

WATER SERVICES DEVELOPMENT PLAN 2007/08

EXECUTIVE SUMMARY

Introduction

While significant progress has been made since the 2006/07 WSDP Water and Sanitation Services in Cape Town continues to face critical challenges. These include eradicating the backlog of basic sanitation services, achieving the essential targets for reducing water demand, meeting the wastewater effluent standards and thereby reducing the impact on the water quality of urban rivers, asset management and ensuring that infrastructure is extended timeously to meet the development growth demands. Financial sustainability of the service is a particular challenge: ensuring full cost recovery and debt management at a fair tariff, and financing of capital investment.

In order to optimally achieve this and thus meet key policy and legislative requirements, new and effective institutional arrangements and other strategies continue to be put in place.

The national Strategic Framework for Water Services, Sept 2003, is a critical policy document setting out the future approach to the provision of water services. Of the national targets set, the most critical for Cape Town are:

- All people are to have access to functioning basic water supply by 2008 (achieved in CCT in 2005/06)
- All people are to have access to functioning basic sanitation by 2010 (CCT are aiming for 2012 due to the extent of the requirement and its unique constraints)
- Investment in water services infrastructure should total > 0,75% of GDP
- Institutional reform of regional water services providers to be completed by 2013, with Water Services managed and accounted for separately
- Annual reporting on key performance indicators to be started.

The guiding document to date has been the WSDP of June 2006. The 2007/08 update, of which this is the Executive Summary, is a product of the current 2007/08 IDP process and will be a Sector Plan in that.

Vision

To become a leader in the provision of equitable, sustainable, people-centred, affordable and credible water services to all.

Critical challenges

Cape Town Water Services faces a number of critical challenges:

- Eradication of basic sanitation services backlog in a fast-track manner
- Meeting basic services expansion to meet the influx
- Intensifying the Water Demand Management Strategy and achieving the targeted or better reduction

- Meeting the Wastewater effluent standards and reducing the impact on the water quality of rivers and water bodies
- Greywater runoff quality in informal settlements
- Timely provision of infrastructure to meet development growth needs
- Maintenance of infrastructure to ensure continued operation
- High financial requirements
- Financial sustainability of the service and cost recovery and debt management
- Affordability of the Service
- Increased performance and efficiency
- Establishing a new, more effective institutional arrangement

The strategies to face these challenges are dealt with under the following sections.

What is the backlog of water services?

With the exception of the backlog in informal areas and the relatively small but un-serviced rural farm population, service levels generally meet the National minimum standards as required by the Water Services Act 108 (of 1997).

The backlog in basic water was effectively eradicated in 2005/06 when 35 000 informal households received basic water. While 17 050 informal households received access to basic sanitation, the backlog remains at approximately 30 000. This remains a huge challenge given the high unit cost, lack of available land for Human Settlement to accelerate its formal housing provision and ground level / slope /access space constraints.

Comment [JF1]: Need to verify number of toilets with Mike Page. See JF spreadsheet

The challenge then is to provide basic water and sanitation services to new citizens moving into informal areas beyond the emergency level of service and to eradicate the backlog of basic sanitation, targeted over the next 4 to 5 years.

Many of these households in informal settlements share the available on-site facilities or rely on the availability of services from nearby established areas. The basic level of service is defined as suitable clean toilet types shared at less than 5 households/toilet and water taps closer than 200m and shared by less than 25 households/tap.

What is the status of supply to higher levels of service?

Service levels to all formal developed areas are generally at the highest level of service: a flush toilet and water connection in-house or on-site. The last 3 black buckets in formal areas were replaced during 2007, meeting the President's requirement.

