



DATE:

REPORT TO:

1. ITEM NUMBER **WS 07/05/22**

2. SUBJECT

WATER & SANITATION MONTHLY FINANCIAL PROGRESS REPORT (MARCH 2022)

**ONDERWERP
MAANDELIKSE FINANSIËLE VORDERINGSVERSLAG VAN WATER EN SANITASIE
(MAART 2022)**

**ISIHLOKO
INGXELO YENKQUBELA-PHAMBILI YARHOQO NGENYANGA YEENGXELO
ZEMALI KWIINKONZO ZAMANZI KUNYE NOGUTYULO (MATSHI 2022)**

Enter LSU Number Here

3. DELEGATED AUTHORITY

In terms of delegation

This report is

- Committee name** : Water and Sanitation
- 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

Making progress possible. Together.

3

PCER	Progressive Capital Expenditure Report
R&M	Repairs & Maintenance
W&S	Water & Sanitation
NWP	New Water Plan/Programme
PMU	Project Management Unit
YTD	Year To Date
IDP	Integrated Development Plan
USDG	Urban Settlement Development Grant
IDA	Incremental Development Area
BICL	Bulk Infrastructure Consolidated Levy

The purpose of the report is to provide monthly updates on the Water and Sanitation Directorate's actual expenditure against both the capital and operating budget, the billed revenue as well as the collection thereof. The report also provides an update on the latest status of the demand plan.

The Water and Sanitation (W&S) directorate consists of four departments namely, Bulk Services, Distribution Services, Commercial Services and Technical Services.

Capital Expenditure Report

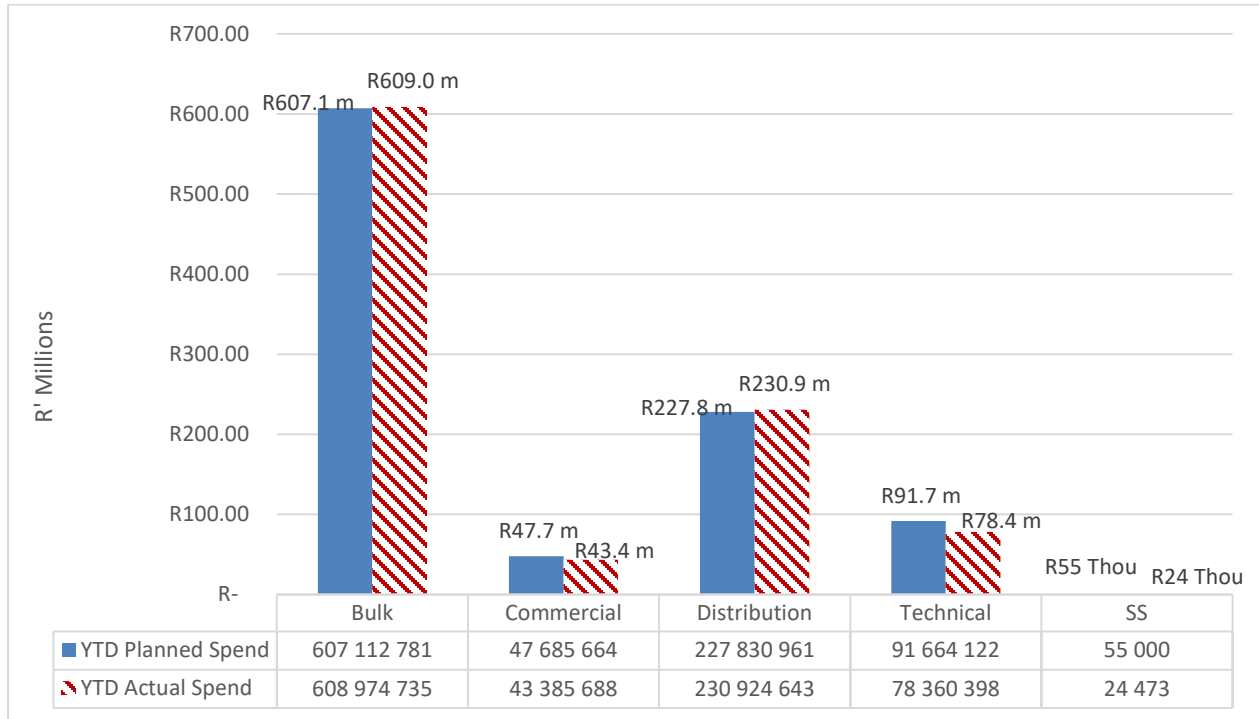
W&S Capital Expenditure per department - March 2022

