



DATE:

REPORT TO: WATER AND WASTE PORTFOLIO COMMITTEE

1. ITEM NUMBER : WW 06/06/20

2. SUBJECT

WATER & WASTE MONTHLY FINANCIAL PROGRESS REPORT (April 2020)

**ONDERWERP
MAANDELIKSE FINANSIËLE VORDERINGSVERSLAG VAN WATER EN
AFVALDIENSTE (April 2020)**

**ISIHLOKO
INGXELO YENKQUBELA-PHAMBILI YARHOQO NGENYANGA YEENGXELO
ZEMALI KWIINKONZO ZAMANZI NEZENKUNKUMA (April 2020)**

3. DELEGATED AUTHORITY

In terms of delegation

This report is

- Committee name** : Water and Waste
- The Executive Mayor together with the Mayoral Committee (MAYCO)
- Council

4. DISCUSSION

Glossary	
CRR	Capital Replacement Reserve
CGD	Capital Grants and Donations
EFF	External Financing Fund
PCER	Progressive Capital Expenditure Report
R&M	Repairs & Maintenance
WS	Water & Sanitation
SW	Solid Waste
NWP	New Water Plan/Programme
W&W	Water & Waste
PMU	Project Management Unit
W&W	Water & Waste
YTD	Year To Date
IDP	Integrated Development Plan
USDG	Urban Settlement Development Grant
IDA	Incremental Development Area
BICL	Bulk Infrastructure Consolidated Levy

The Water and Waste (W&W) directorate consists of two departments namely, Water & Sanitation and Solid Waste Management.

In total, the directorate constitutes the largest share of the City of Cape Town's capital budget as well as the operating budget. With more than 500 cost centres and a combined staff establishment of approximately 8000, managing the financial aspects of the directorates in accordance with relevant pieces of legislation and policies is a challenging exercise, the greatest challenge being monitoring of adherence and consistency of application while ensuring maximum expenditure in service delivery aspects of these two departments.

Performance figures as at the end of April 2020 and the budgets of the services within the directorate are given for the committee members to ascertain adequacy to meet the IDP targets set.

Capital Expenditure Report

W&W Directorate Capital expenditure

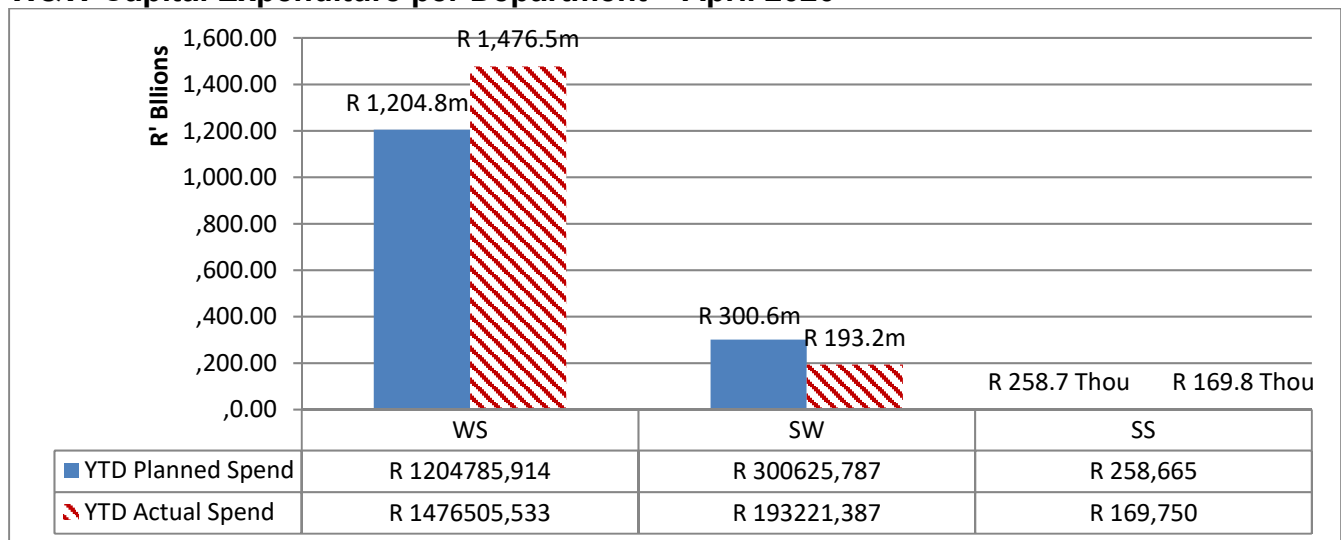
The directorate's approved January adjustment budget for 2019/20 financial year is R2.784 billion. At the end of the April 2020, the directorate achieved an actual implementation of 60% (R1,669 billion) above the planned spend of 54.1% (R1,505 million).

