



DATE:

REPORT TO: WATER AND WASTE PORTFOLIO COMMITTEE

1. ITEM NUMBER : WW 07/06/20

2. SUBJECT

WATER & WASTE MONTHLY FINANCIAL PROGRESS REPORT (MARCH 2020)

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

**ISIHLOKO
INGXELO YENKQUBELA-PHAMBILI YARHOQO NGENYANGA YEENGXELO
ZEMALI KWIINKONZO ZAMANZI NEZENKUNKUMA (MATSHI 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 March 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

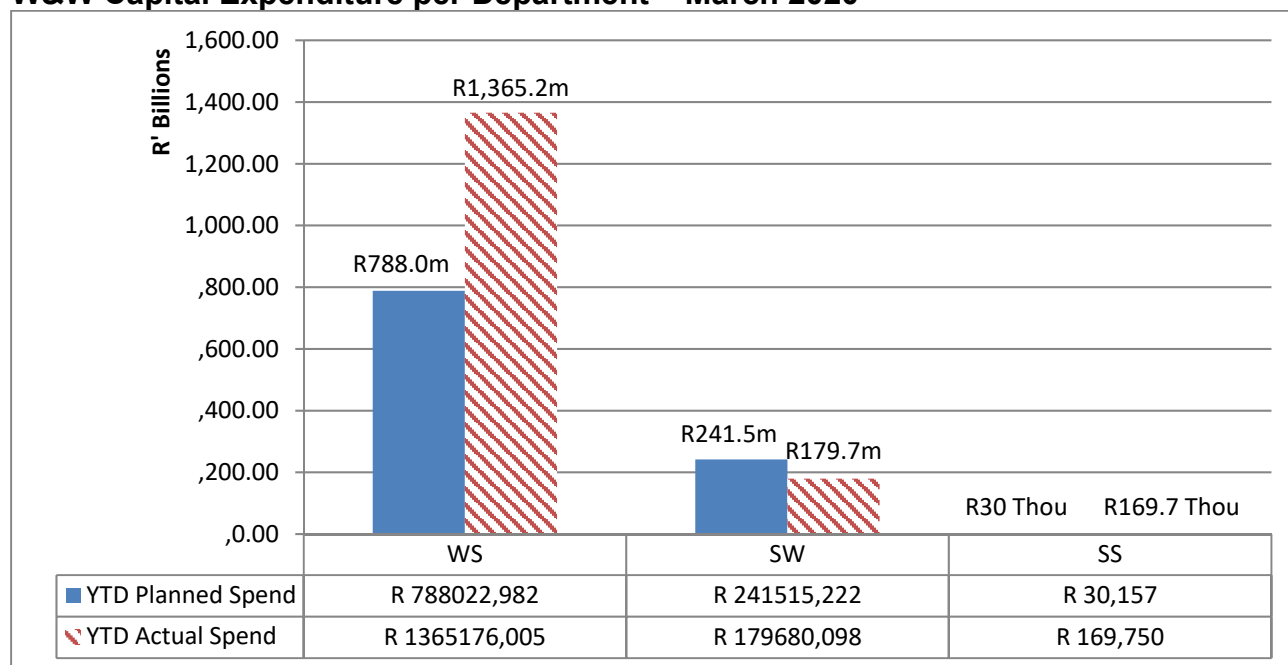
The directorate's approved January adjustment budget for 2019/20 financial year is R2.784 billion. At the end of the March 2020, the directorate achieved an actual implementation of 55.5% (R1,545 billion) above the planned spend of 37.0% (R1,029 million).

W&W Capital Expenditure - March 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	788 022 982	1 365 176 005	33.7%	58.4%
<i>Water & Sanitation</i>	<i>1 701 775 025</i>	<i>620 781 448</i>	<i>980 365 182</i>	<i>36.5%</i>	<i>57.6%</i>
<i>New Water Plan</i>	<i>634 580 034</i>	<i>167 241 534</i>	<i>384 810 822</i>	<i>26.4%</i>	<i>60.6%</i>
Solid Waste Management	447 555 953	241 515 222	179 680 098	54.0%	40.1%
Support Services	397 951	30 157	169 750	7.6%	42.7%
WW	2 784 308 963	1 029 568 361	1 545 025 853	37.0%	55.5%
WW excluding New Water Plan	2 149 728 929	862 326 827	1 160 215 030	40.1%	54.0%

