✓ Throughout our service area particular attention is paid to water quality issues and complies in all respects to SANS 241 standards.
- ✓ Our water monitoring programmes which have been in place for a number of years and which has been refined over time are comprised as follows:
 - ❑ 2 hourly tests with results recorded throughout the treatment process to monitor amongst others chlorine levels, ph, turbidity and conductivity;
 - ❑ Weekly bacteriological tests conducted by the institute for underground studies at the Free State University as an independent monitor.
 - ❑ Raw water quality monitoring on a quarterly basis as part of a bio monitoring project in the interests of alerting DWAE to raw water pollutants upstream.
- ✓ Data in respect of water quality is logged via Regional DWAF into the National Water quality register.

GENERAL . . . STATE OF WATER QUALITY

- ✓ Programmes being developed and have been developed to extend water quality monitoring programmes, in partnership with smaller municipal clients, in order to ensure quality of water from source to tap. This programme, *inter alia*, includes setting up functional multi-stakeholder forums to monitor and attend to failures as speedily as possible if and when they arise.
- ✘ Major challenge relate to, *inter alia*, raw water quality, specifically from the Caledon River, where excessive siltation makes water treatment costly from a chemical and equipment perspective. Regional DWAE have been approached to assist in the long term resolution of the siltation problem as well as municipal and other pollutants in general.

CONCLUSION

- The energy crisis has highlighted major challenges in our use of a natural resource. Up to now, the vast flows of eco-system services/natural resources (water, oil, land, energy, and wastes) that have been pumped through the Bloem Water system were cheap enough to make it all viable. This 'consumption' model assumes that the eco-system would continue providing these resources forever. However the reality shows that these resources will start to run out or reach unpredictable eco-system thresholds.
- The Bloem Water system is extremely resource intensive. Every oil price rise corresponds to net increases in the amounts of cash transferred from the Bloem Water system and economy into national and global financial circuits. This means less cash is available in the local economy for households and businesses to circulate. What does all this mean for the future development path that Bloem Water must follow? Is there 'elbow room' or space for Bloem Water to move away from a 'consumption' model to a sustainable model?
- In subsequent financial years, we must look at alternatives in this regard. We must integrate the ecological limits into our system of working in every respect .

CONCLUSION

- In this way, the 'consumption' model would be gradually replaced by a new model: a 'sustainable' model that decouples improving living standards from rising (and increasingly unsustainable) resource consumption. The 'sustainable' approach goes together with the following concepts: equity, sustainability, integration, labour absorbing, transforming spatial patterns, sustainability, broad-based, redistributive, own production, local economy, and self-reliance.
- Bloem Water's future remains contingent both on the willingness of actors within and outside to continue to search for better ways of working together and on the availability of resources upon which these agents of change are able to draw- both financial and human – thus the continued efforts at ensuring financial viability and the introduction of extensive learnership and on the job training programmes to ensure the continued development of human resources both within Bloem Water and at municipal level.
- There are exciting possibilities which all our stakeholders ought to embrace and unite around in the realisation of our public service mandate. In this regard we undertake to the Portfolio committee to continue:

CONCLUSION

- Assisting government in its commitment to work together in speeding up economic growth and transforming the economy to create decent work and sustainable livelihoods.
- Assist government in building a sustainable economic and social infrastructure.
- Strengthening our province's skills and human resource base.
- Working together with all governmental sectors to build a cohesive, caring and sustainable community and environment.
- Working with OUR SISTER ORGANISATIONS IN AFRICA in pursuing African advancement and ensuring sustainable resource management. Our 10 year partnership with the Northern Region Water Board who have provided invaluable engineering expertise bears testimony to our developmental commitment.
- Working with our communities, supported by various government departments we will continue to embrace the exciting possibilities which exist for developing our province and country.