Cost of eradicating backlogs

In order to eradicate the backlog and to allow for the annual influx the Informal Settlements programme is set out below:

INFORMAL	07	08	09	10	11	12	13	14	15	16	TOT
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SETTLEMENTS PROGRAMME	/08	/09	/10	/11	/12	/13	/14	/15	/16	/17	
Sanitation backlog eradication (5 yrs)	7.2	7.2	7.2	7.2	7.2	0.0	0.0	0.0	0.0	0.0	36.0
Sanitation replace buckets etc except chemical (5 yrs)	13.6	13.6	13.6	13.6	13.6	0.0	0.0	0.0	0.0	0.0	68.0
Water hh influx sustain	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	5.0
Sanitation hh influx sustain	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	96.0
TOTAL	30.9	30.9	30.9	30.9	30.9	10.1	10.1	10.1	10.1	10.1	205.0

The total housing backlog is 265 000 (115 000 informal settlements and 150 000 backyard shacks) according to figures from 2005. A possible programme to eradicate the backlog of the full level of service for water and sanitation over a 20 year period would require the following annual funding:

PROVIDING FORMAL SERVICES FOR THE HOUSING DEVELOPMENT PROGRAMME

Housing backlog eradication (20 years)	R130M
Sustaining the influx	R80M
TOTAL	R210M

This programme is funded through the City's Housing programme. Depending on the speed of implementing this programme, the informal settlement programme would be changed to align the two.

The eradication of backlogs is but one of the essential infrastructural requirements of the service. The 3-year capital budget requirements for 2007/8 and 2008/09 2009/10 financial years lies at R746M, R998M and R1,049M.

Comment [JF2]: Based on Water 200708 Capital Budget as resubmitted Feb07 summary JdB.xls

What is the strategy to eradicate backlogs?

The strategy has been to provide a very basic (emergency) level of service as quickly as possible to about 95% of the approximately 195 informal settlements. The households that do not have access to basic sanitation have access to an emergency level. The emergency service is below the basic level of service in terms of household ratios/service point and includes certain unacceptable toilet types such as black buckets, of which 2 857 still need to be replaced.

The City prescribes to "the water ladder" concept (as proposed in DWAF's "Strategic Framework for Water Services, September 2003"). So while the City's priority is to first provide an emergency level of service to all households in all settlements, it is also extending the coverage and density of services to the basic level.

Upgrading on an annual basis for informal areas on developable land is proceeding as funds are obtained. A basic service level is being aimed for (the standard being defined by the ratios mentioned above, ideally opting for pour-flush, anearobic or flush toilets as appropriate). "Greenfields" housing projects are undertaken to receive residents moved from undevelopable land.

Cape Town's current plans based on current staffing are to eliminate the sanitation backlog by 2012 (behind the National target), but additional manpower resources are being sourced to accelerate implementation.

What is the status of all water infrastructure?

Existing infrastructure is often stressed significantly during peak periods. The need for new infrastructure due to growth is also pressing. The limited financial situation in the City versus the high demand for new housing has created a scenario where the City is not in a position to maintain existing infrastructure and to provide the required bulk infrastructure for connection of new developments. There is not enough money to address both these issues.

A process under the leadership of the Corporate Development Directorate was started to address the situation in a multi-disciplinary way. A partnership approach with developers was started to ensure that development could continue. Development contributions are determined and agreed for each node or Corridor to fund some of the required infrastructure. There are still a number of challenges such as obtaining bridging finance, and implementation and capacity constraints in the City. The areas where water and sewer infrastructure are severely stressed and are in need of significant upgrades include:

- West Coast / Parklands development corridor
- De Grendel / N7 development node
- Northern development corridor
- Bottelary development corridor
- Fast-track housing projects (e.g. N2 Gateway)
- Maccassar / AECI development node

The existing infrastructure, particularly the sewer system, is increasingly in a poor condition due to under-provision for essential maintenance and replacement of aging infrastructure over several years. Major pipe collapses have occurred over the past year where such pipes are in urgent need of extensive repair or even replacement.

The bulk water system in the northern areas is under stress during peak periods. The programme for implementing the augmentation scheme in this area has been budgeted for. The EIA process for the works has also been delayed 6 months and will only be finalised by 30 June 2007.

Effective management

The new organisational structure, under revision since 2001, is reaching finalisation currently, with new staff rapidly being appointed in the top levels and current staff to be placed by 30 June 2007. However, there are still critical staffing shortages to address at operational level due to the manpower drain that has occurred over the last few years. Internal optimisation of structure and process, inter-departmental coordination, integrated planning, as well as Employment Equity are being given high priority in

conjunction with the placement process. It is uncertain at this stage when the new institutional arrangements will be fully functional.

