



BOTSheLO WATER

PRESENTATION TO

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The Parliamentary Portfolio Committee on Water and Environmental Affairs

25 April 2012

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1. OVERVIEW OF THE BOTSHELO WATER BOARD

- Botshelo Water (BW), which was formerly the Bophuthatswana Water Affairs, Bophuthatswana Water Supply Authority, and North West Water Supply Authority, has operated the bulk water supply resources of the NMMDM & DrRSMDM since before the 1994 elections and these assets that belonged to the Department of Water Affairs were transferred to the NMMDM instead of Botshelo Water.
- They are involved in 3 main Functions with the indicated income
 - Bulk Water Production (R 84 M).
 - Operation and Maintenance of Municipal Infrastructure (R 62 M).
 - Supply and billing to retail consumers on behalf of WSAs (R 8 M).
- Only the Bulk is considered a “Primary Activity” although the other 2 account for 45% of income.

- BW also operates and maintains the infrastructure for an on behalf of NMMDM and DrRSMDM for rural and peri-urban areas to over 100 villages and settlements.
- This infrastructure comprises
 - 95 Diesel Engines
 - 56 Electric Pumps
 - 88 Hand Pumps
 - 119 Windmills
- All of these items are **owned** by the WSAs (DMs.)
- All of which are maintained and operated by BW including replacement at the end of useful life.
- The assets of BW are limited to some operational buildings, residential houses and vehicles etc.

2. Issues raised by the Portfolio Committee in 2011

□ Going Concern

- Recovery of debt
- Long term Contracts with Water Service Authorities
- 5 Year CAPEX Plan / Assets Transfer (No assets)
- Concentrating on Secondary Activity

□ Audit

- Issues 2010
- Preparation of Audit 2011

3. Annual Report 2010/11: Annual Financial Statements

Financial Position-Assets

Item		2010/11 R Mil	2009/10 R Mil	2008/09 R Mil
Assets				
Property Plant and Equipment		20.3	20.6	23.8
Investment Properties		7.7	7.5	7.5
Long Term Receivables		-	-	3.0
Trade Receivables		84.5	37.5	27.7
Inventory		5.3	5.4	2.8
Cash		13.7	32.4	26.1
Total Assets		131.5	103.4	90.9

4/30/12

3. Annual Report 2010/11: Annual Financial Statements (Cont)

□ Financial Position-Equity and Liabilities

Item	2010/11 R Mil	2009/10 R Mil
Reserves	11.8	10.9
Retained Earnings	7.8	(1.0)
Trade and Other Payables	106.0	80.2
Provisions	5.8	13.3
Total Liabilities	131.4	103.4

3. Annual Report 2010/11: Annual Financial Statements (Cont)

Income Statement

Item	2010/11 R Mil	2009/10 R Mil	Increase/Decrease
Revenue	89.1	99.0	(10%) Good rains
Cost of Sales	(45.6)	(39.0)	
Gross Profit	43.5	60.0	(28%)
Investment Income	2.8	2.3	
Employee Cost	(25.0)	(22.3)	
Depreciation	(1.6)	(0.5)	
Other	(10.8)	(30.8)	(65%)
Fair Value	(0.1)	(3.5)	

3. Annual Report 2010/11: Annual Financial Statements (Cont)

□ Issues

- Slow Payment of the Water Service Authorities
- Going Concern:
 - Solvency
 - Debt to DWA
 - Assets
 - Secondary vs Primary Activities

3. Annual Report 2010/11: Audit Report

- Botshelo Water received a disclaimer for 2010 / 11

- Root Causes (Number 30 to 38 of the AG audit report – pages 72 of Annual Report) are as follows:

- Lack of oversight by accounting authority in terms of financial and performance reporting.
- Ineffective HR management in terms of sufficient skilled resources.
- Policies and procedures not established and communicated.
- Inadequate development and monitoring of action plans to address internal control deficiencies.
- Inadequate IT.
- Dysfunctional Accounting System.
- Inadequate financial and performance management system.