W&W Capital Expenditure - April 2020

Department/Directorate	2019/20 Current Budget R	YTD Planned Spend R	YTD Actual Spend R	% YTD Planned Spend of Current Budget	% YTD Actual Spend of Current Budget
Water & Sanitation	2 336 355 059	1 204 785 914	1 476 505 533	51.6%	63.2%
<i>Water & Sanitation</i>	<i>1 701 775 025</i>	<i>918 044 380</i>	<i>1 043 068 203</i>	<i>53.9%</i>	<i>61.3%</i>
<i>New Water Plan</i>	<i>634 580 034</i>	<i>286 741 534</i>	<i>433 437 330</i>	<i>45.2%</i>	<i>68.3%</i>
Solid Waste Management	447 555 953	300 625 787	193 221 387	67.2%	43.2%
Support Services	397 951	258 665	169 750	65.0%	42.7%
WW	2 784 308 963	1 505 670 366	1 669 896 671	54.1%	60.0%
WW excluding New Water Plan	2 149 728 929	1 218 928 832	1 236 459 340	56.7%	57.5%

The New Water Plan is continuously being assessed by the department to ensure optimisation of value in providing water security.

W&W Capital Expenditure per Department – April 2020

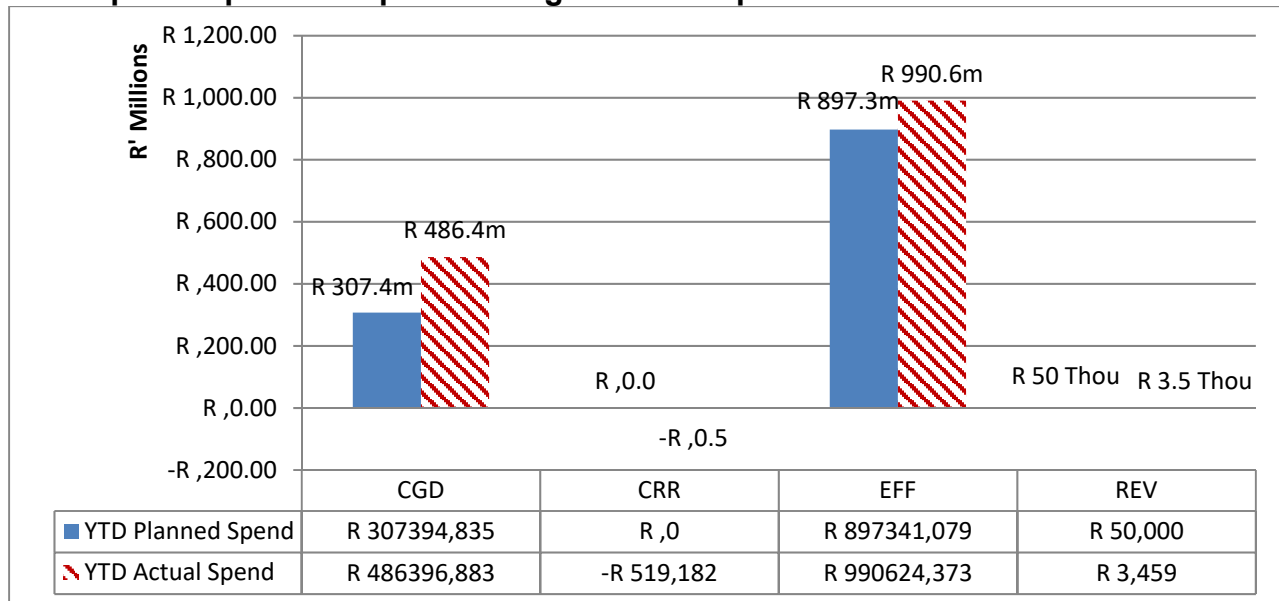


Analysis per department:

Water & Sanitation

The department's approved budget for the year is R2.784 billion. For the period under review, the department has actualised 63.2% (R1.476 billion) above its planned expenditure of 51.6% (R1 204 billion). The reasons for major (over/under) expenditure variances are addressed in the April 2020 PCER (Annexures: A).