Department/Directorate	2021/22 Current Budget	YTD Planned Spend	YTD Actual Spend	Commitments	YTD Planned Spent of Current Budget	% YTD Actual Spend of Current Budget	% YTD Actual Spend of Current Budget Incl. Comm.
Bulk Services	1 206 758 204	607 112 781	608 974 735	237 034 947	50.3%	50.5%	70.1%
Commercial Services	133 285 157	47 685 664	43 385 688	746 593	35.8%	32.6%	33.1%
Distribution Services	476 955 857	227 830 961	230 924 643	165 575 596	47.8%	48.4%	83.1%
Technical Services	208 759 803	91 664 122	78 360 398	93 104 846	43.9%	37.5%	82.1%
Support Services	140 000	55 000	24 473	0	39.3%	17.5%	17.5%
Water & Sanitation	2 025 899 021	974 348 528	961 669 937	496 461 982	48.1%	47.5%	72.0%

The directorate's approved adjustment budget for the 2021/22 financial year is R2.025 billion. At the end of March 2022, the directorate achieved an actual implementation of 47.5% (R961.669 million) which is (0.6%) below the planned budget of 48.1% (R974.348 million) over this period. The focus is still given in ensuring that the directorate spend the remaining portion of the budget during the next three months (April – June 2022).

In this regard, an amount of R496.5m (24.5%) have already been committed. Contingencies included in the budget provision as at the end of March 2022 constitutes an amount of R162.1m.

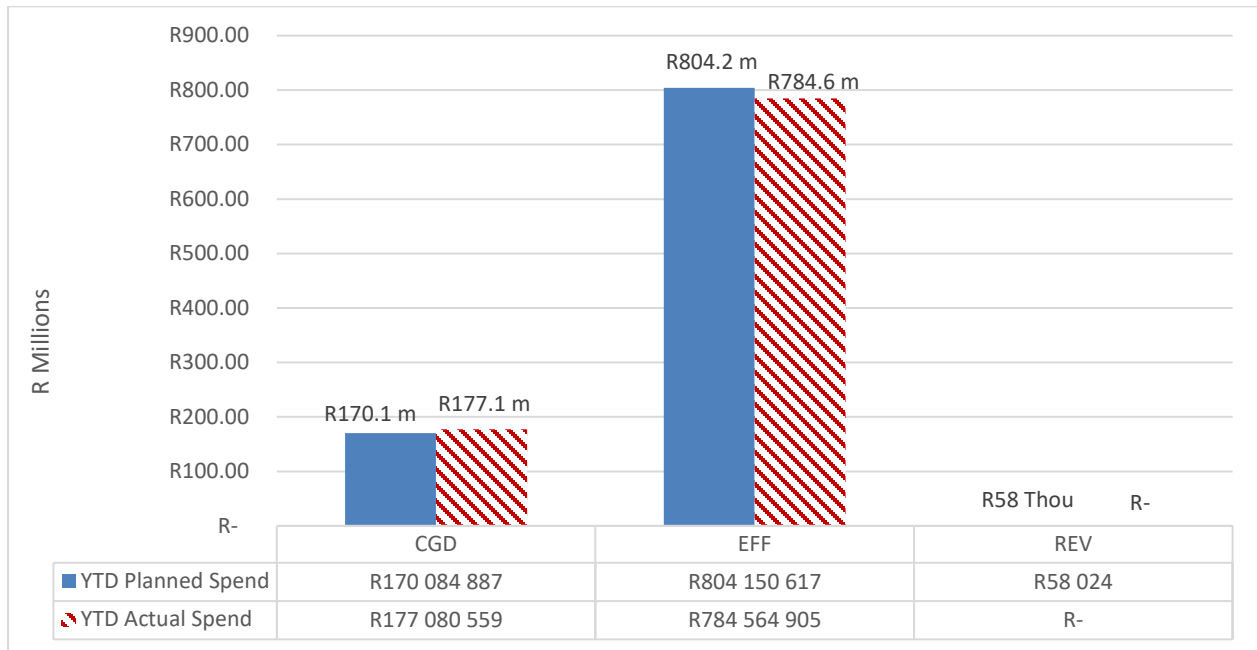
W&S Capital Expenditure per department – March 2022