An additional staff budget from 2007/08 onwards to alleviate the critical staff shortages has been provisionally approved and budgeted for. In particular, funds to appoint several Financial staff including accountants and staff focused on increasing income has been approved.

Socio-economic profile

The 2001 Census recorded the size of the metropolitan population at 2,9M people living in 759 765 households. The City's 2007/08 Integrated Development Plan put the 2005 number of households at 847 000, with a population estimate of 3,2M. This, together with a future estimated HIV-incidence rate of 5 % (i.e. one in every 20 people are estimated to be HIV-infected), could constrain future population growth even further, together with an expected reduction of rural immigration.

Comment [JF3]: the document states 845 000 but to be consistent with other figures used by various parties 847 000 is used

Cape Town faces rising development challenges. During the past decade poverty and unemployment have almost doubled, the housing backlog has more than doubled, drug-related crime has tripled, HIV prevalence has increased tenfold and public transport has deteriorated. This is despite significant economic growth (4% annual increase in GGP), improvements in the provision of basic services (water, waste, electricity) and rising tourist numbers.

Decades of distorted development in the city has manifested in highly skewed distribution of income and wealth. In Cape Town there is a trend towards rising poverty (from 25% in 1996 to 38% of households living below or marginally above the household poverty line in 2005). This raises the issue of affordability of the service.

Affordability of the Service

A free basic service is provided, in the form of the first 6 kl/month water supply and first 4,2kl of sewerage conveyance and treatment free of charge to all consumers per month.

The City's Indigent policy allows for a R20 grant in account reduction/month to qualifying ratepayers. Approximately 220 000 formal households currently qualify based on a property value less than R100 000 (2000 General Valuation), With the 2006 General Valuation the value of properties that qualify for the Indigent Grant has changed to R199 000 from 2007/08 onwards.

Comment [JF4]: Need to verify if the basis for the R20 Indigent Grant will be replaced from property value to Indigent register

The lower steps of the water and sewer tariffs, and the zero fixed sewer charge and R20 grant for property values less than R199 000 are mechanisms to ensure that water and sanitation is affordable to the poor and indigent. Under conditions of no plumbing leaks, they would consume a relatively low quantity of water. The Integrated Leaks Repair Project and the Fixit Project, initiated at the end of 2005, are major initiatives to ensure that these household plumbing leaks are minimized and therefore that the cost of these services is affordable for them.

The fixed charge applicable to sewerage based on property value has been found to be indefensible legally and will fall away in 2007/08.

Affordability of the service will be viewed over the long term. Costs can be reduced in the short term but to the detriment of the maintenance of assets and replacement of aging infrastructure and to an effective WDM Strategy resulting in higher tariffs in the longer term. Higher than inflation increases in tariffs will be required to ensure the sustainability of the service.

The water conservation and demand management strategy, besides being necessary due to the Western Cape being a water scarce region, will also reduce the cost of the service in the long term by postponing new resource and bulk infrastructure schemes. Reductions in water consumption in the higher steps will result in the need for upward adjustments in the tariff steps but, on their own, will not result in an increase in the average water and sewer bill to the consumer.

In terms of the asset management strategy there will be increased costs and therefore higher tariffs in the short term but the strategy will ensure service affordability in the long term.

The Financial and Institutional Strategy will result in improved performance of the Water Services Provider and therefore should result in a reduction in unit costs.

The City's Debt Management and Credit Control policy, updated in 2005, has been revised for 2007/08, will be augmented by concerted efforts of Water Services to manage debt and ensure income due is received.

Service level profile

There are currently a total of approximately 656 800 formally registered customers in the City with full level of service. This customer base is broken down as follows:

Customer Type	Number
Commercial	15 680
Industrial	5 044
Department	10 567
Miscellaneous	8 952
Domestic*	616 557
TOTAL	656 800

* Includes cluster housing and sectional title.

