



**OVERBERG WATER**

*presentation to*

**PORTFOLIO COMMITTEE**

**25 April 2012**

**Appraisal**

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# OVERVIEW

- Provide Bulk potable water to the towns of Caledon (Theewaterskloof Mun) and Heidelberg WC & Slangriver (Hessequar Mun)
- Provide Retail potable water to rural areas around Caledon (Theewaterskloof Mun), Bredasdorp & Waenhuiskrans (Agulhas Mun), Swellendam (Swellendam Mun), Heidelberg & Witsand (Hessequa Mun).
- Retail water provided to  $\pm$  850 clients over a pipe network of  $\pm$  1400 km.

## CAPACITY & UTILIZATION

Scheme Name	Provision to	Capacity m3/day	Designed Utilization	Actual Utilization
Duivenhoks	Towns	2 030	67%	62%
	Rural	2 970	58%	71%
	<b>TOTAL</b>	<b>5 000</b>	<b>61%</b>	<b>66%</b>
Rûensveld-East	RURAL	3 500	58%	65%
Rûensveld-West	Towns	6 600	71%	63%
	Rural	2 900	58%	61%
	<b>TOTAL</b>	<b>9 500</b>	<b>67%</b>	<b>62%</b>

Ultimate Target:  
Towns-75% &  
Rural – 80%

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# FEEDBACK ON ISSUES RAISED 2011

- 💧 A general query was raised in respect to salaries & bonuses paid by Water Boards
- 💧 Complied with the request by DWA to send detail of salary structure for 2009/10
- 💧 Overberg Water did not pay any bonuses in both the 2009/10 & 2010/11 financial years.



# ANNUAL REPORT 2010/11 – Income Statement

## *Consolidated Income Statement*

*INCOME*

*EXPENSES*



# ANNUAL REPORT 2010/11 – C/Flow Statement

## Cash & Investments

Item	Amount (R)
Net Income	4 011 345
Changes in Working Capital	( 2 123 810)
Adj for Depreciation	2 213 449
CAPEX	( 6 665 789)
Movement for year	( 2 564 805)
Opening Balance	21 013 792
<b>TOTAL END OF YEAR</b>	<b>18 448 987</b>

Item	Amount (R)
Operating	2 921 149
HR/Training	564 566
Furniture, Equipm & Vehicles	2 110 479
Infrastructure	11 646 993
Airvalves (DWA Loan)	1 205 800

Reserved for





# ANNUAL REPORT 2010/11 – Balance Sheet

*CAPITAL EMPLOYED*

*R79 576 334*

*EMPLOYMENT OF CAPITAL*



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# ANNUAL REPORT 2010/11 – Audit Report

- **Unqualified Audit Report**

- **Performance Management (not influencing audit opinion):**

- **Not fully comply**
- **Auditors report quarterly to Auditor General on progress regarding compliance**
- **With each quarter progress is made**





# ANNUAL REPORT 2010/11 – Objectives & KPI's

Performance Objective	Outcomes / Impact	Indicators	Measure	Target 2010/2011	Actual 2010/2011	Comments
1 Water quality compliance	Water quality standards met	Test results, SANS 241	% Compliance	≥90%	97,44%	Target met
2 Water losses	Reduced levels of unaccounted for water	Water lost as a % of total water produced	%	≤10%	8,94%	Target met
3 Reliability of supply	No unplanned interruptions to supply exceeding 24 hours	% of number of days supply disrupted divided by total number of possible supply days	%	≤2%	0,45%	Target met
4 Obtaine unqualified audit report	Unqualified audit report	Annual external audit	Qualified / Unqualified	Unqualified Report	Unqualified Report	Target met
5 Staff turnover	Optimal staff retention	% staff leaving	%	≤10%	3,23%	Target met
6 Board member meeting attendance	Appropriate attendance of meetings	% attendance	%	≥75%	100%	Target met
7 Positive internal audit report	Internal audit issues dealt with	Internal audit reports	Satisfactory / Unsatisfactory	Satisfactory	N/A	An internal auditor has recently been appointed. Audit Committee dealt with internal audit issues
8 Bulk supply agreements with municipalities	Statutory and service level agreements in place	% municipalities with bulk supply agreements	No	4 / 4 = 100%	1 / 4 = 25%	Busy with consultations with municipalities
9 Improve financial ratios	Improved viability	Ratios	Positive trend established	Positive or equal	6 out of 8 positive or equal	See next slide for detail
10 Increase BBEEE discretionary spend	% of spend increased	Quarterly Reports	% increase	0 - 5%	52,33%	Target met
11 Manage costs within the approved budget (operational)	No over expenditure / losses	Financial Reports	% variance	≤10%	(3,36%)	Target met
12 Achieve statutory reporting compliance	Reporting compliance achieved	Statutory submissions made on time	Submission dates missed	0	0	Target met
13 Surplus targets (operational)	Targets as per SHC met	Financial Reports	% variance	≤10%	35,79%	Operational Income = 2,90% more than budgeted (R750 431) Operational Expenses = 3,36% less than budgeted (R730 238)