There are on-going Executive Director engagements with respective Directors, Branch Managers and project managers to ensure that tracking and monitoring of projects are within the prescribed timeframes and that corrective actions are processed timeously, so as to ensure maximum spend on the remaining unassigned amount.

Analysis per Funding Source:

W&S Capital Expenditure per Funding source – March 2022:



The expenditure per funding source is also closely tracking the planned budget per funding source. The directorate is still on track to incur the expenditure against the projects that are funded from Capital Grants and Donations.

Operating Expenditure and Revenue Report

a) W&S Directorate Operating Budget: Expenditure

Department/Directorate	2021/22 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual = (C/B)
Bulk	R2 976 818 827	R2 010 391 999	R1 852 150 534	92.1%
Commercial	R477 594 101	R337 135 028	R283 722 620	84.2%
Distribution	R9 764 629 859	R6 739 418 541	R6 323 562 363	93.8%
Technical	R522 086 322	R350 556 707	R332 397 540	94.8%
W&S	R13 743 172 543	R9 439 044 718	R8 791 833 057	93.1%

The directorate's total operating actual expenditure as at end of March 2022 is R8.791 billion representing 93% of the YTD planned budget and 64% of the current financial year's approved budget.

The current variance is a combination of over/under expenditures. Variances include:

- **Salaries Wages and Allowance Items:** Under-expenditure, which is predominantly due to the turnaround time taken to fill vacancies and the consequential vacancies when successful candidates are from internal to the directorate. In order to improve the turn-around time, the services of 3 labour brokers have been procured in the short-term and 6 Water and Sanitation clerks have been

6

made available to increase capacity and expedite the recruitment and selection process. There are also engagements with Corporate Services – Human Resources to find a permanent solution for the lack of capacity and ensure it's adequate to deal with the directorate demands.

- **Inventory Consumed for Reticulation Water & Bulk Water:** The items reflect under-expenditure due to delays in receipt of updated accounts from the National Department of Water and Sanitation (DWS), as a result of a system malfunction and delays on their part. (This will also impact on inventory consumed-losses as well as gains from a revenue perspective).
- **Other Inventory Items:**
 - R&M Mat General & Consumables (under), due to the continuous monitoring and review of requirements and the change in the metering strategy;
 - Printing Stationery & Photographic (under), due to a decrease in stationery requirements as a number of staff are working remotely;
 - Chemicals (over), due to the non-availability and / or shortage of certain chemicals resulting in higher cost alternative chemicals being procured.
- **Transfers and subsidies** (under), due to the delayed start of a project as well as amendments to the Alien Vegetation Removal Programme project plan.
- **Contracted Services** (under), combination of over- / under expenditure, mainly on:
 - **Sewerage Services** (under), due to a number of outstanding invoices that must still be processed;
 - **Advisory Services** - Research & Advisory (under), these items relate to challenges experienced with the award of tender 194C. Although these challenges affected the expenditure, there is a number of purchase orders that were issued in period 8 with expenditure to reflect in future reporting periods. Based on current projections, under-expenditure for this item is expected for this financial year. The same delays are applicable to Professional Services -Engineering: Civil;
 - **Meter Management** (under), the improved management of the relevant contracts and invoice review controls resulted in the under expenditure as the budget was based on previous year's performance. Although the amounts were reduced during the adjustment budget, the department did not have sufficient historical data to appropriately inform the adjustment. Based on the initiatives planned for the current financial year, expenditure is still expected to increase in the last quarter/months of this financial year.
 - **Security Services:** Municipal Facilities (over), where expenditure is slightly higher than the period budget but there is sufficient budget in outer periods; and