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 – March 2020

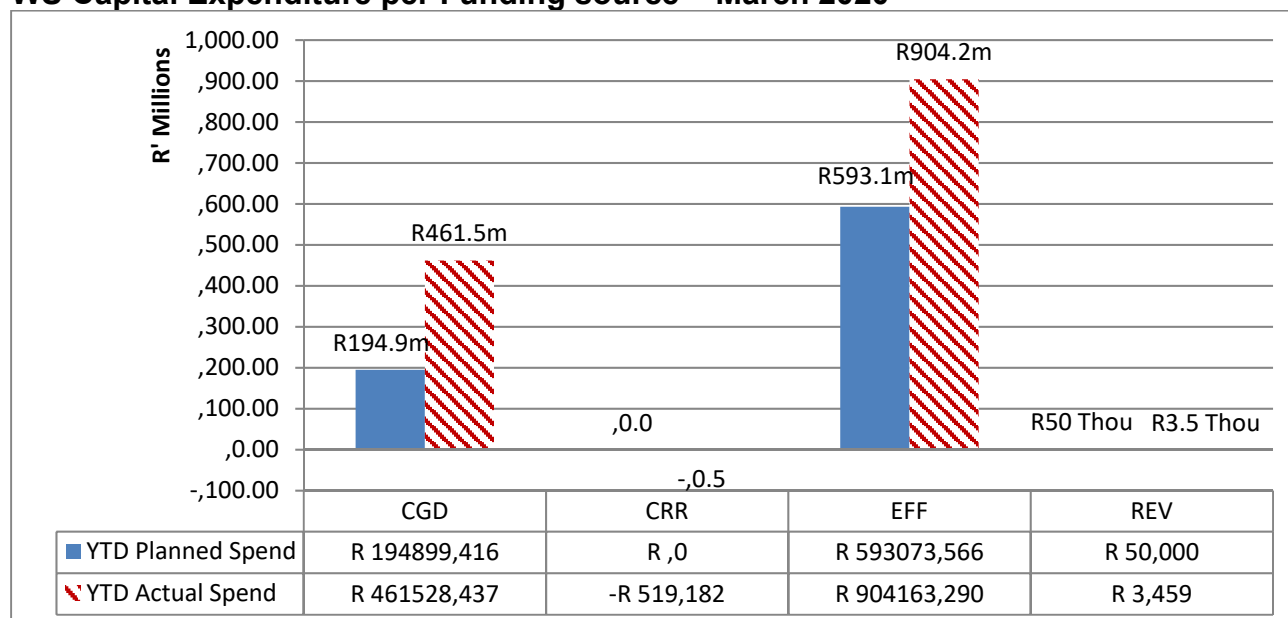


Analysis per department:

Water & Sanitation

The department's approved budget for the year is R2.784 billion. For the period under review, the department has actualised 58.4% (R1.365 billion) above its planned expenditure of 33.7% (R788 million). The reasons for major (over/under) expenditure variances are addressed in the March 2020 PCER (Annexures: A).