3. Annual Report 2010/11:

Performance against strategic objectives

- These are reflected on pages 58 through 63 of the Annual Report, reflecting performance indicator targets, actual performance and reasons for deviations.
- In general achieving targets during 2010 / 11 was a challenge as KPAs were not set according to SMART principles (AG report pg 70 of Annual Report), however many of the measurable objectives were achieved notwithstanding the fact that BW was substantially short of the necessary resources. (Water supply was sustained)

4. CAPEX

- As a result of the infrastructure being transferred to the Water Services Authority, (DMs) instead of BW, like other Water Boards, BW has no water infrastructure assets.
- CAPEX budget is of little significance as the only items budgeted for are vehicle replacement and operational items such as furniture, computers ,chlorination and laboratory equipment.
- Replacement of items that have reached the end of their useful life are included in the operational budgets, and recovered from the DMs or the water

5. Strategic Objectives 2012

- To implement a turnaround plan to remove disclaimer.
- To negotiate long term Water Services Provider Agreements with our clients (DMs) to be able to attract staff to BW.
- Total buy in from all stakeholders to water services.
- To have the assets transferred to BW or implement a more equitable agreement so that BW has “possession” of the assets. (eg. Lease)

5. Strategic Objectives 2012 Cont.

- The first milestone to convince the authorities to transfer assets will be a clean or greatly improved audit report.
- Be a going concern. (Municipalities need to pay)
- Prove, through adequate operations and maintenance, that BW is compliant with all issues relating to water production and achieve an acceptable blue drop score. (Other LMs, not in BW area, affect overall score)
- Ensure that BW have adequate and qualified staff to undertake the operations and maintenance of the infrastructure in a sustainable manner. (Long term Agreements)

- Comply with all aspects of water conservation and

5. Strategic Objectives 2011/12:

Progress to Date

- Financial management improvement plan (Enterprises Resources Management , Pastel Evolution, system to go live 01/06/2012 and improvement plan to be complete 30/06/2012)
- Organisational review (30/06/2012)
- Blue drop is greatly improved, await results at WISA conference in Cape Town (08/05/2012)
- Better asset management and maintenance to reduce Water losses will be included in ERM system.
- Improve Customer relation through CRM module in ERM system.

6. Bulk Water Tariff Increases

- Botshelo Water did not manage to increase its tariff for 3 years prior to 2009.
- The tariff process has, since 2009, been well managed, with challenges from the Municipalities that do not attend tariff consultation meetings.
- DWA, SALGA Provincial and National Treasury have been well represented.
- Raw water costs, quality and electricity increases remain a challenge, but % increases have come down over last 3 years.
- The tariff per kl + VAT over the last 4 years with % increases are indicated below:
 - 2009/2010 R3.14 + 0.44 = R 3.58

7. Alignment of Strategy with Government outcomes

- Strategic goals and Objectives
- To provide water services
 - Click to edit the outline text format
 - Second Outline Level
 - Third Outline Level
 - Fourth Outline Level
- To provide water supply infrastructure services
 - Fifth Outline Level
 - Sixth Outline Level
- To Promote sound stakeholder presentation to the Potfolio

- Ministers Outcome
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- Infrastructure Development (6) Rural Development (7), 8 & 9
 - Fourth Outline Level
 - Fifth Outline Level
 - Fifth Level
- 7, Local Government (9) & 10
 - Sixth Outline Level
 - Sixth Level
 - Sixth Level

8. Focus Areas for 2012 /13

□ To provide water services

- Water volumes (sourcing, distribution)
- Water quality

□ To provide water supply infrastructure services

- Infrastructure installations (water infrastructure assets, yard connections, bulk pipelines)
- Infrastructure operations (pipelines, reservoirs, pump stations, metering, water pressure systems, boreholes)
- Infrastructure maintenance (pipelines, reservoirs, pump stations, metering, water pressure systems, boreholes)

□ To promote sound stakeholder engagement

- Education / training
- Awareness creation (campaigns, events, information sharing, outreach programmes)

9. Challenges

- Recovery of payments from all bulk (Primary activity) and operational maintenance customers (considered secondary by AG) - Our main customers are Mafikeng Local Municipality who owe R 32 M, NMMDM (R 41 M) DrRSMDM (R 6 M)
 - This totals R 79 M 66% of our annual budget and growing.
- Lack of long term SLAs
 - Inadequate human, financial, infrastructure and management resources .

□ Going concern

4/30/12

THANK YOU