Domestic customers include customers in cluster housing and sectional title. Customers dwelling in backyard shacks number about 150 000 (2005 figure).

As at 2005 there were 115 000 informal customers. With an estimated 847 000 households with 115 000 in informal settlements, the total number of customers served with a full level of service is 732 000. 115 000 and 85 000 customers in informal settlements receive a basic level of service for water and sanitation respectively.

Comment [JF5]: Refer also to "What are the backlogs. Change this if the 30 000 backlog changes

Water resource profile

Surface water represents 440,5 Mm³/year, or 97,1% of the total yield. The City currently obtains 70 to 75% of its raw water requirements from DWAF and the remainder from its own sources. Approximately 15% of the raw water requirements are obtained from sources within the CMA.

Groundwater resources make up 6,64 Mm³/year yield, representing only 1,46% of the total yield.

The total bulk water treated for 2004 was 849MI/day, dropping to 772MI/day for 2005 as a result of the restrictions triggered by the drought and effective WDM measures and increasing again in 2006 to 805MI/day.

With the current implementation by DWAF of the Berg River Scheme to be completed at the end of 2007, the existing water resources supplying water to Cape Town will be sufficient at least until 2013.

To reduce over-exposure to climate change and the potential decrease in system yield due to environmental reserve requirements, the strategy is to diversify water resources to lessen the dependence on surface water schemes. Schemes to be pursued under this strategy are Table Mountain Group Aquifer, other ground water schemes, desalination, and treated wastewater effluent re-use.

As part of this diversification strategy the City will continue to strengthen its partnership with the Department of Water Affairs and Forestry in the process of reviewing and updating the Western Cape Systems Analysis ("Reconciliation" Study). This study which is currently being considered for approval, evaluates the supply potential and attempts to reconcile it with the demand including options for water trading from agricultural surplus to city demand shortfall.

Water conservation and demand management

One of the essential steps for the City is to reduce water demand through the implementation of Water Conservation and Water Demand Management (WC/WDM) initiatives in order to ensure a sustainable supply of water for the future and to ensure financial efficiency in the supply of water services.

A number of studies have all clearly illustrated that WC/WDM is the most feasible solution to ensure adequate water resources for the city in the near future. It has been estimated that WC/WDM can postpone the need for a new water-resource augmentation scheme between five years and fifteen years although this does not mean that bulk infrastructure can be postponed in growth areas such as the northern areas.

The implementation of WC/WDM can also result in significant long-term financial savings to the City as well as the public by reducing water losses, reducing treatment costs and postponing large capital infrastructure.

The City's approach to water demand management is based on three broad principles: water is a strategic, precious and scarce resource; there should be no wastage of water; and all water used should be measured and accounted for.

A comprehensive eight-year WC/WDM strategy during has now been developed. It is intended to submit this to Council by the end of 2006/07. The framework of action of the strategy is divided into an enabling section and an implementation section. The implementation goals are as follows:

Goal A: CCT must by 2010 reduce and maintain the non-revenue water to below 15% of the total average demand and within accepted international benchmarks.

Goal B: Water wastage by consumers should be reduced and maintained to below 2% of the total demand by 2012 and most consumers should achieve acceptable water efficiency benchmarks by 2016.

Policy E: Reduce the projected potable water demand by 20% by the year 2012 and conserve Cape Town's Water Supply. (Planning for future water and sewer infrastructure is currently based on the City achieving this goal).

The enabling goals defined in the strategy are as follows:

Goal C: CCT must by 2009 ensure and maintain ongoing effective management systems and implement Integrated Water Resource Planning in all decisions regarding water resources augmentation, bulk infrastructure development and water efficiency projects.

Goal D: CCT must adopt WC/WDM as one of the key water service delivery strategies, and must give priority to its implementation and ensure an ongoing adequate enabling environment.

The two most critical components of the implementation of the WC/WDM strategy are the reduction of the water losses and the re-use of treated effluent water as an additional resource.