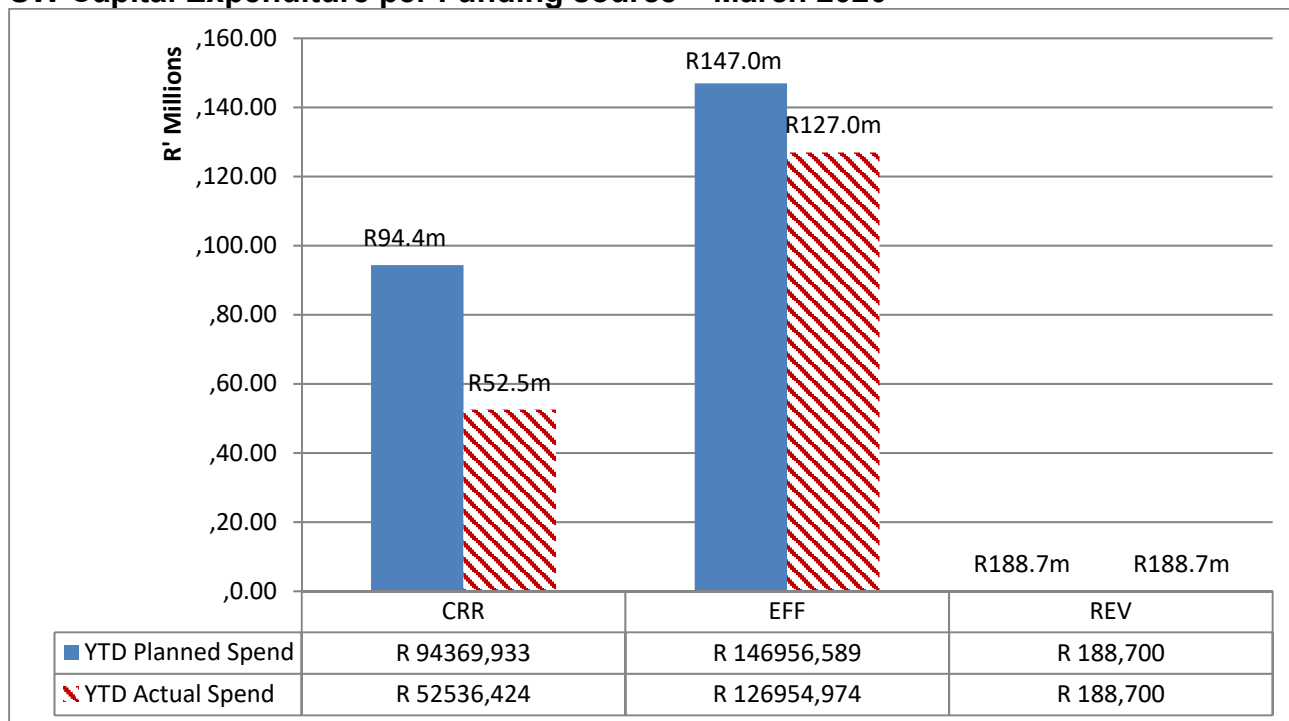
WS Capital Expenditure per Funding source – March 2020



Solid Waste Management

The department's current approved budget for the year is R447.6 million. Against its planned target of 54% (R241.5 million), the department has realised 40.1% (R179.7 million). The reasons for major (over/under) expenditure variances are addressed in the attached March 2020 PCER (Annexures: B).

SW Capital Expenditure per Funding source – March 2020



Operating Expenditure and Revenue Report

a) W&W Directorate Operating Budget: Expenditure

The directorate's total Operating Budget expenditure at end of March is R9.35 billion. SWM year to date expenditure is R2.52 billion and W&S R6.82 billion.

Department/Directorate	2019/120 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =C/B
Water & Sanitation	R10 014 502 757	R6 728 612 137	R6 824 132 503	101.4%
Solid Waste Management	R3 799 231 491	R2 481 970 911	R2 522 309 080	101.6%
W&W	R13 815 994 627	R9 212 133 181	R9 346 507 082	101.5%

The directorate's actual expenditure recorded is above 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 1208 vacancies (SW 317, SS 2 & PMU 4, W&S 878, PMO 7) out of 8631 staff establishments as at 31 March 2020. As at end March, the filled positions in the directorate were 86% of the total staff establishments. As at the beginning of the 2019/20 financial year, W&W has made 480 appointments of which 284 were internal appointments. For the same period there were 274 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.

Virements will be processed and periodic budget provisions will be reviewed and adjusted in line with actual trends