- **Repairs and Maintenance Category** (under), combination of over-/under expenditure, mainly on:
 - R&M Contracted Service Building (under), due to the continuous monitoring and review of required standby requirements based on operational needs and in response to the change in the metering strategy;
 - R&M Electrical (under), due to a decrease in the number of electrical repairs and maintenance required at wastewater plants;
 - R&M Alien Vegetation Control (over), due to an increase in the amount of alien vegetation cleared by the Catchment and Stormwater Branch.
 - R&M Cleaning Costs (over), due to an incorrect allocation, which is to be corrected in the next reporting period.
 - R&M Hire of LDV, P/Van, Bus, Special Vehicle (under), due to outstanding invoices;
 - R&M Hire Charges (under), due to a decrease in hire of pumps and pipes at sewer plants during routine maintenance;

- **Losses: Inventory consumed** (under), due to delays in receipt of updated accounts from the DWS as a result of a system malfunction on their part.

Period budget provisions will be continuously reviewed against actual trends and adjusted, where appropriate.

b) W&S Directorate Operating Budget: Revenue

Revenue recorded as at the end of March 2022 is R9 347.7 billion.

Department/Directorate	2021/22 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =(C/B)
Bulk	R 3 560 192 822	R 2 428 314 012	R2 268 405 969	93.4%
Commercial	R 23 297 213	R11 832 399	R7 023 023	59.4%
Distribution	R 9 926 818 043	R7 255 928 645	R7 047 903 409	97.1%
Technical	R 23 304 803	R11 858 286	R24 325 500	205.1%
W&S	R 13 535 074 817	R 9 709 029 794	R 9 347 660 315	96.3%

The variance is a combination of over/under recovery. Variances include:

- Service charges - water revenue (over), which is largely attributed to an increase in water sales for the Industrial / Commercial sector.
- Service charges - sanitation revenue (under), due to usage charges for Domestic customers being lower than anticipated.
- Revenue: Capital - Development Contribution / Levy (over): is dependent on developer requirements and is currently higher than anticipated.

- Transfers and Subsidies (over): revenue recognition relating to Capital Grants and Donations is higher than anticipated due to good contractor performance on certain projects.
- Other revenue (over), mainly as a result of over-recovery treated effluent sales as well as By-Products Sales.
- Gains (under), mainly on Inventory Consumed due to delays in receipt of updated accounts from the DWS as a result of system malfunctions on their part.

Seasonal trends on service charges are still to stabilise. Period budget provisions will be refined where appropriate.