# ANNUAL REPORT 2010/11 – Objectives & KPI's

	Indicator/Ratio	Measure	Target 2010/2011	Actual 2010/2011
1	Average Raw Water Tariff	c/m3	12	13
2	Average Bulk Water Tariff	c/m3	337	348
3	Average Retail Water Tariff (retail part of tariff)	c/m3	432	508
4	Investment in Infrastructure	R	12 110 000	6 773 970
5	Current Ratio	#	2,97	2,87
6	Quick Ratio	#	2,87	2,82
7	Debt-Equity Ratio	#	0,39	0,59
8	Debt-Asset Ratio	#	0,39	0,37
9	Debtor Days	Days	65	90
10	Average Payment Period	Days	44	45
11	Return on Assets	C	3	6
12	Return on Turnover	C	7	13



# CAPEX

## 💧 BUDGETED VS ACTUAL 2010/2011

- Budgeted BP = R12 110 000 - Actual = R6 773 970
- Available capital for infrastructure limited – very careful planning needed as well as reserve for emergencies.
- Decided on Extensive Asset Management System (WAM Technology)
- Phase 1 (production) 95% completed & Phase 2 (retail) started on

## 💧 FUTURE CAPITAL NEEDS FOR INFRASTRUCTURE REFURBISHMENT:

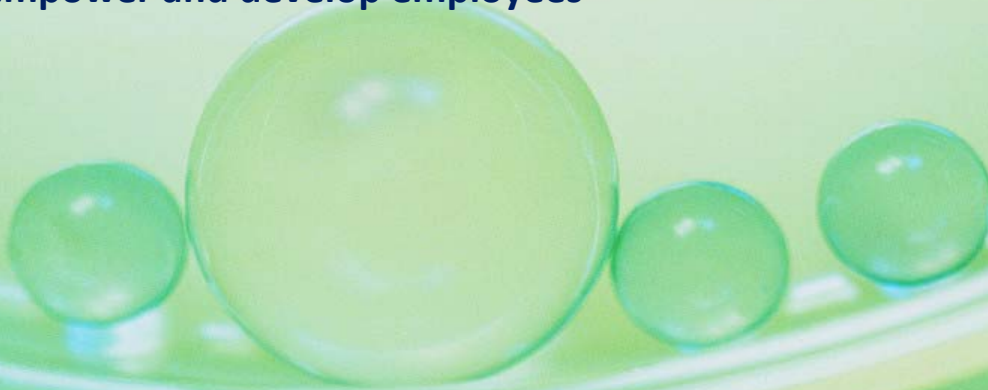
- 2012/2013 to 2016/2017: Will need R114 m of which we can generate R36,5 m (based on certain economic & tariff increase assumptions).
- Still shortfall of R77,5 m
- After 2016/2017: Still need another R230 m of which R180 m is for replacement of asbestos pipelines.





# STRATEGIC OBJECTIVES 2011/12

- 💧 Ensure access to potable water in area of service
- 💧 To manage financial affairs to meet current and future obligations
- 💧 To operate, maintain, develop and refurbish infrastructure
- 💧 To be an aligned and effective institution
- 💧 To empower and develop employees



# PROGRESS ACHIEVING OBJECTIVES 2011/12

Performance Objective	Outcomes / Impact	Indicators	Measure	Target 2011/2012	Actual 2011/2012
1 Water quality compliance	Water quality standards met	Test results, SANS 241	% Compliance	≥90%	97,95%
2 Water losses	Reduced levels of unaccounted for water	Water lost as a % of total water produced	%	≤10%	8%
3 Reliability of supply	No unplanned interruptions to supply exceeding 24 hours	% of number of days supply disrupted divided by total number of possible supply days	%	≤2%	0%
4 Obtaine unqualified audit report	Unqualified audit report	Annual external audit	Qualified / Unqualified	Unqualified Report	NA
5 Staff turnover	Optimal staff retention	% staff leaving	%	≤10%	8,96%
6 Board member meeting attendance	Appropriate attendance of meetings	% attendance	%	≥80%	100%
7 Positive internal audit report	Internal audit issues dealt with	Internal audit reports	Satisfactory / Unsatisfactory	Satisfactory	N/A
8 Bulk supply agreements with municipalities	Statutory and service level agreements in place	% municipalities with bulk supply agreements	No	4 / 4 = 100%	1 / 4 = 25%
9 Improve financial ratios	Improved viability	Ratios	Positive trend established	Positive or equal	Improved or deviate little
10 Increase BBEEE discretionary spend	% of spend increased	Quarterly Reports	% increase	0 - 5%	52,33%
11 Manage costs within the approved budget (operational)	No over expenditure / losses	Financial Reports	% variance	≤10%	(5,93%)
12 Achieve statutory reporting compliance	Reporting compliance achieved	Statutory submissions made on time	Submission dates missed	0	0
13 Surplus targets (operational)	Targets as per SHC met	Financial Reports	% variance	≤10%	Over-R2,8 m realisation invest not in BPlan