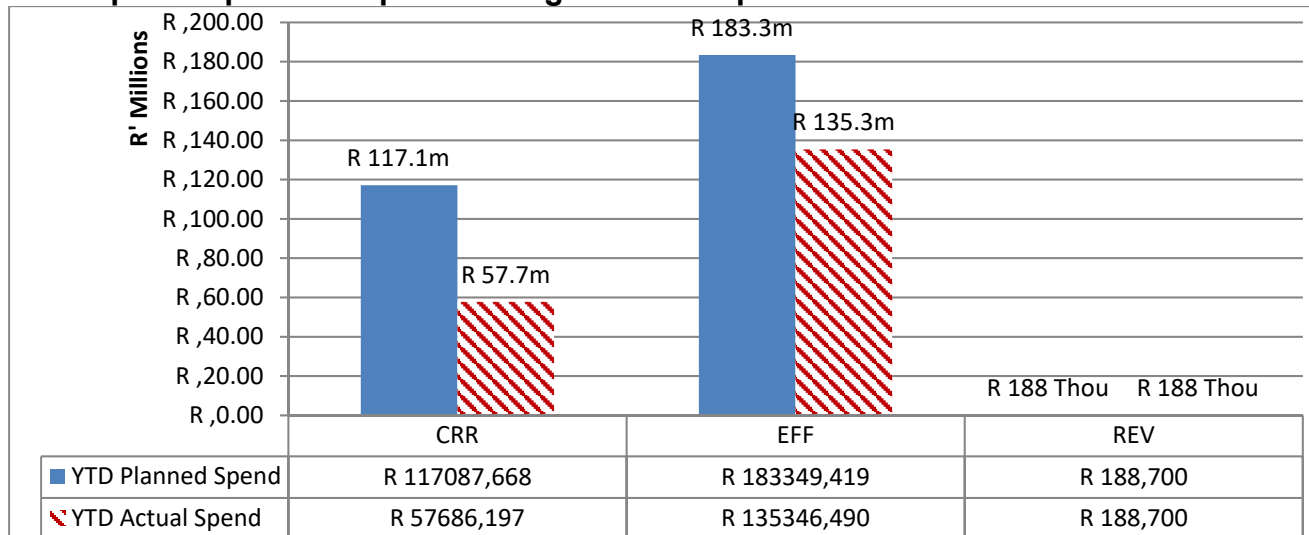
WS Capital Expenditure per Funding source – April 2020



Solid Waste Management

The department's current approved budget for the year is R447.6 million. Against its planned target of 67.2% (R300.6 million), the department has realised 43.2% (R193.2 million). The reasons for major (over/under) expenditure variances are addressed in the attached April 2020 PCER (Annexures: B).

SW Capital Expenditure per Funding source – April 2020



Operating Expenditure and Revenue Report

a) W&W Directorate Operating Budget: Expenditure

The directorate's total Operating Budget expenditure at end of April is R10.37 billion. SWM year to date expenditure is R2.81 billion and W&S R7.55 billion.

Department/Directorate	2019/120 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =C/B
Water & Sanitation	R10 014 502 757	R7 627 027 865	R7 554 344 546	99.0%
Solid Waste Management	R3 799 231 491	R2 784 263 001	R2 814 664 475	101.1%
W&W	R13 815 994 627	R10 413 055 599	R10 369 240 271	99.6%

The directorate's actual expenditure recorded is within the target of between 95% and 100% of YTD planned.

