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LEPELLE NORTHERN WATER

Presentation to Portfolio
Committee on Water Affairs
and Forestry

Parliament of the Republic of South Africa


22 March 2006



1

Major Achievements 2004/05


- Board passed a below inflation (CPIX) tariff to it's customers @ 2.94%
- Concluded a long-term supply contracts with Polokwane municipality for 25 years.
- Public private Partnership with Anglo Platinum, Polokwane Municipality and Lepelle Northern Water:
 - R28 Million pipeline to improve security of supply, were arrangements of lease and maintain were concluded at no cost to any of the parties. (lease and maintenance costs are swapped).



2

Major Achievements 2004/05
– Cont...

- The Board has taken a policy decision on tariff equalisation over the next ten (10) years.
- The Board has successfully refinanced the Ebenzer Loan taken from DWAF @ 15.75% with a loan from DBSA @ 9.21% resulting in interest savings of R12 million over the term of the loan.
- The Board managed to repay the Olifants/Sand loan of R218 million during the 1st quarter of 2005/06.



3

Major Achievements 2004/05 – Cont...

- The board received two awards for the year under review.
 - Silver award from PMR (water sector)
 - In the top 5 by Top 500 companies.

4



Financial Results

- The board has received an unqualified Audit Opinion for 2004/05
- Revenue has increased by 1% against last year 2003/04 (effects of Drought)
- Operating expenditure remained constant year on year due to better cost control measures
- General reserve fund: the deficit at R7 million from R24 million in 2003/04

5



Service delivery

- Implementing agent for DWAF and Water service Authorities for capital water projects to the value of R44 million.
- Implementing agent, as a result of a ministerial directive, on behalf of DWAF for the the following schemes:
 - ❖ Flag Boshielo, Olifantspoort, Nkowankowa and Modjadji.
 - ❖ The schemes are operated on a cost plus margin basis.
- The board provide retail services where requested by municipalities:
 - Free basic water implementation – 11,949 households benefiting.
 - Cost recovery solution – 56,947 stands registered.

6



Service delivery – Cont...

- The board has availed its laboratory services to all Municipalities within its area of operation
- Water conservation and Demand management in area of operation through telemetry systems.
- Water losses kept below 4%.

7



Strategic Challenges

- Municipal Systems Act (32 of 2003) section 78 processes not finalised by WSA (Vhembe, Sekhukhune, Mopani and Capricorn).
- Uncertainties around the transfer of Assets and personnel to WSA. (Assets = R2.089 million and Personnel = 4731)
 - The capacity of the receiving authorities (Vhembe, Mopani, Sekhukhune and Capricorn district municipalities)
- The bulk infrastructure development of De Hoop Dam and Flag Boshielo pipeline to Mokgalakwena.
- Costing and quantification of Indigents in our area of operation.

8



Strategic Challenges – Cont...

- Ba-Phalaborwa municipality debt to Lepelle Northern Water:
 - The municipality defaulted on its obligations and the accumulated arrear amount is at R90 million.
 - The Board has approached the Premeir, Minister of Water Affairs and Forestry, MEC Local Government and Housing and Mopani District Municipality for assistance in resolving the matter.
 - Recently (Jan '06) DWAF intervened and the credit control measures against the municipality suspended, pending the finalisation of DWAF processes in assisting the municipality.

9



Plans for Strategic Challenges

• Stakeholder management

➤ Municipal model as advocated by Lepelle Northern Water as per the Strategic Framework for water services.

➤ Cost recovery solution for municipalities experiencing difficulty, such as Sekhukhune District Municipality.

• Lepelle Northern Water to be nominated as a receiving entity during transfers of Assets in Mopani, Sekhukhune, Vhembe and Capricorn.

• Software solutions suitable for rural areas and can assist in quantifying the indigents

10



Strategic Plan for 2005/06

• Strategic objectives of Lepelle Northern Water

➤ To be a preferred water service provider:

❖ by compiling a fact on each water service authority regarding backlogs, environment, etc.

❖ by concluding outstanding agreements with water service authorities.

➤ To contribute towards the quality of life and economic growth and development:

❖ by passing below inflation tariff increases through equalisation.

11



Strategic Plan for 2005/06 – Cont...

• Strategic objectives of Lepelle Northern Water

➤ To become a leading organization:

❖ By implementing a company wide management information systems (MIS) including a performance management system.

➤ To be a financial viable, sustainable and profitable organization:

❖ By compiling and implementing an infrastructure investment plan on projects like, De Hoop Dam and Lebalelo.