During the last two years a number of successful WC/WDM projects had been implemented, most notable projects were the M'fuleni Integrated Leak Repair Project, the Fixit Project, the education campaigns, treated effluent recycling and various pressure management projects.

The focus on these projects has reduced non-revenue demand. In addition the tariffs for treated effluent re-use are being rationalised and should result in additional income. The additional income is intended to be ring-fenced for use on WC/DM projects.

The budget cuts during the 2006/2007 financial year have however severely restricted the implementation of the WC/WDM strategy. The budget spent to date towards the comprehensive WC/WDM strategy is R 20 million. The capital budget for WC/WD has been increased substantially being R22.5M, R21.5M and R25.5M for 2007/08, 2008/09 and 2009/10 although this falls below what is needed for the full implementation of the strategy as shown in the table below:

Year	Capital (R M)
2007/08	23 410
2008/09	52 447
2009/10	69 046
2010/11	63 402
2011/12	63 828
2012/13	34 487
2013/14	30 955
2014/15	31 041
2015/16	32 413
2016/17	32 470
Total	433 498

Water demand has decreased from an average of 850 MI per day in 2003/04 to 796 MI per day in 2005/06, 28% below the predicted “Unconstrained Water Demand Curve” and 13% below the “Low Water Demand Curve”. This is a result of various factors including the 10% water restrictions and the WDM projects implemented. While there is no room for complacency these are positive signs which indicate that with more financial and human resources the “Low Water Demand Curve” could be sustained.

Wastewater effluent and the impact on the water quality of rivers and water bodies

Certain Wastewater Treatment Plants do not comply with DWAF effluent standards due to aging infrastructure over a number of years. Where investment has taken place, benefits are notable from the improved works. This in turn improves the re-use potential of wastewater effluent.

The volume of wastewater treated over the previous 3 years was:

Year	Flow ML	% Change on previous year
2003/04	196 214	0.2%
2004/05	196 498	0.1%
2005/06	198 891	1.2%

.The wastewater flows into the treatment works have not increased substantially. This can be attributed to:

- Water demand management initiatives
- The implementation of grey water and other systems by residents as a result of the drought of 2004/05

DEADP accepted the scoping report for increasing the WWT capacity at either Melkbos or Potsdam to cater for growth in the area. A consultant has been appointed to undertake detailed studies on potential environmental impacts in terms of the EIA process. The studies should be completed towards the end of the year.

The EIA for the proposed works to serve the northern region (Fisantekraal) has been approved. Tenders have been received for the detailed design and contract administration. However no appointment could be made as there have been delays in purchasing the land.

An Environmental Management System (EMS) has been set up at Potsdam Wastewater Treatment Works that integrates treatment process requirements and operational control with environmental protection. While there were plans to extend it to other wastewater plants this has been shelved as certification will not be approved without compliant effluent.

Although it was previously an urgent requirement to adhere to the proposed 2010 standards, the implementation of these standards is currently being delayed by DWAF and each application for upgrading is being assessed on its merit and the reserve determination of the receiving water body.

Depending on adequate financial and human resources, it is envisaged that 100% of treated wastewater effluent will be compliant with current DWAF standards (1984 standards) by 2012.

The mean % compliance is arithmetic mean of (Suspended Solids + Chem Ox Demand + Ammonia + E Coli). The Nitrate is excluded as a poorly performing works has a low nitrate which would improve % compliance whereas the "real" compliance is actually worse and ortho-Phosphate is not included as very few works have to comply with the future P standard.

The mean compliance was approximately 76% as at December 2006, up from 71 % as at December 2000, with 77% being the target for 2007/08.

Stormwater runoff from polluted sources (industrial dumping and settlements in catchments) often cause more severe pollution of water bodies than the treated effluent does. A working arrangement has been set up with Catchment Management to ensure the impact of sewerage overflows or effluent problems is minimised and does not worsen the environmental health further.

In general, the next five or six years will see a peaking of the upgrading requirements for essential wastewater treatment and it is anticipated that adequate funding will be made available to undertake the necessary improvements, maintain effective service delivery and minimise the impact on the environment.

