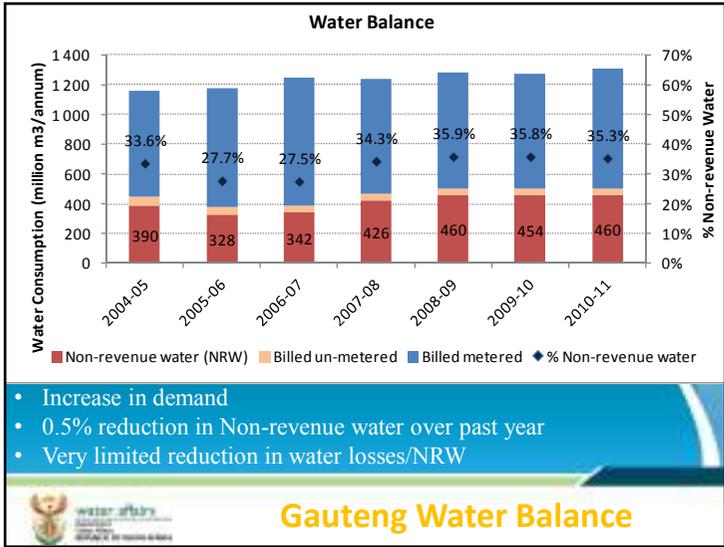
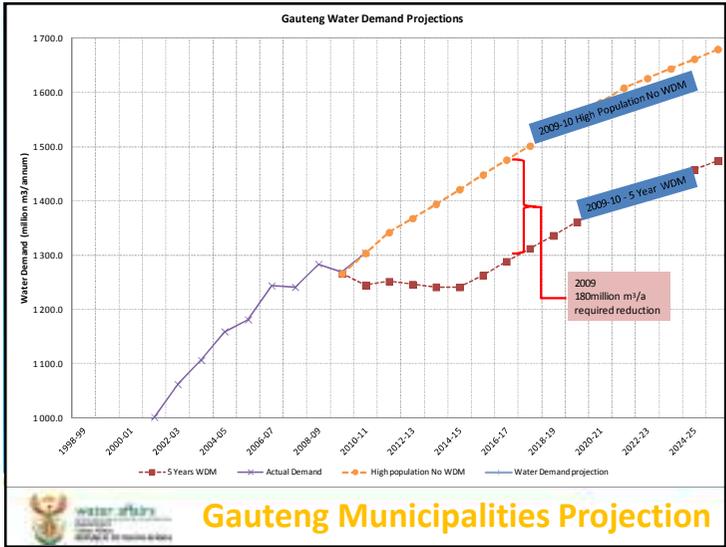
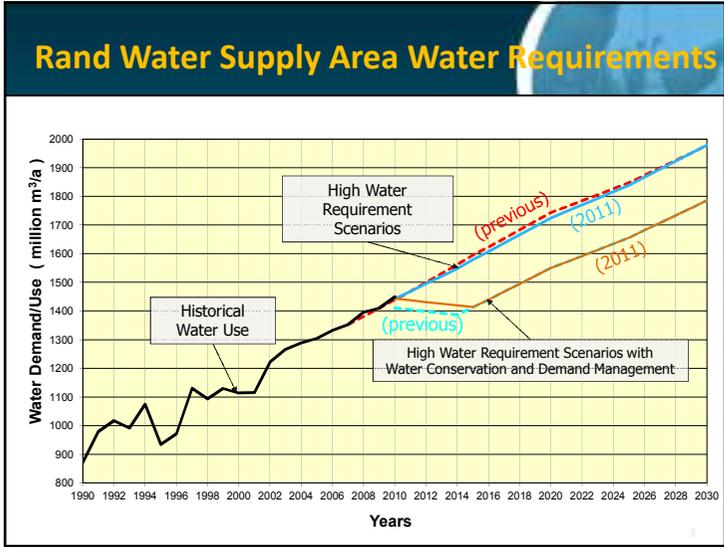