➤ To meet government targets:

❖ by forming collaborations with other water boards and entering into Public Private/Public Partnerships to extend service.

12



State of the Nation Address

- Project Consolidate highlighted capacity constraints in Local Government Sphere.
 - The Board has availed its services as an Implementing Agent to Municipalities on capital water related projects.
 - Assistance to WSA with the implementation of Free Basic Water.
- The President emphasised the eradication of "bucket toilets" in established settlements by the end of 2007.
 - The Board has started in assisting municipalities in provision of sanitation services (such as Greater Tlokoene Municipality); as the Board has traditionally provided only water in its area.

13



State of the Nation Address – Cont...

- The President highlighted the need of other infrastructure funds to improve service delivery in the areas second economy.
 - The Board poses critical mass to attract funding from the open markets and development agencies.
 - The Board plans to invest in water infrastructure in under serviced areas in its area of operation.

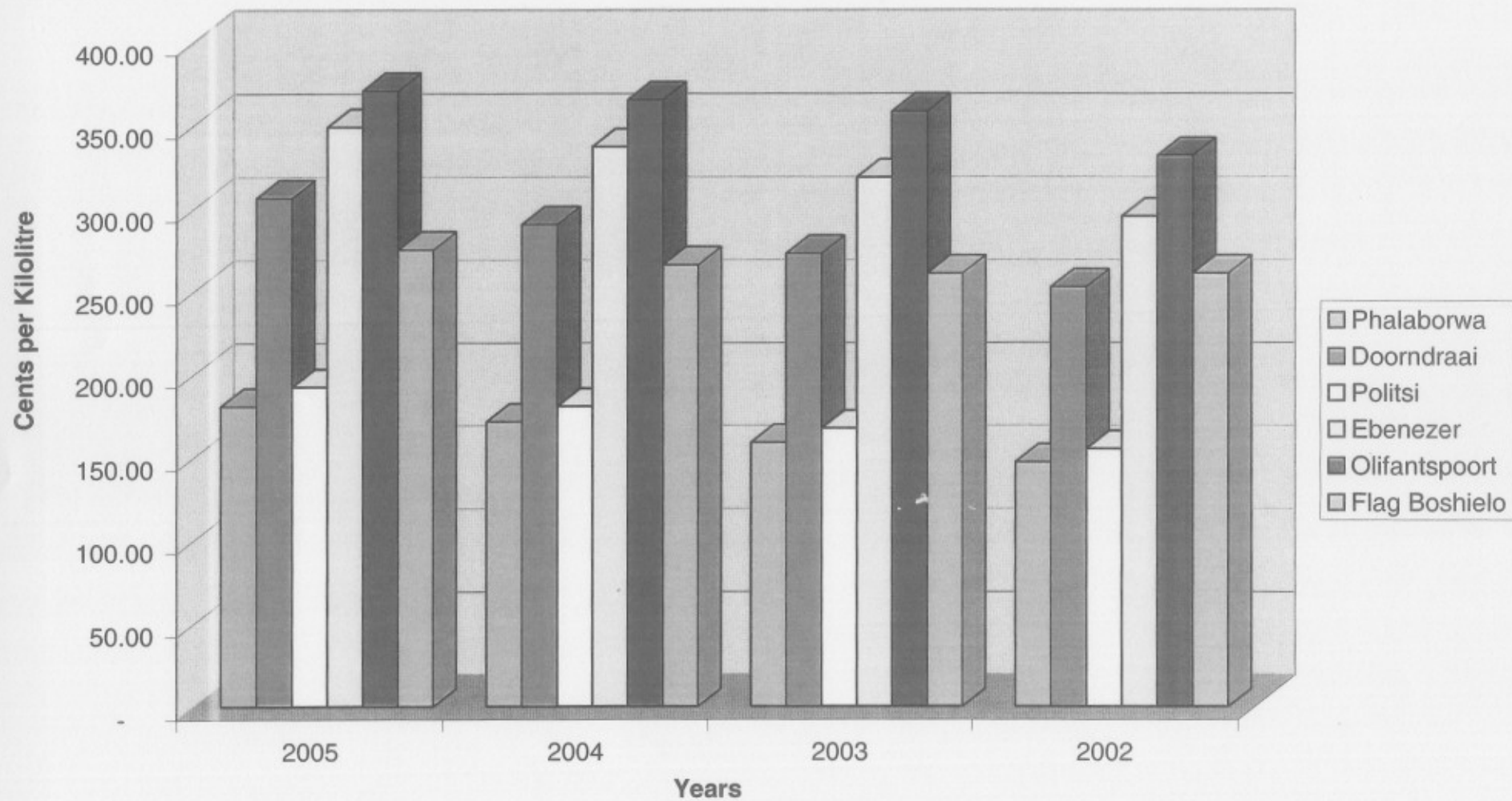
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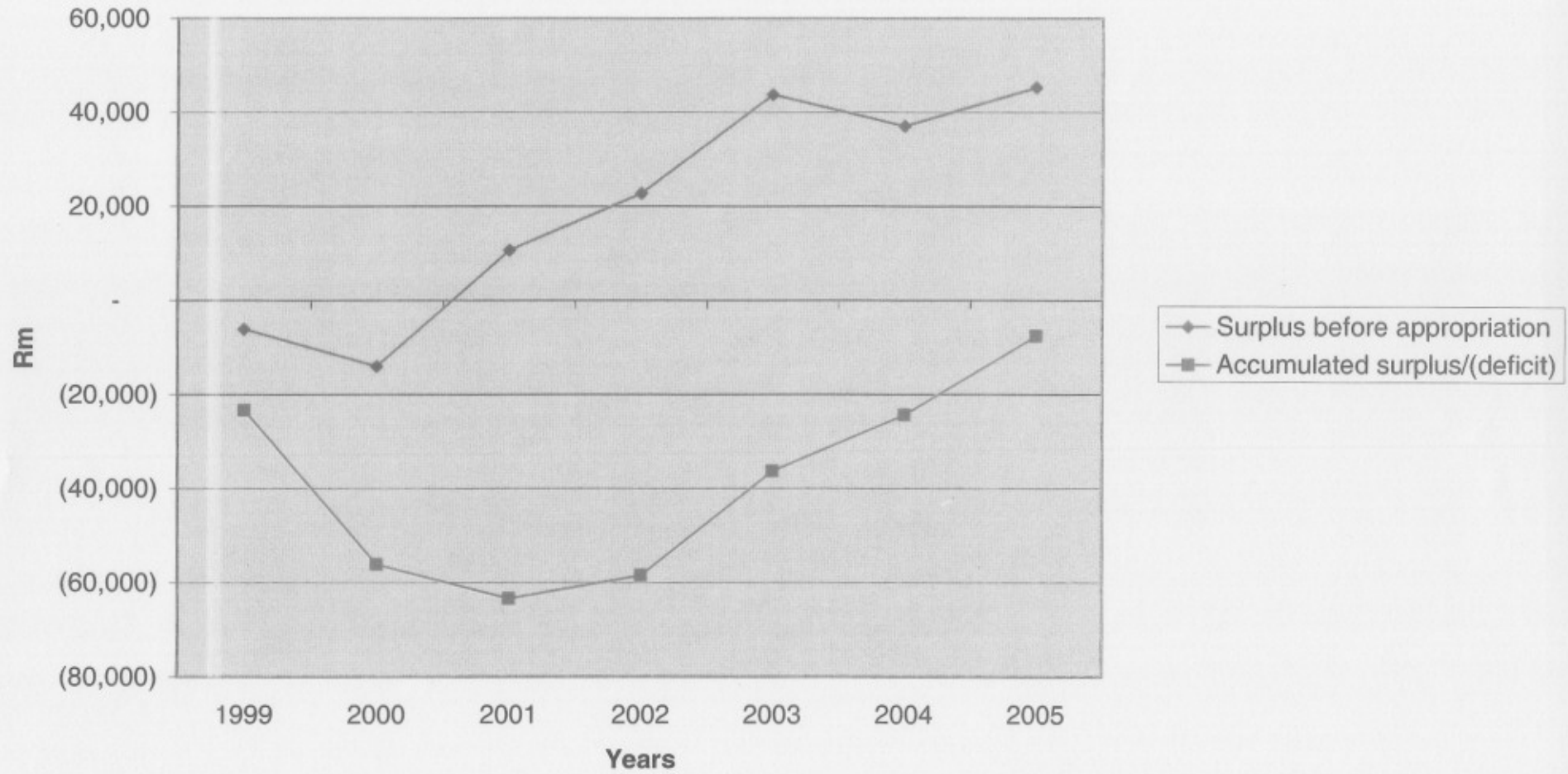
THANK YOU



Tariff Statistics



FINANCIAL PERFORMANCE



Institutional Model for Water Services

The schematic presentation of institutional model for water services is indicated below: -