Grey Water in Informal Settlements

Conveyance of grey water, which has been a problem in informal settlements, is receiving attention for health and amenity reasons. A Pilot project run in Khayelitsha was not conclusive and further attention needs to be paid to this issue.

Water services Infrastructure profile

The replacement value of the water and sewer infrastructure, determined in May 2003 as part of the Section 78(1) evaluation, was about R17,5 Billion, made up as follows:

Water Supply Infrastructure	Replacement Value R mil
Dams and catchments	932
Treatment Works	1 021
Water Reticulation	8 073
Water Pump Stations	314
Reservoirs	1 268
Depots (shared)	30
Sub Total	11 638
Wastewater Infrastructure	
WW treatment works	1 420
Sewer Reticulation	4 159
Sewer Pump Stations	284
Depots (shared)	30
Sub Total	5 893
Total	17 531

Previously maintenance of infrastructure was mostly reactive. Water Services is implementing an asset management strategy AmiP (Asset Management Improvement Programme) and the SAP Plant Maintenance Module, and this situation is gradually being turned around. The department has achieved Stage 3 (Basic Asset Management). This improvement process is being driven through the Reliability Engineering (formerly Asset Care Centre) which was established in March 2004. Reliability Engineering was being managed through a bureau arrangement with Pragma whose contract has been completed now that a skills transfer process to train municipal staff to take over the function has taken place.

The water and sewer reticulation network makes up R12.2 (approximately 70%) of the total R17.5 billion replacement value. In terms of minimizing the long term costs of owning the assets, therefore, the replacement programme for these networks is very significant. Therefore condition records of the networks need to be dramatically improved. Meticulous records of burst mains and blockages, on a Metro basis, has been introduced and maintained from June 2006. The Technical Operations Centre (TOC) is keeping statistics which are presented monthly. The TOC systems are work in progress, but progress is being made with IT and ERP on the portal systems.

From these records, investigations and tools such a CCTV cameras for sewer pipes, a comprehensive pipe replacement programme will be developed.

It is likely that the Programme will identify that more funds will need to be allocated to maintenance of infrastructure and replacement of aging infrastructure.

ISO Certification

The Bulk Water branch has previously set the standard by achieving full ISO certification on ISO 9001:2000 and thereafter maintaining it as certified by independent audits.

Other branches are all striving to achieve this standard over the 5-year planning horizon.

This together with the ISO 14001 and the Risk Management programmes to be implemented will ensure that quality is assured and risks are minimised.

Water balance

The 12 month moving average of unaccounted for water for bulk and reticulation was 19.2% as at the end of December 2006.

The distribution of water demand is as follows:

Domestic	56.9%
Domestic Cluster	7.0%
Municipal	4.9%
Commercial and Industrial	18.3%
Other	12.9%

Water services institutional arrangements

The decision to set up a separate Water Services Authority (WSA) and a ring-fenced Water Services Provider (WSP) was reconfirmed by Council in June 2004. The process has been delayed due to the delays in the transformation process.

The key to addressing the challenges that Cape Town Water Services face and achieving Water Services' vision and goals is to ensure that Water Services is structured financially and institutionally to achieve enhanced operational and financial performance. The foundation of the Water Services Strategy is therefore to effectively separate the Authority and Provider roles and to structure the provider in a way that

achieves this. This will result in sustainable funding and sustainable institutional mechanisms.

The process of separating the WSA and WSP has still to be defined.

Accountability for the ring-fenced WSP will rest with the Director: Water Services who will then be expected to deliver on the city's strategic goals through a Service Provision Agreement (SPA) and a 3-year rolling business plan. The WSDP and annual updates thereof, will form the basis for the 3-year rolling business plan.

The new arrangement is expected to contribute a great deal towards ensuring sufficient funds are available, while maintaining an affordable business model.