VAAL RIVER SYSTEM RECONCILIATION STRATEGY STRATEGY STEERING COMMITTEE

Water Conservation & Water Demand
Management Progress Report

19 October 2011

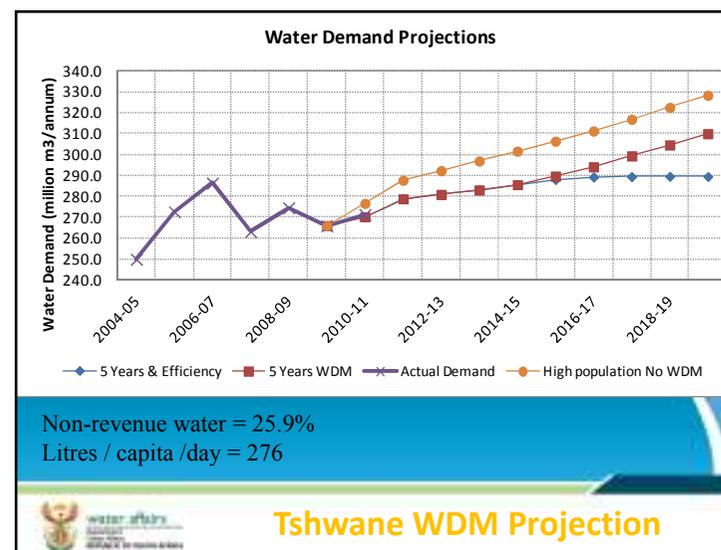
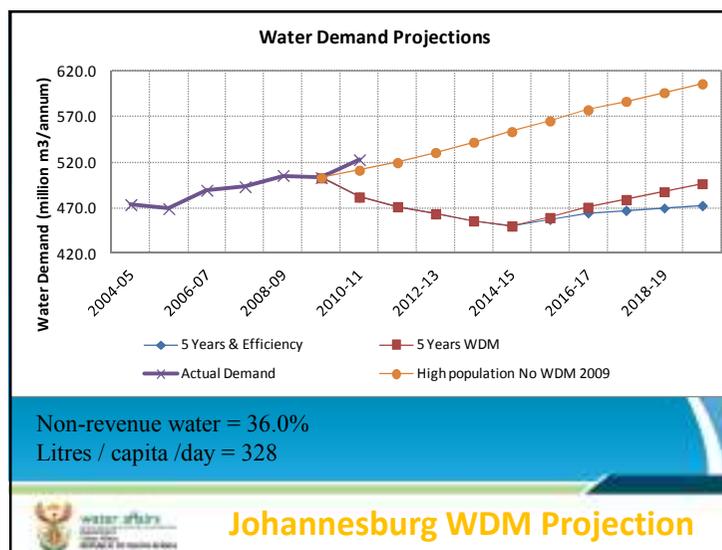
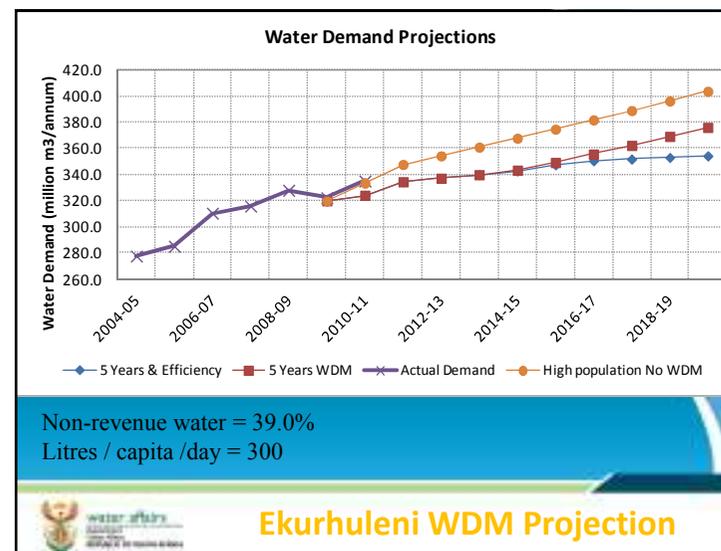
Gauteng Municipalities Projection