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# PROGRESS ACHIEVING OBJECTIVES 2011/12

	Indicator/Ratio	Measure	Target 2010/2011	Actual 2010/2011
1	Average Collection Period	Days	90	82
2	Average Payment Period	Days	35	40
3	Net Working Capital	R	8 528 435	19 501 606 (all investments in cash)
4	Current Ratio	#	2,74	4,71
5	Quick Ratio	#	2,58	4,58
6	Debt-Asset-Ratio	#	0,37	0,36
7	Debt Service Ratio	#	0,00	0
8	Long-Term Debt Ratio	#	0,32	0,24
9	Return on Assets	#	0,05	0,02
10	Return on Turnover	#	0,09	0,09

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Regarding other Performance Objectives: Performance Management System 95% completed and start implementing March 2012 (surely with growing pains)





# BULK WATER TARIFF INCREASES 2012/13

## 💧 Proposed bulk water tariff increases for 2012/13:

- Heidelberg WC & Slangriver: R4,29 – R4,84 per m<sup>3</sup> = 12,82% increase
- Caledon: R3,75 – R4,11 per m<sup>3</sup> = 9,60% increase

## 💧 Motivation:

- Increases of above inflation for certain input costs (especially electricity, chemicals & labour costs which equals roughly to 78% of total bulk provision's total operational costs (excluding depreciation).
- In dire need of capital for infrastructure refurbishment. Even with proposed tariff increase for 2012/13 and similar increases thereafter, it will still not give sufficient capital.



# ADJUSTMENT BULK WATER INCREASES 2012/13

- Adjustment to proposed bulk water tariffs for 2012/13 – ESKOM reduced increase:
  - Overberg Water's financial year = 1 July
  - ESKOM's financial year = 1 April
  - If it is assumed that another 16% ESKOM tariff increase will be implemented 1 April 2013 : equates to an effective increase of 20,64% for OW (25% provided for in initial budget)
  - Result in decrease in electricity budget of R210 000
  - Result in decrease of 4c/m<sup>3</sup> on each proposed tariff
- Due to small amount in saving, OW would like to request permission to keep tariffs as initially proposed in the light of capital needs for infrastructure refurbishment



# ALIGNMENT WITH GOVERNMENT

*Overberg Water contributes to the Ministerial Programme of Action as follows:*

- ◆ **Outcome 7: Vibrant, Equitable and Sustainable Rural Communities with Food Security for All**
  - ◆ Partnering with local municipalities to ensure rural communities have access to potable water (Witsand/Slangriver)
  - ◆ Administer the distribution and installation of rain water harvesting tanks in the region.
  - ◆ Our retail client base is largely commercial farmers, providing employment and food security.
  - ◆ Training initiatives undertaken with government funding leading to permanent and fixed-term employment opportunities.
- ◆ **Outcome 10: Environmental Assets and Natural Resources that are well protected and continually enhanced**
  - ◆ Delivering potable water that complies with SANS241 standard – Class 1.
  - ◆ Employing new technology in water purification (UF plant and ECA pilot) to reduce use of chemicals.

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Water conservation and demand management initiatives





# STRATEGIC FOCUS 2012/13

- As previous year, with added/special focus on:
  - Improving working relationship with municipalities (collaboration)
  - Income stream
  - Performance Management System
  - Training to address skills shortage in sector (Water Work Controllers)
  - Technology (Already installed Membrane technology / Ultra-filtration Plant)
  - Continual support to DWA with Project Initiatives (eg Masibambane)



# CURRENT CHALLENGES

- 💧 Major: Capital for Infrastructure refurbishment and subsequent threat to current level of service delivery
- 💧 Clients' ability to pay higher than normal tariff increases to address capital needs
- 💧 OW's ability to absorb higher-than-inflation increases in input costs into small capacity / client base
- 💧 Addressing increasing demand on workforce to ensure maintaining continuous high service delivery standards and compliance to regulatory, legal & audit requirements.





**OVERBERG WATER**

**THANK YOU**



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