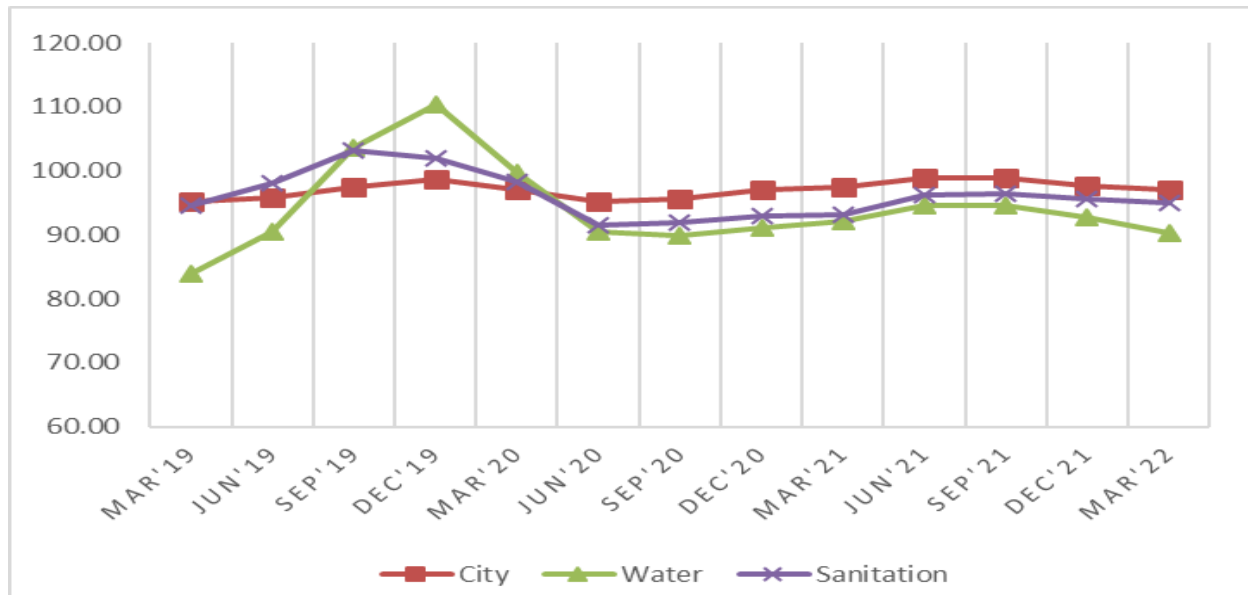
Directorate Collection Ratio and Debt Management Actions

a) Collection Ratio

The collection ratios for the Directorate are:

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
City	98.51%	98.71%	97.73%	97.72%	97.47%	97.00%
Water						
12 Months Collection ratio	94.00%	93.16%	92.80%	92.08%	89.63%	90.19%
Sewerage						
12 Months Collection ratio	96.64%	96.05%	95.56%	95.08%	95.15%	95.08%

	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21	Jun'21	Sep'21	Dec'21	Mar'22
City	95.28	95.85	97.54	98.62	97.05	95.25	95.60	97.08	97.38	98.91	98.79	97.73	97.00
Water	83.83	90.40	103.59	110.37	99.79	90.38	89.96	91.11	92.06	94.61	94.66	92.80	90.19
Sanitation	94.66	98.01	103.18	101.95	98.21	91.42	91.85	92.86	93.17	96.27	96.38	95.56	95.08



The percentages quoted above are reported on a 12-month rolling period as calculated by the Finance Directorate – Revenue Department.

b) Credit Control and Debt Management Actions

Warning Letters:

Month	Received from Revenue	Issued to Contractor	Delivered to Customers	% Delivered	Target
Mar-21	21 843	21 811	21 644	99.23%	100%
Apr-21	23 719	23 719	23 572	99.38%	100%
May-21	23 691	23 691	23 481	99.11%	100%
Jun-21	13 788	13 788	13 601	98.64%	100%
Jul-21	25 172	25 172	24 788	98.47%	100%
Aug-21	21 951	21 951	21 863	99.60%	100%
Sep-21	30 305	30 305	30 222	99.73%	100%
Oct-21	15 953	15 953	15 929	99.85%	100%
Nov-21	24 478	24 478	24 373	99.57%	100%
Dec-21	10 961	10 961	10 897	99.42%	100%
Jan-22	18 022	18 022	17 979	99.76%	100%
Feb-22	22 291	22 291	22 209	99.63%	100%
Mar-22	26 230	26 230	26 142	99.66%	100%

The above table reflects the number of warning letters delivered as a result of non-payment, advising users of services of the imminent restriction/disconnection of services if appropriate action is not taken. Reasons for actions not effectively performed relates to unsafe area, which are reallocated if conditions changes and where insufficient

property data is captured, these accounts are referred back for investigation and updates.