The City is also committed to developing alternative service delivery and infrastructure funding or investment mechanisms. Objective 7.2 under the Strategic Focus Area 7 "Good Governance and Regulatory Reform" from the 2007/08 IDP (Draft 15.03.07vx2.2) states "Enhance service delivery through exploring alternative service delivery mechanisms"

Customer service profile

All the necessary infrastructure is in place to ensure an adequate quality of service to formal household customers. All customers receive water that is fully treated. There are mechanisms in place to attend to customer complaints and queries. Integrated statistics on burst water pipes and blocked sewers have been recorded since June 2006.

Financial profile

The key financial strategies for CCT in the IDP are:

- ◆ Reducing salary costs to acceptable levels, taking into account the City's new operating model and transferring savings to improve the maintenance of assets;
- ◆ Reducing the cost of servicing long-term debt with innovative methods of borrowing and capital financing;
- ◆ Reducing the dependency on cross-subsidisation from tariff-based services to within acceptable norms;
- ◆ Maintaining rate and tariff adjustments within national norms and guidelines, ensuring the national and local economy are not undermined;
- ◆ Making adequate provision for free basic services for the poor, to ensure that there is no further marginalisation of poorer communities or individuals through the entrenchment of the indigent policy;
- ◆ Preparing realistic income budgets with adequate provision for non-recovery to ensure the expenditure reflected for each year can be fully covered by cash receipts;
- ◆ Ensuring that adequate cash reserves are maintained to cover legislated funds and provisions.

Implementing these financial strategies in the context of the implementing the WSA and WSP arrangements will go a lot way to putting Water and sanitation Services on a sustainable path.

A summary of the overall 5-year capital requirement in Rand million for the service is shown in the table below:

	2007/08	2008/09	2009/10	2010/11	2011/12
Reticulation	404.1	313.0	190.7	172.7	131.5
WWT	133.0	174.3	145.3	163.4	185.0
Bulk water	77.8	357.6	579.1	426.0	389.0
WDM	22.5	21.5	25.5	14.1	12.8
Support	3.0	3.5	4.0	27.2	27.7
Water Meter repl.	16.0	16.0	16.0	18.3	19.2
Informal settlements	56.4	55.6	47.1	38.0	39.9
EAMS	31.3	55.2	40.2	42.0	42.0
Scientific Services	2.3	1.4	1.3	1.7	1.7
TOTAL	746.4	998.1	1049.2	903.4	848.7

Note: the first 3 years correspond with the 3 year capital budget.

This will require a significant increase in funding through EFF which historically stands at approximately R160 mil. The City will attempt to increase the allocation from MIG so as to reduce the effect on EFF. This capital budget is required to ensure the sustainability of the service.

The City recognises the urgent need to upgrade and extend infrastructure. This is highlighted under the IDP Strategic Focus Area "Sustainable Urban Infrastructure". In order to ensure that this becomes a reality it is committed to "improve leveraging of available funds without compromising the Council's ability to sustain service delivery" (part of the Public Infrastructure Investment Programme under the Objective 2.7 - Strategic Focus Area No. 2)

Depending on the effect of an aggressive Water Demand management Strategy and a re-evaluation of the approach to treated effluent standards the high capital requirement may be able to be reduced.

The projected operating budget (in R Million) is shown below:

Year	Budget
2006/07	2 611
2007/08	2 953

2008/09	3 214
2009/10	3 540
2010/11	3 866
2011/12	4 167

This is based on the following assumptions:

City growth: 1.50%
Inflation: 5.00%
Demand growth: 2.00%

Based on the above projected capital and operating expenditure the tariffs will increase above inflation over the next 5 years

The total debt owed to Water Services is R 2 billion and growing annually. This reduces Water Services ability to afford the necessary capital programmes to maintain existing infrastructure and develop new infrastructure for the growth in the City. Recent debt management initiatives have proven successful but more effort needs to be put into this.

The Integrated Leaks and the Adhoc Leaks Project being driven out in low income areas will contribute significantly to reducing the increase in debt as well as the writing off of bad debt that resulted from the leaks on private residential properties .

As mentioned under "Institutional Arrangements" the Water Services Provider will be structured in a way that enhances operational and financial performance.

Notes

This document has been compiled in accordance with DWAF's WSDP guideline headings (Revision 10, January 2006) for the WSDP Executive Summary.