b) W&W Directorate Operating Budget: Revenue

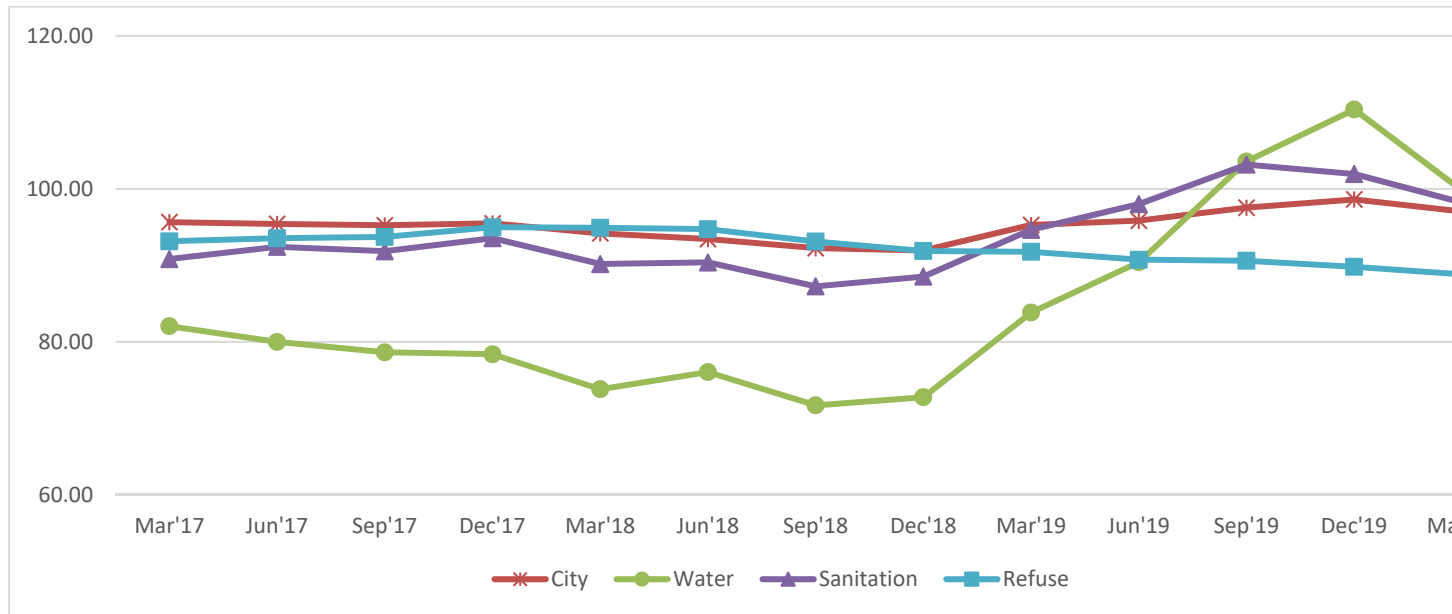
Collection ratios per department:

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
City	97.84%	97.63%	98.62%	97.99%	98.19%	97.05%
Water						
12 Months Collection ratio	105.56%	115.15%	110.37%	109.66%	108.46%	99.79%
Sewerage						
12 Months Collection ratio	104.26%	103.27%	101.95%	104.70%	101.18%	98.21%
Refuse						
12 Months Collection ratio	90.29%	89.92%	89.81%	89.55%	89.49%	88.82%

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	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19
	%										
City	95.65	95.42	95.24	95.49	94.19	93.44	92.25	91.95	95.28	95.85	95.85
Water	82.06	80.00	78.64	78.38	73.81	76.05	71.70	72.77	83.83	90.40	90.40
Sanitation	90.83	92.43	91.85	93.56	90.18	90.39	87.26	88.54	94.66	98.01	98.01
Refuse	93.15	93.55	93.73	94.99	94.92	94.74	93.12	91.89	91.78	90.75	90.75



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 March 2020 is R10.30 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 7 088 685 985	R 7 447 133 353	105.06%
Solid Waste Management	R 3 799 231 494	R 2 839 600 013	R 2 856 356 077	100.59%
W&W	R 13 680 172 499	R 9 928 560 998	R 10 303 556 841	103.78%

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.

- 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 (MARCH 2020)

Report Reference: 514900
Meeting: Section 79 Portfolio Committee - Water and Waste
Meeting Date: 07.05.2020
Meeting Venue: Committee Room D

Contact Person: Nomfundiso Ntunja
Contact Telephone: 4001921
Contact Email: NOMFUNDISO.NTUNJA@CAPETOWN.GOV.ZA

Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	Thembha Churchill Mabasa	Approved	17.04.2020 09:00:08	
02	Director	Nqobile Damane	Approved	17.04.2020 09:33:03	
03	Executive Director	Michael John Webster	Approved	17.04.2020 14:06:31	
04	Legal Compliance	Joan Mari Holt	Approved with Comments	20.04.2020 12:33:30	For information.

ECS Officer:

PROGRESSIVE CAPITAL EXPENDITURE REPORT - MARCH 2020 - WATER & SANITATION

Annexure A

Major Variances (Positive & Negative)

WS	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	39 640 680	14 892 998	-24 747 682	0	50 690 728	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 6 off Works Projects (WPs 2 to 7) under Term Tender 133Q/2017/18 in progress and on programme. Consultation with relevant Ward Councilors completed prior to finalizing above WPs. Projects registered at the EPWP office on 26 June 2019. Further 6 off Works Projects (WPs 9-14) under Term Tender 133Q/2017/18 prepared for Supply & Lay bulk MAR pipelines. Works Projects and Purchase Orders for Works Projects 9 of 14 issued, and commenced on 5 March 2020. Contract suspended due COVID19 lockdown.	Kevin Balfour
A08	C12.86082-F1	Water Supply at Baden Powell Dr to Khaye	CGD	76 862 236	53 000 000	34 282 432	-18 717 568	2 301 997	50 500 000	Project is slightly 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. The unspent amount has been reported to the USDG office.	Larry Cronje
A08	CPX.0004933-F1	Meter Replacement Programme FY20	EFF	105 000 000	52 336 465	82 695 574	30 359 109	0	105 000 000	Project is progressing ahead of schedule due to good performance of the service providers.	Yusuf Adam
A08	CPX.0016654-F1	Table Mountain Group Aquifer	EFF	220 000 000	55 000 000	113 576 422	58 576 422	1 815 791	195 000 000	Proceeding as per New Water Programme and Water Strategy approved by Council (MC 29/05/19) The project was ahead of schedule until March due to good performance of the service providers, however due to suspension of active contracts due to COVID19 lockdown, underspend anticipated, so R20 000 000 of R30 000 000 at risk to be viremented out to other projects in Water & Sanitation	Kevin Balfour
A08	CPX.0007929-F2	Zandvliet WWTW: Prim Treatment & Sludge	CGD	121 015 000	21 719 237	89 214 514	67 495 277	0	121 015 000	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.	Keith Fredrik Olsen
A08	CPX.0007929-F3	Zandvliet WWTW: Prim Treatment & Sludge	EFF	211 426 270	33 523 815	140 480 004	106 956 189	0	211 426 270	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.	Keith Fredrik Olsen
A08	CPX.0010520-F7	Cape Flats Aquifer	CGD	199 589 306	55 000 000	195 857 661	140 857 661	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 6 off Works Projects (WPs 2 to 7) under Term Tender 133Q/2017/18 in progress and on programme. Consultation with relevant Ward Councilors completed prior to finalizing above WPs. Projects registered at the EPWP office on 26 June 2019. Further 6 off Works Projects (WPs 9-14) under Term Tender 133Q/2017/18 prepared for Supply & Lay bulk MAR pipelines. Works Projects and Purchase Orders for Works Projects 9 # 14 issued, and commenced on 5 March 2020. Contract suspended due COVID19 lockdown.	Kevin Balfour

PROGRESSIVE CAPITAL EXPENDITURE REPORT - MARCH 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	46 758 117	24 278 890	-22 479 227	891 705	79 989 043	This large size project is for the purchase of vehicles for Solid Waste Management Collections Department. The project is on schedule and in execution phase. Orders have been placed. Following up with the vendors on the delay on deliveries.	Shaun Christian
A08	CPX.0004467-F2	Plant & Vehicles: Replacement FY20	REVENUE	115 962	0	0	0	0	115 962	The COVID-19 lock down period may affect on spending portion of the budget if the period is extended past the 21 days. Anticipated full spend after planned lock-down period.	Shaun Christian
A08	CPX.0004467-F1	Plant & Vehicles: Replacement FY20	CRR	40 000 000	30 626 787	10 018 100	-20 608 687	12 098 677	39 715 218	Orders were placed in August 2019 for long lead time vehicles. Following up with the vendor on the delay on vehicles that should have been delivered. It is anticipated that all vehicles will be delivered by financial year end.	Shaun Christian
A08	CPX.0009994-F2	Scottsdale Depot Upgrade	EFF	26 936 596	17 604 053	11 234 063	-6 369 990	0	14 262 037	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. Portion of the project will be re-phased to the 2020/21 financial year.	Alan Lindgren
A08	CPX.0007916-F2	Vissershok:LFG Infrastructure to Flaring	EFF	24 000 000	5 550 000	11 072 388	5 522 388	0	17 400 000	Tender number 119Q/2018/19. Construction performance guarantee received. CWP issued by DoL on 13 February 2020 and site hand over occurred on 17 February 2020. Due to impact of the Covid-19 national lockdown and delay in issuing of CWP, the delivery of imported items required will be delayed. From the award of the tender the construction portion of the project is running ahead of schedule, as a result of good contractor performance.	Alan Lindgren
A08	CPX.0016115-F2	Computer Equipment: Replacement FY20	EFF	13 800	13 800	0	-13 800	0	13 800	Placing of orders initially delayed due to the incorrect prices that were loaded against tender 60G/2018/19. Orders will be placed timeously after COVID-19.	Nqobile Damane