Restrictions / Disconnections:

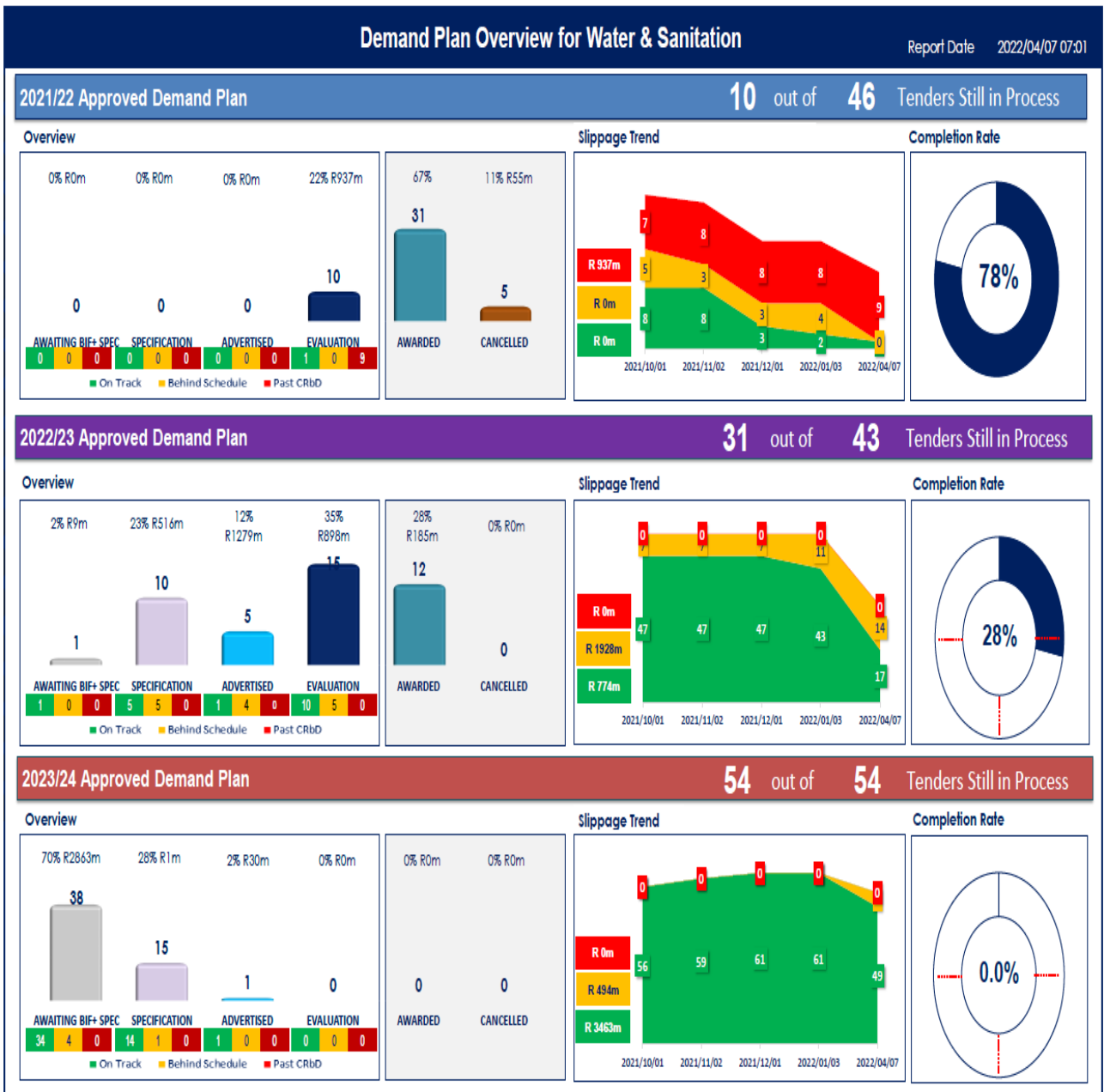
Month	Received from Revenue	Works Orders Issued	Properties Visited	Restrictions / Disconnections	Reconnections completed
Mar-21	9 331	9 890	9 775	6 675	3 435
Apr-21	9 706	8 273	8 273	5 925	2 469
May-21	7 274	6 766	7 078	5 490	3 163
Jun-21	5 476	4 286	4 086	2 731	3 877
Jul-21	7 892	8 314	8 303	4 590	2 943
Aug-21	7 614	6 060	5 985	3 972	2 490
Sep-21	9 364	8 280	8 121	5 641	3 028
Oct-21	3 910	4 125	4 055	2 848	2 616
Nov-21	8 588	7 154	6 572	4 218	2 113
Dec-21	5 168	4 954	4 337	2 508	1 967
Jan-22	6 258	5 383	5 372	3 278	1 600
Feb-22	7 581	6 892	6 177	4 101	2 372
Mar- 22	9 007	8 273	8 034	5 297	2 802