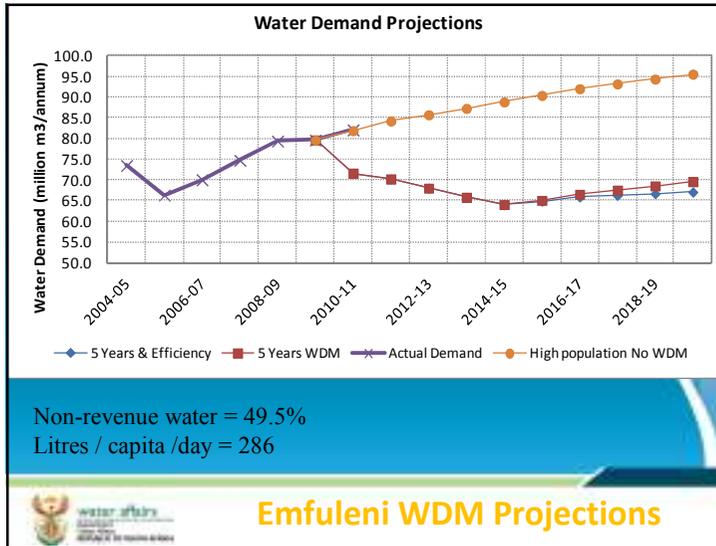
Gauteng Water Balance

- Increase in demand
- 0.5% reduction in Non-revenue water over past year
- Very limited reduction in water losses/NRW

Rand Water split	Mar-2010	Mar 2009 -2010	Mar-2011	Mar 2010 - 2011
Municipality	Total	Annual Growth	Total	Annual Growth
Johannesburg	502 029 413	0.20%	519 688 511	3.52%
Ekurhuleni	319 764 952	-1.92%	328 010 659	2.58%
Tshwane + ODI	208 704 331	-2.12%	211 505 979	1.34%
Emfuleni	77 457 322	0.65%	82 964 720	7.11%
Mogale	25 986 522	-1.59%	27 353 686	5.26%
Sasolburg	14 274 929	-7.86%	15 078 521	5.63%
Rustenburg	31 472 314	12.81%	29 346 140	-6.76%
Govan Mbeki	21 396 732	4.94%	22 801 783	6.57%
Midvaal	10 277 089	-3.84%	11 538 757	12.28%
Merafong	8 789 200	4.58%	9 544 506	8.59%
Randfontein	9 161 656	72.59%	9 040 142	-1.33%
Westonaria	6 404 434	5.61%	7 011 451	9.48%
Lesedi	5 540 725	-2.70%	5 908 527	6.64%
Heilbron	1 919 753	0.28%	1 918 438	-0.07%
Kungwini	5 138 839	-3.05%	6 168 203	20.03%
Delmas	1 502 560	-12.99%	1 579 460	5.12%
Royal Bafokeng	3 130 580	-3.48%	3 891 560	24.31%
Thembisile	11 582 600	-7.14%	12 465 600	7.62%
Madibeng	1 294 707	38.08%	751 969	-41.92%
Other - mining	71 955 042	-8.56%	72 537 187	0.81%
Other - individual	20 363 553	3.79%	18 366 019	-9.81%
Rand Water Own Use	816 869	-42.32%	711 801	-12.86%
TOTAL	1 358 964 122	-0.73%	1 398 183 619	2.89%

Rand Water Supply





- (...previous meeting...)**
- DWA will not obtain “bulk” funding from Treasury – municipal mandate
 - Municipalities must budget for WDM and submit funding applications to Nat Treasury
 - Metros and large municipalities must generate funding from water sales

- (... previous meeting...)**
- Meetings with Nat Treasury Messrs J Hattingh* and P Matji**
 - *Chief Dir: Local Government Budget Analysis
 - **Dir: Water Affairs (DWA), CoGTA & DoC
 - Support DWA National NRW assessment
 - Deal directly with Municipal Managers and CFOs and will pressurise to report
 - Synergy between departments :
 - DWA interested in volume water provided and sold
 - National Treasury interested in monetary value of water provided, sold and managed

- (...previous meeting...)**
- NT engagement with Municipalities**
- High water losses raised as major concern
 - Significant threat to **municipal revenue** and impacts negatively on **overall financial sustainability**
 - NT to encourage municipalities to intensify initiatives aimed at reducing water and electricity losses.
 - NT will soon start publishing the results for NRW as per the IWA Water Balance

Outcomes from previous meeting

- SCC reports to Minister and must monitor implementation of WCWDM (Project 15%)
- SSC will have to report if unsuccessful
- Municipalities must report in uniform format
- Municipalities need to substantiate savings and/or efficient use
- Municipalities must address budget constraints



Meetings

- Technical Task Team Meeting (2/12/2011)
- Assessment of funding options (4/2/2011)
- Meetings with National Treasury (25/3/2011)
- Presentation to MEC DLGH on “Water Security (WCWDM) and AMD” (23/3/2011)
- Presentation to Extended Gauteng Municipal Chief Financial Officers Forum (7/4/2011)
- Presentation to Extended Municipal Finance Indaba (12/4/2011)



Outcomes from previous meeting...

- SALGA offered assistance to address Project 15% at political level
- Overall results indicate a reduction in total consumption but NRW is increasing. Not achieving our objective
- Progress with WCWDM is insufficient



Technical TT Meeting (2/12/2010)

- Task Teams established to:
 - Develop standardized presentation format for reporting
 - Sub Task Team established to determine funding options
- Reporting Template:
 - Water Balance target for 2014
 - Business Plan/Action Plan to achieve the target
 - Water Balance for the past 5 years
 - Trends, projections, etc
 - Progress made on the action plan
 - Successful projects implemented (highlights)



(...previous meeting...) Sub TT Meeting (4/12/2010)

- Sub Task Team identified potential sources of funding which were to be discussed with the respective municipal CFO's



(...previous meeting...) Key Recommendations from Extended Gauteng CFO Forum (7/4/2011)

- Municipalities must prioritize funding for the implementation of WCWDM to achieve the required savings by 2013 and ensure quarterly reporting to GDLGH, DWA and Presidency
- Municipal Financial Indaba (MFI) should elevate and advocate close co-operation between technical and financial departments within municipalities to ensure the achievement of financial savings, water savings and also prevent a water crisis and associated economic crisis in Gauteng
- GDLGH has pledged to provide technical and strategic support to municipalities to achieve a reduction in NRW / Water losses



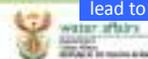
Way Forward: MEC DLGH (23/3/2011)

- Commitment already obtained – municipalities must prioritize WC/WDM - including funding – MEC is requested to convene a session with MMC's for Finance and for Water and Energy as well as the CFO's
- Provincial capacity is required to support Municipalities to achieve reduction of Non-Revenue-Water / losses and how it impacts on total demand – Report monthly and Update monitoring and performance data
- Convene regular meetings with MEC and municipalities to expedite implementation and monitoring – all municipalities
- Report to Exco/Premiers' Coordinating Forum on progress



(...previous meeting...) Extended Municipal Finance Indaba

- Key Recommendations from Extended Gauteng CFO Forum (7/4/2011) presented
- Welcome address by MEC DLGH: Mr Humphrey Mmemenzi:
 - Sound financial management must happen in municipalities to achieve sustainability
 - Revenue enhancement and debt collection in particular must happen
 - Water, electricity and demand management must be prioritized
 - New Municipal Budget Regulations, Service Delivery Budget Plans (SDB), IDP's and budgeting process must be aligned
 - Actual Revenue Collection: Municipalities must collect all moneys owed to it
 - Auditor General commented on high NRW and Electricity losses
 - Reprioritize budget for operation, maintenance and repairs required
 - Municipalities to explore WCWDM measures and to prioritize repair, conduct maintenance of water infrastructure, revenue losses - which lead to failure in service delivery



(...previous meeting...) Extended Municipal Finance Indaba (12/4/2011)

- Revenue Management and Impact on Financial Viability of Gauteng Munics: Sedibeng Context: Debt Collection
 - A lot of money is available within Gov Structures but no one is applying for the money
 - etc



National Treasury to Municipalities – Sept 2011

From: Jan Hattingh (mailto:Jan.Hattingh@treasury.gov.za)
 Sent: 30 September 2011 11:37 AM
 Subject: Call for greater efficiency and effectiveness of expenditure at all levels of government
 Importance: High
 To the Municipal Manager and CFO,

During the 2010/11 Mid-year Budget and Performance Assessment visits ... the issue of high non-revenue water volumes were highlighted. Many municipalities indicated to the National Treasury that physical losses are estimated to be approximately 35 per cent of all water supplied. This is a significant threat to municipal revenue and impacts negatively on overall financial sustainability. In addition, municipalities also need to account for the authorised use of water which cannot be billed for e.g. water provided as a result of free basic water policies. Therefore, total non-revenue water in some municipalities, exceeds on average 55 per cent.

The issue of high water and electricity losses have also been raised consistently by the Auditor General. Our recent Budget Circulars have also highlighted the need to prioritise drinking water quality and maintenance of water and related infrastructure.

In the lead up to the 2012 National and Provincial Budget process, the Minister of Finance has issued very clear instructions to the National Treasury regarding the need to ensure greater efficiency and effectiveness of expenditure at all levels of government over the next few years. The fiscal stance for the 2012 budget arises predominantly from the uncertainties in the global economic environment and consequently the need to ensure that South Africa manages the Fiscal in a sustainable manner. In this regard, each sphere of government has been requested to contribute in identifying opportunities for further savings and improving the efficiency and effectiveness of government spend.

In the local government context, two options could be proposed to support the request from the Minister:

1. To reduce the level of intergovernmental transfers to local government, particularly in light of poor spending by most municipalities; or
2. To encourage municipalities to intensify initiatives aimed at reducing water and electricity losses.

For most municipalities who are water service authorities, there is no doubt that option 2 would be preferred. To assist you in dealing with the non-revenue water challenge, I have attached a document produced by the Department of Water Affairs. Every municipality is required to engage with the contents of this document and develop appropriate strategies for addressing this problem.

Lastly, please be informed that the National Treasury will soon start publishing the results for non-revenue water as per the IWA Water Balance. This information will be released for all water service authorities as a joint venture with the DWA as a start to the publication of non-financial (performance) information for municipalities. Please regard this as part of your contribution to improving efficiency and effectiveness of government spending.

Regards

Jan Hattingh
 Chief Director: Local Government Budget Analysis



Outcomes from previous meeting...

- Overall results indicate no reduction in total consumption but NRW is increasing. Not achieving our objective
- Progress with WCWDM is insufficient
- IVRS media release should address lack of funding and progress made with WCWDM



Water Balance : National (2009)

Supply (Total supply from own + national sources)	Authorised Consumption (Total authorised + total national + total international)	Actual Consumed (Total authorised + total national + total international)	Revenue Water (Volume of water for which an invoice is issued + volume of water for which no invoice is issued)
226.2%	79.2%	87.2%	85.4%
	Water losses (Total + international) 22.4%	Unbilled Revenue water 1.0%	Revenue Water (Volume of water for which an invoice is issued + volume of water for which no invoice is issued) 84.4%



Local Government Budgets and Expenditure Review

- Most municipalities' capacity to budget reliably for infrastructure spending is weak. This is reflected by the declining allocations for future years, whereas in practice these will in all probability increase. This is because most municipalities only plan their infrastructure spending within a one-year time horizon. Even then the quality of planning is poor, resulting in significant **underspending** of capital budgets. In 2009/10 those **municipalities' that underspent their capital budgets underspent by R15 billion.**



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Way Forward

- Municipalities must prioritize (including budget) and implement WCWDM, apply to NT for additional funding, report quarterly - Outcomes 9 and 10
- Establish a WCWDM PMU – DWA and Gauteng Province MEC LG&H
- Continue co-operation with Nat Treasury – SCOA (Standard Chart of Accounts) process
- Auditor General – qualified audits for water losses/NRW
- DWA/DBSA MoA – Task Team on NRW – e.g. DBSA/Salga to develop revolving fund



Thank You