The variance is a combination of over/under expenditure. Variance linked to:

- **Salaries Wages and Allowances** - The turnaround time in filling of vacancies and the impact of the internal filling of vacant posts. The directorate (W&W) has 1191 vacancies (SW 325, SS 3 & PMU 11, W&S 852,) out of 8658 staff establishment as at 30 April 2020. As at end April, the filled positions in the directorate were 86.24% of the total staff establishments. As at the beginning of the 2019/20 financial year, W&W has made 524 appointments of which 322 were internal appointments. For the same period there were 282 terminations.
- Debt Impairment (over), where the period budget provision for Bad Debt Provision is not aligned to the actual monthly posting.
- Bulk Purchases – Water (over): mainly on:
 - Raw water, due to the large number of invoices received for payment from the National Department of Water and Sanitation; and

- Bulk purchase - Water reclamation, where electricity costs were erroneously included in invoices.
- Other materials (under), a combination of over-/under expenditure, mainly on:
 - Materials Consumables Tools & Equipment (under), due to fewer refuse containers needing to be replaced; and
 - Fuel (over), due to fluctuations in the fuel price and the unforeseen use of older refuse compactor vehicles, which are not fuel efficient.
- Contracted Services (under), combination of under/over, mainly on:
 - Haulage (over), due to the green chipping waste tender being awarded later than anticipated resulting in green waste being hauled to the landfill site;
 - R&M Contracted Serve Building (over), where more projects were completed than initially anticipated;
 - Refuse Removal (over), where waste removal costs were higher than anticipated;
 - Administrative and Support Staff (under), as a result of fewer labour broker staff being appointed to date;
 - Sludge removal (under), where the requirement for sludge removal was less than anticipated;
 - R&M Maintenance of Equipment (under), where the replacement of older vehicles resulted in less repairs being made to vehicles;
 - Meter Management (under), where actual expenditure is misaligned with the planned budget, and fewer C3 notifications were received to date; and
 - Sewerage Services (under), where invoices for informal settlements must still be processed.
- Other Expenditure (under), combination of under/over mainly on:
 - Hire of LDV, P/Van, Bus, Special Vehicle (over), due to unplanned emergencies and pond cleaning requirements to date;
 - Software licenses - Upgrade/Protection (under), as a result of quite a few technical software licenses that is only renewable between March 2020 and May 2020;
 - Motor vehicle license and registration (under), due to misalignment of period budget provisions with the actual expenditure trend; and
 - Specialised Information Technology Service (under), due to invoices outstanding for the completed Automated Water Pollution project, and a decrease in demand for software licenses and ad-hoc support.

Remedial or Corrective steps to be undertaken by departments to address abovementioned variances.

The directorate has 1208 vacancies in various stages of the recruitment and selection process; 480 vacancies were filled and 274 posts were terminated since the beginning of the financial year.

Please note that the variances are preliminary since it's not month end yet.

b) W&W Directorate Operating Budget: Revenue

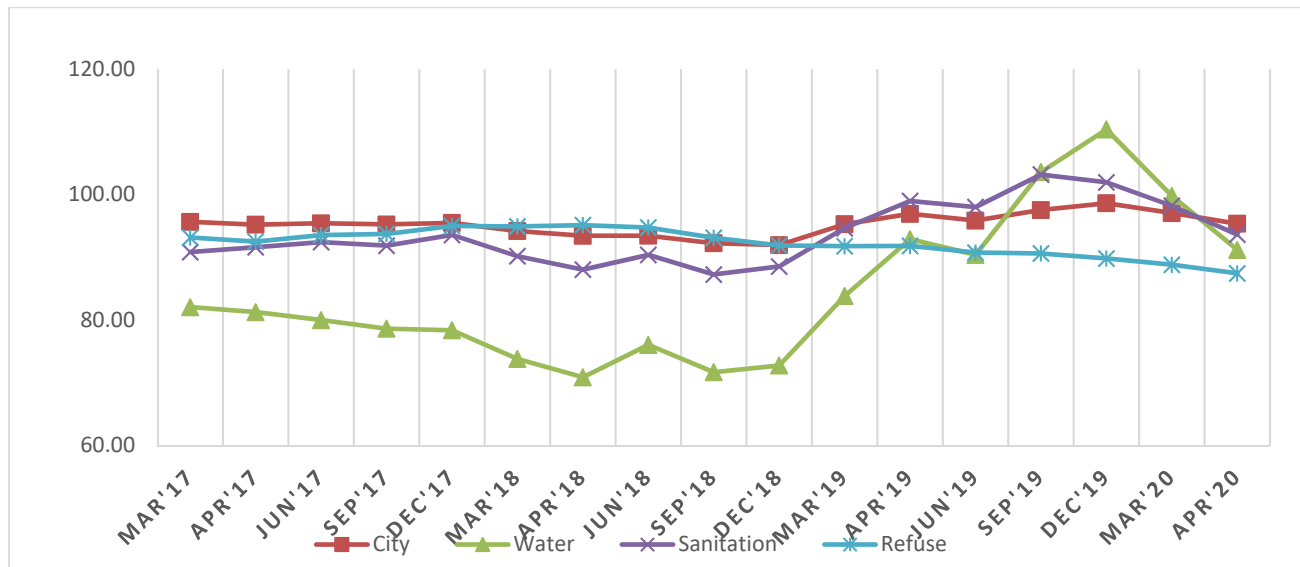
Collection ratios per department:

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
City						
	97.63%	98.62%	97.99%	98.19%	97.05%	95.36%
Water						
12 Months Collection ratio	115.15%	110.37%	109.66%	108.46%	99.79%	91.19%
Sewerage						
12 Months Collection ratio	103.27%	101.95%	104.70%	101.18%	98.21%	93.62%
Refuse						
12 Months Collection ratio	89.92%	89.81%	89.55%	89.49%	88.82%	87.44%

The percentages quoted above are reported on a 12-month rolling period. The fluctuation is attributed to the method of calculating the 12 months moving average as well as economic climate.

Note: The water crisis has a huge impact on the water collection ratio.

	Mar'17	Apr'17	Jun'17	Sep'17	Dec'17	Mar'18	Apr'18	Jun'18	Sep'18	Dec'18	Mar'19	Apr'19	Jun'19	Sep'19	Dec'19	Mar'20	Apr'20
City	95.65	95.20	95.42	95.24	95.49	94.19	93.43	93.44	92.25	91.95	95.28	96.92	95.85	97.54	98.62	97.05	95.36
Water	82.06	81.27	80.00	78.64	78.38	73.81	70.90	76.05	71.70	72.77	83.83	92.89	90.40	103.59	110.37	99.79	91.19
Sanitation	90.83	91.61	92.43	91.85	93.56	90.18	88.04	90.39	87.26	88.54	94.66	98.98	98.01	103.18	101.95	98.21	93.62
Refuse	93.15	92.50	93.55	93.73	94.99	94.92	95.13	94.74	93.12	91.89	91.78	91.81	90.75	90.61	89.81	88.82	87.44



It must be noted that there is a continuous drive to reduce the water consumptions, which led to higher billings on indigent and water leaks project properties with a municipal valuation of R400 000 and less, and to appropriately deal with the debts on these accounts. Due to this, the collection ratios were calculated both by including and excluding all the related adjustments as reported previously.

There are also still a number of valuation objections of GV 2018 and supplementary valuations objections, as well as appeals submitted to the independent Valuation Appeal Boards for property owners not satisfied with the outcome of the GV 2018 objections, that all still need to be addressed. These valuation objections have had an impact on the debtors' balance, as well as the collection ratios for rates and services. The Valuation Department is busy dealing with all these valuation objections.

Revenue recorded as at end of April 2020 is R11.52 billion.

Department/Directorate	2019/20 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =C/B
Water & Sanitation	R 9 880 456 005	R 7 955 202 846	R 8 360 483 959	105.09%
Solid Waste Management	R 3 799 231 494	R 3 159 477 173	R 3 156 108 291	99.89%
W&W	R 13 680 172 499	R 11 115 025 019	R 11 516 825 574	103.61%

The variance is a combination of over/under expenditure. Variance linked to:

- Service charges - Water revenue and Sanitation revenue (over), where the anticipated revenue provisions were adjusted in the January 2020 adjustments budget to be in line with the latest reduced consumption trends. Consumer reaction to the warmer months is still being established.
- Other revenue (over), mainly on:
 - a) Development Contribution Levy, due to higher than planned development levies to date impacting on water, sewer and stormwater;
 - b) By-product sales, due to an increase in the sale of by-products (timber) at Steenbras- and Wemmershoek dams; and
 - c) Recoveries of operational expenditure, due to cost recovered from contractors for running the temporary desalination plants.
- Interest on outstanding debtors (under), due to year-to-date actuals being less than anticipated.
- Transfers and subsidies - Capital (over), due to good contractor performance on certain projects, and misalignment between the periodic plan and the actual spend on grant-funded projects within the Water & Sanitation Services department.

Remedial or Corrective steps to be undertaken by departments:

The directorate will continue to monitor consumption levels and trends for future refinement.

Period budget provisions will be reviewed against actual trends and adjusted where necessary.

Please note that the variances are preliminary since it's not month end yet.

- 4.1. Financial Implications None Opex Capex
- Capex: New Projects
- Capex: Existing projects requiring additional funding

Capex: Existing projects with no additional funding requirements

4.2. Policy and Strategy Yes No
None

4.3. Legislative Vetting Yes No
None

4.4. Legal Compliance
None

4.5. Staff Implications Yes No

4.6. Risk Implications Yes No

5. RECOMMENDATIONS

It is recommended that the Portfolio Committee note the contents of this report.

AANBEVELINGS

Daar word aanbeveel dat die portefeuljekomitee van die inhoud van hierdie verslag kennis neem.

IZINDULULO

Kundululwe ukuba iKomiti yeMicimbi yeSebe mayiqwalasele okuqulathwe kule ngxelo.

ANNEXURES

Annexure A: PCER – WS (Major Variances)
 Annexure B: PCER – SWM (Major Variances)

FOR FURTHER DETAILS CONTACT

NAME	Themba Mabasa/Nomfundiso Ntunja	CONTACT NUMBER	400 1226/400 1921
E-MAIL ADDRESS	Themba.Mabasa@capetown.gov.za		
DIRECTORATE	W&W	FILE REF NO	
SIGNATURE : MANAGER			

EXECUTIVE DIRECTOR

NAME	_____	COMMENT:	_____
DATE	_____		_____
SIGNATURE	_____		_____

Legal Compliance

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
- NON-COMPLIANT

NAME	_____	COMMENT:	_____
DATE	_____		_____
SIGNATURE	_____		_____

Approval Form

Supported for inclusion on the agenda



WATER & WASTE MONTHLY FINANCIAL PROGRESS REPORT (APRIL 2020)

Report Reference: 515009
Meeting: Section 79 Portfolio Committee - Water and Waste
Meeting Date: 04.06.2020
Meeting Venue: Committee Room D

Contact Person: Nomfundiso Ntunja
Contact Telephone: 4001921
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Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	Thembha Churchill Mabasa	Approved	19.05.2020 17:12:27	
02	Director	Nqobile Damane	Approved	19.05.2020 17:17:49	
03	Executive Director	Michael John Webster	Approved	20.05.2020 13:19:48	
04	Legal Compliance	Joan Mari Holt	Approved with Comments	22.05.2020 18:24:50	For information.
05	Chairperson	CLIVE JUSTUS	Approved	25.05.2020 11:26:30	

ECS Officer:

PROGRESSIVE CAPITAL EXPENDITURE REPORT - APRIL 2020 - WATER & SANITATION

Annexure A

Major Variances (Positive & Negative)

IM Dir	WBS Element	WBS Element Description	Major Fund	Current Budget	YTD Planned Spend	YTD Actual Spend	YTD Variance	Commitments	Anticipated Exp	Comments	Responsible Person
A08	CPX.0010520-F8	Cape Flats Aquifer	EFF	50 690 728	50 690 728	21 309 882	-29 380 846	0	44 410 694	Multi-project WBS element. Project ahead of schedule due to good project management and general performance. 51 of 52 exploration boreholes, 53 of 57 monitoring boreholes, 60 of 89 production boreholes and 31 of 37 sonic boreholes have been drilled. 25 of 64 MAR injection boreholes, 17 of 35 MAR monitoring boreholes and 24 of 64 MAR Piezo have been drilled. 41 of 52 exploration boreholes, 42 of 96 monitoring boreholes and 56 of 89 production boreholes have been yield tested Contract (and associated Works Projects) suspended due COVID19 lockdown. The budget will be reduced in the May 2020 Adjustment budget due to the COVID-19 lockdown procedures. The project will be completed in the future financial years.	Kevin Balfour
A08	C12.86082-F1	Water Supply at Baden Powell Dr to Khaye	CGD	76 862 236	62 000 000	35 665 334	-26 334 666	1 752 365	52 000 000	Project is behind due to delay in delivery of ductile iron pipes ordered from abroad. The pipes have now arrived from China and are at the contractor's site camp. The installation of the pipes will be delayed due to the COVID-19 virus. Construction on site has stopped due to COVID-19 lockdown.	Larry Cronje
A08	CPX.0004933-F1	Meter Replacement Programme FY20	EFF	105 000 000	67 336 465	88 423 080	21 086 615	0	97 000 000	The project progressed faster than anticipated until the start of the lockdown due to good performance of the service providers. The budget will be reduced in the May 2020 Adjustment budget due to the COVID-19 lockdown procedures.	Yusuf Adam
A08	CPX.0004942-F1	BW Infrastructure Replacement FY20	EFF	55 000 000	5 305 126	29 324 076	24 018 950	1 099 928	47 000 000	Projects consist of multiple active contracts to replacement/refurbishment of infrastructure at bulk water plants. Projects in various stages of completion and generally ahead on programme, but some delays experienced due to COVID19 lockdown and associated contract suspensions. The budget will be reduced in the May 2020 Adjustment budget due to the COVID-19 lockdown procedures.	Kevin Balfour
A08	CPX.0009473-F1	Vehicles: Replacement FY20	EFF	31 304 175	2 359 992	26 474 636	24 114 644	872 737	31 304 175	Some ordered vehicles received earlier than planned due to availability of stock. Further orders have been placed; awaiting delivery.	Peter Powell
A08	CPX.0011032-F6	Atlantis Aquifer	CGD	57 412 533	17 067 137	47 110 884	30 043 747	24 980	53 102 194	The project is generally ahead on programme due to good project management and supplier's performance but not without challenges. Tender 203Q/2019/20 Refurbishment of the Waste Pond at the Witzands Softening Plant . Appeal Period to commence after lockdown notification.	Kevin Balfour
A08	CPX.0007929-F3	Zandvliet WWTW: Prim Treatment & Sludge	EFF	211 426 270	108 295 881	140 480 004	32 184 123	0	148 926 270	Multi-funded project: Project is ahead of schedule due to good contractor performance. All contracts are in the execution phase and the project is progressing in accordance with the latest approved programme . As a result of the COVID-19 lockdown the latest cash flow forecasts indicate that the budget for this financial year is unlikely to be fully spent. The budget will be reduced in the May 2020 Adjustment budget due to the COVID-19 lockdown procedures.	Keith Fredrik Olsen

A08	CPX.0007929-F2	Zandvliet WWTW: Prim Treatment & Sludge	CGD	121 015 000	51 719 237	89 214 514	37 495 277	0	119 344 231	Multi-funded project: Project is ahead of schedule due to good contractor performance. All contracts are in the execution phase and the project is progressing in accordance with the latest approved programme . As a result of the COVID-19 lockdown the latest cash flow forecasts indicate that the budget for this financial year is unlikely to be fully spent. The budget will be reduced in the May 2020 Adjustment budget due to the COVID-19 lockdown procedures.	Keith Fredrik Olsen
A08	CPX.0010520-F7	Cape Flats Aquifer	CGD	199 589 306	80 000 000	198 136 857	118 136 857	0	199 589 306	Multi-project WBS element. Project ahead of schedule due to good project management and general performance. 51 of 52 exploration boreholes, 53 of 57 monitoring boreholes, 60 of 89 production boreholes and 31 of 37 sonic boreholes have been drilled. 25 of 64 MAR injection boreholes, 17 of 35 MAR monitoring boreholes and 24 of 64 MAR Piezo have been drilled. 41 of 52 exploration boreholes, 42 of 96 monitoring boreholes and 56 of 89 production boreholes have been yield tested Contract (and associated Works Projects) suspended due COVID19 lockdown. The budget will be reduced in the May 2020 adjustment budget due to the COVID-19 lockdown procedures. The project will be completed in the future financial years.	Kevin Balfour

PROGRESSIVE CAPITAL EXPENDITURE REPORT - APRIL 2020 - SOLID WASTE

Annexure B

Major Variances (Positive & Negative)

IM Dir	WBS Element	WBS Element Description	Major Fund	Current Budget	YTD Planned Spend	YTD Actual Spend	YTD Variance	Commitments	Anticipated Exp	Comments	Responsible Person
A08	CPX.0014108-F1	Plant & Vehicles: Replacement FY20 COL	CRR	80 000 000	65 225 830	24 278 890	-40 946 940	55 710 154	27 448 533	Orders was placed in August 2019 for long lead time vehicles and orders have been processed for short lead time vehicles. As a result of COVID-19 the vendors have confirmed that some of the vehicles will no longer be in delivered in the per the initial delivery plan. A portion of the budget to be re-phased to the 2020/21 financial year. Budget and cash flows to be amended during the May 2020 adjustments budget.	Shaun Christian
A08	CPX.0004467-F1	Plant & Vehicles: Replacement FY20	CRR	40 000 000	30 626 787	15 160 037	-15 466 750	20 801 296	23 135 541	Multi-funded project. Orders were placed in August 2019 for long lead time vehicles. As a result of COVID-19 the vendors have confirmed that some of the vehicles will no longer be in delivered in the per the initial delivery plan. A portion of the budget to be re-phased to the 2020/21 financial year. Budget and cash flows to be amended during the May 2020 adjustments budget.	Shaun Christian
A08	CPX.0009994-F2	Scottsdale Depot Upgrade	EFF	26 936 596	19 435 651	11 297 927	-8 137 724	0	18 477 481	Construction was anticipated to be complete May 2020. Contractor is currently behind schedule and the SCM process is underway to ensure that the contractor complies with the conditions of the award. It is anticipated that the contract may have to be extended to the end of November 2020 to allow the contractor to complete the project. Construction commenced from May 2019 initially delayed as a result of outstanding guarantees, construction permits and building plans approval. As a result of COVID-19 the contractor that was behind schedule prior to the lockdown could not implement the revised measures as agreed to, to make up for the loss in time. This has now resulted in a portion of the budget being re-phased to the 2020/21 financial year.	Mncedisi Mbopa
A08	CPX.0008859-F3	New Prince George Drop-off	EFF	13 000 000	5 805 052	199 615	-5 605 437	0	1 417 958	Initial delayed as a result of lengthy procurement process including legal consideration of objection to fencing specification. Multi-year project. Final design completed. Tender 310Q/2018/19 for construction awarded by the Bid Adjudication Committee 28 October 2019. No appeals, award confirmed 27 November 2019. The current delay is as a result of the initial hand-over that has taken longer than anticipated. As a result of COVID-19 the Contract Signing and receipt of Construction Work Permit from Department of Labour will be delayed, which will result in a portion of the budget being re-phased to the 2020/21 financial year.	Alan Lindgren
A08	CPX.0014114-F1	Plant & Vehicles: Replacement FY20 DISP	CRR	20 000 000	7 050 422	2 744 662	-4 305 760	17 141 100	6 981 785	Some smaller vehicles delivered. Further orders have been placed. As a result of COVID-19 the vendors have confirmed that some of the vehicles will no longer be in delivered in the per the initial delivery plan. A portion of the budget to be re-phased to the 2020/21 financial year. Budget and cash flows to be amended during the May 2020 adjustments budget.	Shaun Christian
A08	CPX.0014102-F1	Retreat Drop-off Upgrade Waste Min	CRR	18 493 333	14 033 382	16 072 891	2 039 509	260 524	18 493 333	Multi-funded project. Construction tender 65Q/2017/18 commenced in November 2018. Anticipated completion date February 2020. Contractor currently running behind schedule as a result of insufficient allocation of resources to this project. Contractor has estimated that completion of the project will be 60 days late Facility scheduled for re-opening 30 March 2020. Currently in the penalty period of the contract. Works are 99% complete, awaiting water connection and minor finishing off. The contractor is at present running ahead of schedule to ensure the work is completed, but will now be delayed as a result of COVID-19 pandemic.	Alan Lindgren
A08	CPX.0008982-F2	Kuils River Depot Upgrade	EFF	14 111 208	9 942 831	12 382 130	2 439 299	0	14 111 208	Even though the budget reflects a positive variance the delays in the tender being awarded more than 12 months after the closing date of the tender, the contractor is eligible for a Contract price adjustment. The reasons for the delays are as follows: 1. Sixteen tenders were received for this project; 2. Local content was questioned; 3. Arithmetic errors in the Bill of quantities, which resulted in the obtaining of a legal opinion; 4. All of the above resulted in their being a number of Bid evaluation committee meetings that were unforeseen. This has now resulted in the request for additional funding. Due to COVID-19 national lockdown the contractor could not achieve practical completion on 27 April 2020.	Alan Lindgren