Reasons for actions not effectively performed relate amongst others to proof of payment being provided, unsafe areas, inability to access private property, difference in meter data and actions need to be accompanied with maintenance.

W&S Directorate Demand Plan

Directorate Performance – Key points across all departments

- i) Directorate demand plan overview:



ii) Water & Sanitation Completion rate

	March 2022
Completion Rate 2021/22	78%
Tenders still to be processed for - 2021/22	10 of 46
2022/23	31 of 43
2023/24	54 of 54
BIF and Specification overdue - late	3
- submitted and under review	3
- not submitted yet	0

12

BIF and specifications due in the next 3 weeks (in addition to the above)	0
Tenders behind schedule	15
BIFs behind schedule	0
Tenders overdue (past the CRD)	9
BIFs overdue (past the CRD)	2
Projects linked to demand plan	100% (0 to be linked)

The nine (9) overdue tenders are currently in the various stage of the supply chain management process ranging from being advertised to being in the preferred bidder status. The risk on service delivery has been assessed and mitigated via use of alternative contracts, therefore no impact on expenditure are foreseen. The main reasons for overdue tenders relate to appeals received, strategic re-alignment of projects to align with budget updates as well as tenders requiring multiple rounds of clarification and due diligence.

The fifteen (15) tenders behind schedule are in the various stage of the supply chain management process ranging from been advertised to obtain Section 33 (of the MFMA) approval. The risk on service delivery has been assessed and mitigation measures will be applied where relevant. The main reasons for tenders running behind schedule predominantly relate to late starts to the process (where the relevant branch has been engaged) as well the requirement for comprehensive due diligence on certain projects.

Financial Implications

- None Opex Capex
- Capex: New Projects
- Capex: Existing projects requiring additional funding
- Capex: Existing projects with no additional funding requirements

Policy and Strategy Yes No

Legislative Vetting Yes No

Legal Implications Yes No

Staff Implications

 Yes No

Risk Implications

 Yes The risks for approving and/or not approving the recommendations are listed below: No Report is for decision and has no risk implications. No Report is for noting only and has no risk implications.

POPIA Compliance

 Yes It is confirmed that this report has been checked and considered for POPIA compliance.

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.

FOR FURTHER DETAILS CONTACT

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Approval Form

Supported for inclusion on the agenda



WATER & SANITATION MONTHLY FINANCIAL PROGRESS REPORT (MARCH 2022)

Report Reference: 519966
Meeting: Section 79 Portfolio Committee - Water And Sanitation
Meeting Date: 05.05.2022
Meeting Venue: Council Chamber

Contact Person: Nomfundiso Ntunja
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Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	Albertus Saayman	Approved	21.04.2022 13:27:25	
02	Director	Siyabulela Bashe	Approved	21.04.2022 17:23:50	Reviewed and recommended for approval
03	Executive Director	Michael John Webster	Approved	21.04.2022 19:33:31	
04	Legal Compliance	Jason Sam Liebenberg	Approved with Comments	22.04.2022 14:10:46	For information.
05	Chairperson	Ian Neilson	Approved	02.05.2022 18:13:04	

ECS Officer: