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THE INTERFACE BETWEEN FINANCIAL AND WATER SECTOR REGULATION COMPLIANCE TOWARDS SUSTAINABILITY

PRESENTER

: SELOWA SOLLY

VENUE

: JACK BOTES HALL (LIMPOPO)

DATE

: 21-22 JULY 2011



CONTENTS

- ☐ Why Regulating for sustainability?
- ☐ Regulatory Performance Measurement System (RPMS)
 - ☐ Tariff
- ☐ Municipal Strategic Self Assessment
- ☐ Auditor General
- ☐ Challenges to Financial Sustainability



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TARGETS

THE STATE PRESIDENT JACOB ZUMA ASKED THE DEPARTMENT AND THE WATER SECTOR TO MEET CERTAIN TARGETS BY 2014.

- 99% COMPLIANCE ON DRINKING WATER QUALITY
- 80% COMPLIANCE ON WASTEWATER EFFLUENT QUALITY, and
- WATER LOSSES SHOULD BE REDUCED BY 50% .

(NOT OPENING A DISCUSSION ON THE TARGETS BUT PAVING A WAY FORWARD ON HOW TO ACHIEVE THEM)



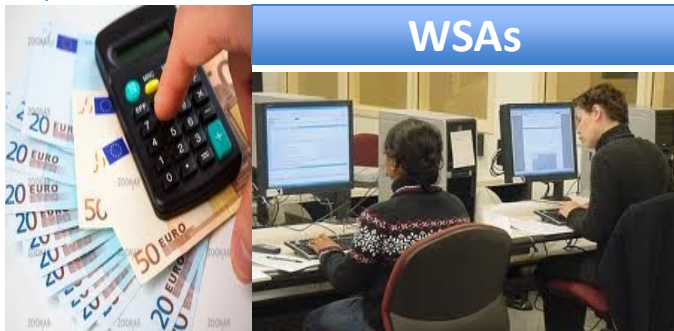
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REGULATOR + AUDITOR GENERAL + MuSSA



WSAs



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WHY REGULATING FOR SUSTAINABILITY?

System Input Volume	Authorised Consumption	Billed Authorised Consumption	Billed Metered Consumption		Potential Revenue Water	Free basic
						Recovered revenue
			Billed Unmetered Consumption			Non- Recovered revenue
	Water Losses	Unbilled Authorised Consumption	Unbilled Metered Consumption		Non Revenue Water	
			Unbilled Unmetered Consumption			
		Apparent Losses	Unauthorised Consumption			
			Customer Meter Inaccuracies			
		Real Losses	Leakage on Transmission and Distribution Mains			
			Leakage on Overflows at Storage Tanks			
Leakage on Service Connections up to point of Customer Meter						



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REGULATORY PERFORMANCE MEASUREMENT SYSTEM (RPMS)

KPIs



KPI 1 : ACCESS TO WATER SUPPLY

KPI 2 : ACCESS TO SANITATION

KPI 3 : ACCESS TO FREE BASIC WATER

KPI 4 : ACCESS TO FREE BASIC SANITATION (STANDARDS.....)

KPI 5 : DRINKING WATER QUALITY MANAGEMENT

KPI 6 : WASTEWATER QUALITY MANAGEMENT

KPI 7 : CUSTOMER SERVICE QUALITY

KPI 8 : INSTITUTIONAL EFFECTIVENESS

KPI 9 : FINANCIAL PERFORMANCE

KPI 10 : STRATEGIC ASSET MANAGEMENT

KPI 11 : WATER USE EFFICIENCY



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DATA COLLECTION STATISTICS

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2008/09
124 = 77%

2009/10
113=70%

Data for the 2009/2010 financial year

Province	Total Operational WSAs in Region	Datasets Received	% Received
Overall Responses	162	113	70%
North West	11	10	91%
Limpopo	11	10	91%
KZN	14	12	86%
Gauteng	12	10	83%
Western Cape	28	21	75%
Free State	20	14	70%
Eastern Cape	17	10	59%
Northern Cape	31	17	55%
Mpumalanga	18	9	50%



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RPMS CALENDER

Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Activity												
Water Service Authorities Regulatory compliance Assessment												
Data Analysis												
Annual evaluation (KPI reports for publication)												
Regulatory Action and Action Plans												
Closing out and evaluation of RAs and preparation for the new cycle												
Raise awareness of and prepare for next data collection cycle												



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NATIONAL PERSPECTIVE (FAILING KPIS)

KPI	National Summary: Total WSAs Failing per KPI
KPI 1: Access to water supply	9
KPI 2: Access to sanitation	65
KPI 3: Access to Free Basic Water	24
KPI 4: Access to Free Basic Sanitation	excluded
KPI 5: Drinking Water Quality Management	excluded
KPI 6: Wastewater quality management	excluded
KPI 7: Customer service quality	72
KPI 8: Institutional effectiveness	90
KPI 9: Financial performance	161
KPI 10: Strategic asset management	104
KPI 11: Water use efficiency	147

FAILING KPIS











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REGIONAL PERSPECTIVE

Level: Regional - Limpopo

KPI No	Description	Regional KPI Score	National KPI Score	Regional - National Comparison	Required Score	Compliance Assessment
1	KPI 1: Access to water supply	3.634	3.334	0.3	3	
2	KPI 2: Access to sanitation	3.209	2.565	0.644	3	
3	KPI 3: Access to Free Basic Water	4.372	4.063	0.309	3	
4	KPI 4: Access to Free Basic Sanitation					
5	KPI 5: Drinking Water Quality Management					
6	KPI 6: Wastewater quality management					
7	KPI 7: Customer service quality	2.641	2.967	-0.326	3	
8	KPI 8: Institutional effectiveness	3.569	3.109	0.46	3.5	
9	KPI 9: Financial performance	1.767	2.011	-0.244	4	
10	KPI 10: Strategic asset management	3.083	2.329	0.754	3	
11	KPI 11: Water use efficiency	0.455	0.604	-0.149	3	



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TARIFF

TARIFF BLOCK	CONSUMPTION LIMITS	TARIFF PER KILOLITRE
1	0 to 6 kl	FREE
2	Greater than 6 up to 30 kl	R2.50
3	Greater than 30 kl	R5.50

20 kl.....6 kl free.....14 kl @ R2.50 = R 35. 00

40 kl.....6 kl free.....24 kl @ R2.50 = R 60 and 10kl @ R 5.50 = R 55

Therefore: R 60 + R 55 = R 115



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DETERMINATION OF REVENUE REQUIREMENTS

What Section 10 regulation says:

A Water service Institution must, when determining its revenue requirements on which tariff for water services are based, take into account at least the need to-

- **recover the cost of water purchases;**
- **recover overhead, operational and maintenance costs;**
- **recover the cost of capital not financed through any grant, subsidy or donation ;**
- **provide for the replacement, refurbishment and extension of water services works; and**
- **ensure that all households have access to basic water supply and basic sanitation**



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COMMON CHALLENGES ON RPMS

LACK OF COOPERATION BETWEEN FINANCE AND TECHNICAL SECTIONS

NEGATIVE PERCEPTION BY OTHER MUNICIPAL OFFICIALS

LACK OF WILLINGNESS TO PRIORITISE RPMS

MUNICIPAL POLITICAL CLIMATE



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Municipal Strategic Self Assessment (MuSSA)

WHAT IS MuSSA?

- ☐ IT SIGNIFIES WATER BUSINESS HEALTH STATUS & VULNERABILITY AREAS
- ☐ IS A MUNICIPAL WEB-BASED STRATEGIC SELF ASSESSMENT TOOL
- ☐ IT IS USED AS AN ANNUAL MUNICIPAL SURVEY BY DWA
- ☐ IT IS BASED ON A NON-AUDITED SELF ASSESSMENT
- ☐ IT CAN BE UPDATED AT ANYTIME

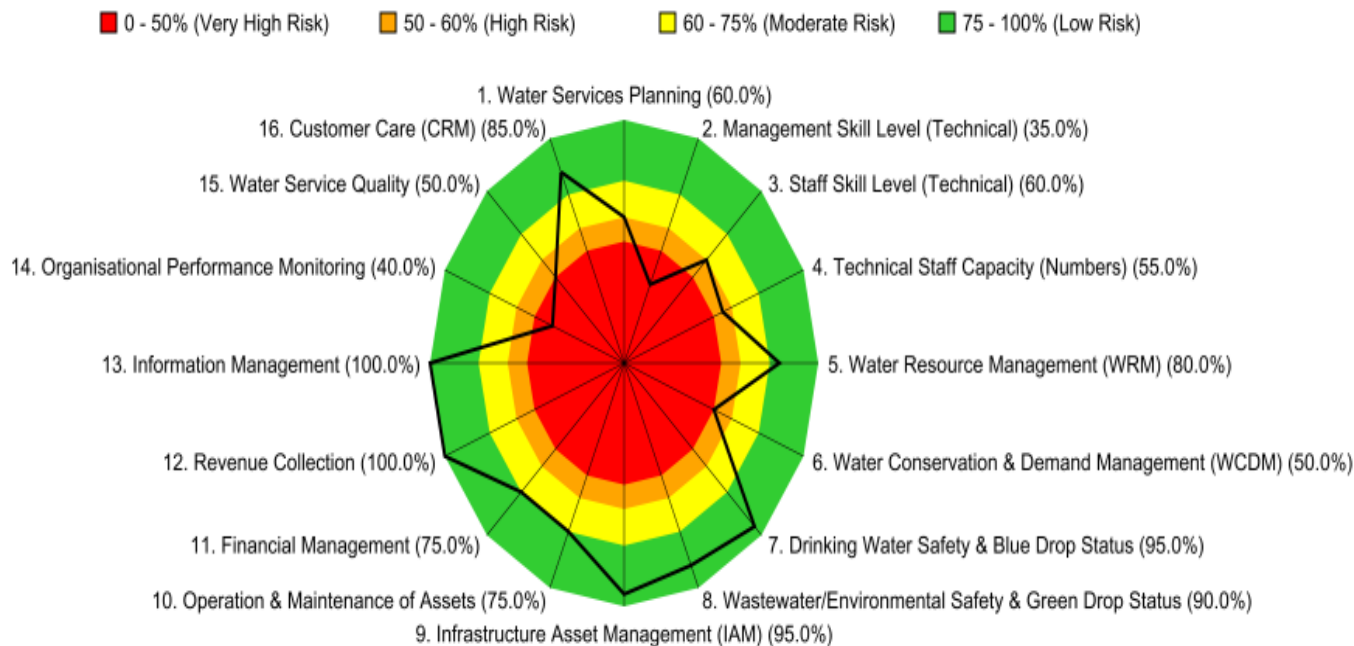


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REGIONAL PERSPECTIVE

Municipal Strategic Self-Assessment of Water Services (MuSSA)

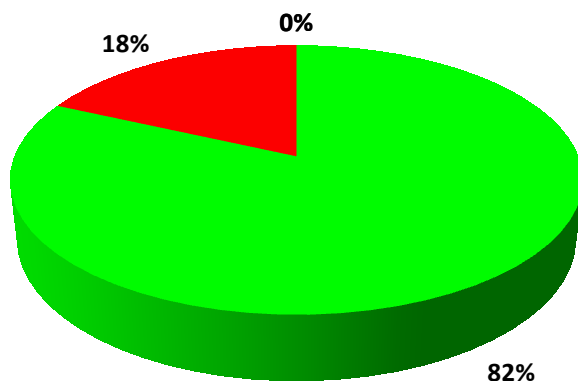


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CUSTOMER BILLING VS REVENUE COLLECTION

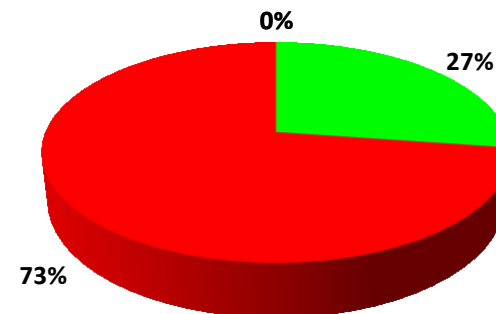
12.2 Is customer billing (i.e. sending of water accounts) acceptable? - Limpopo



■ Yes, strongly agree ■ No, disagree/Don't know

versus

12.4 Is revenue collection acceptable (i.e. good cash flow that enables water services income to cover water services costs)? - Limpopo



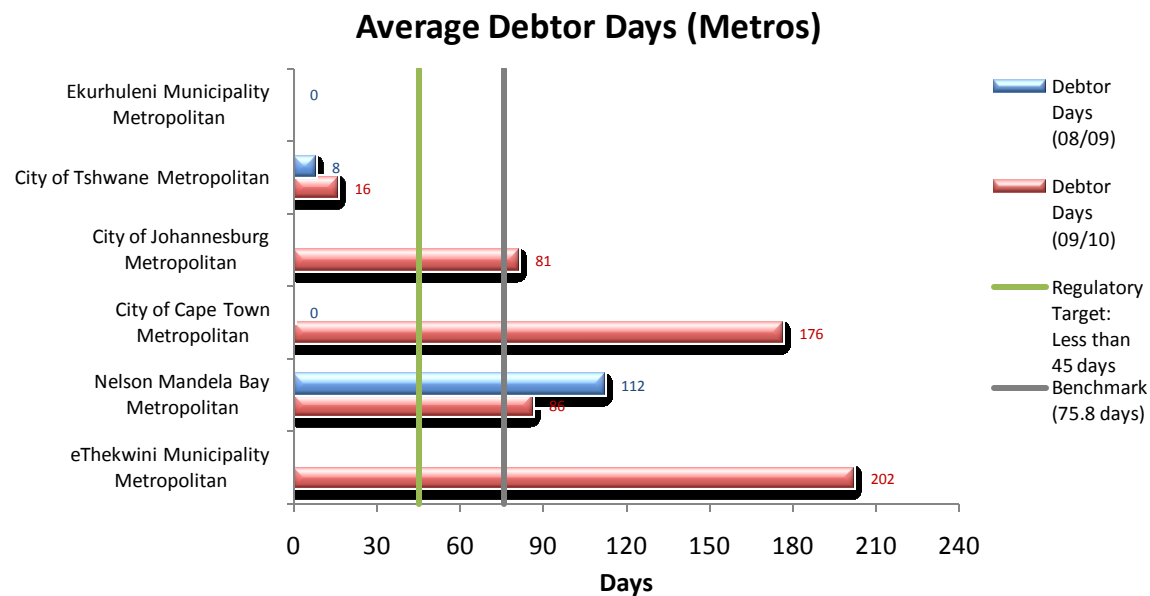
■ Yes, strongly agree ■ No, disagree/Don't know
■ Not applicable ■ No data



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AVERAGE DATA DAYS

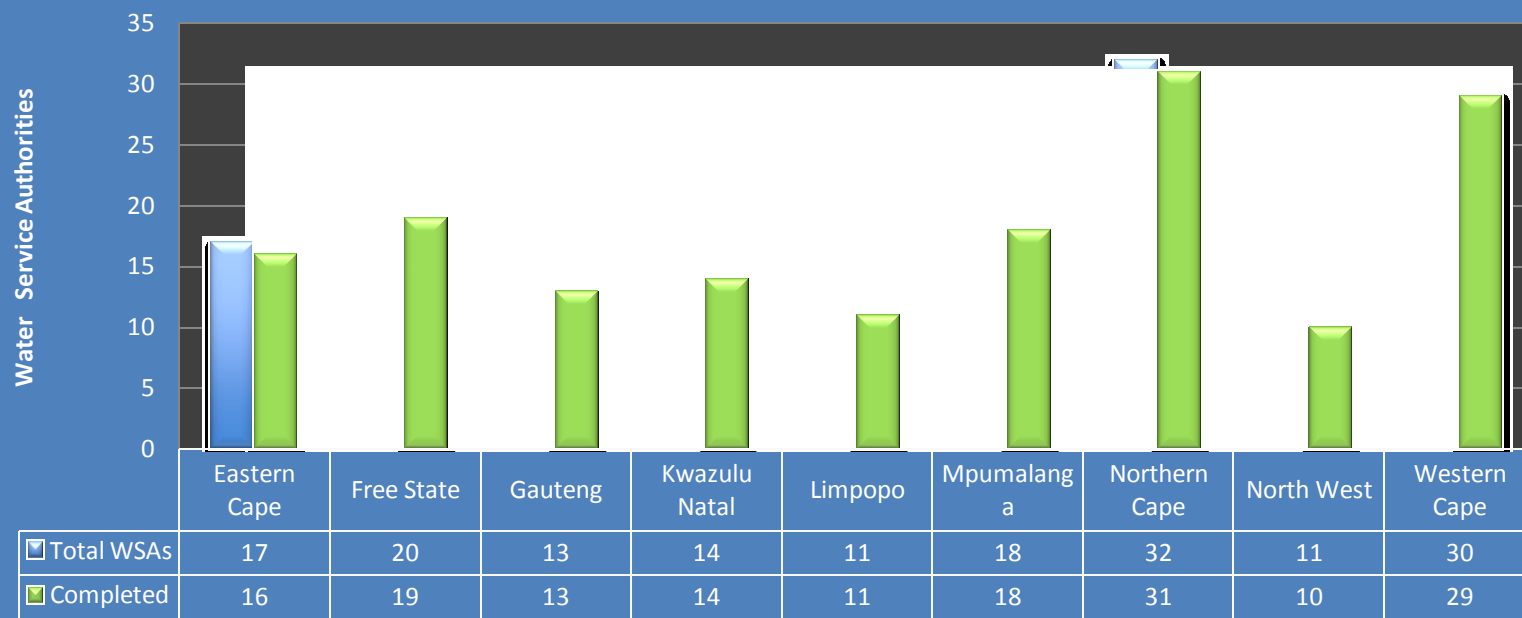


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DATA SUBMISSION STATISTICS

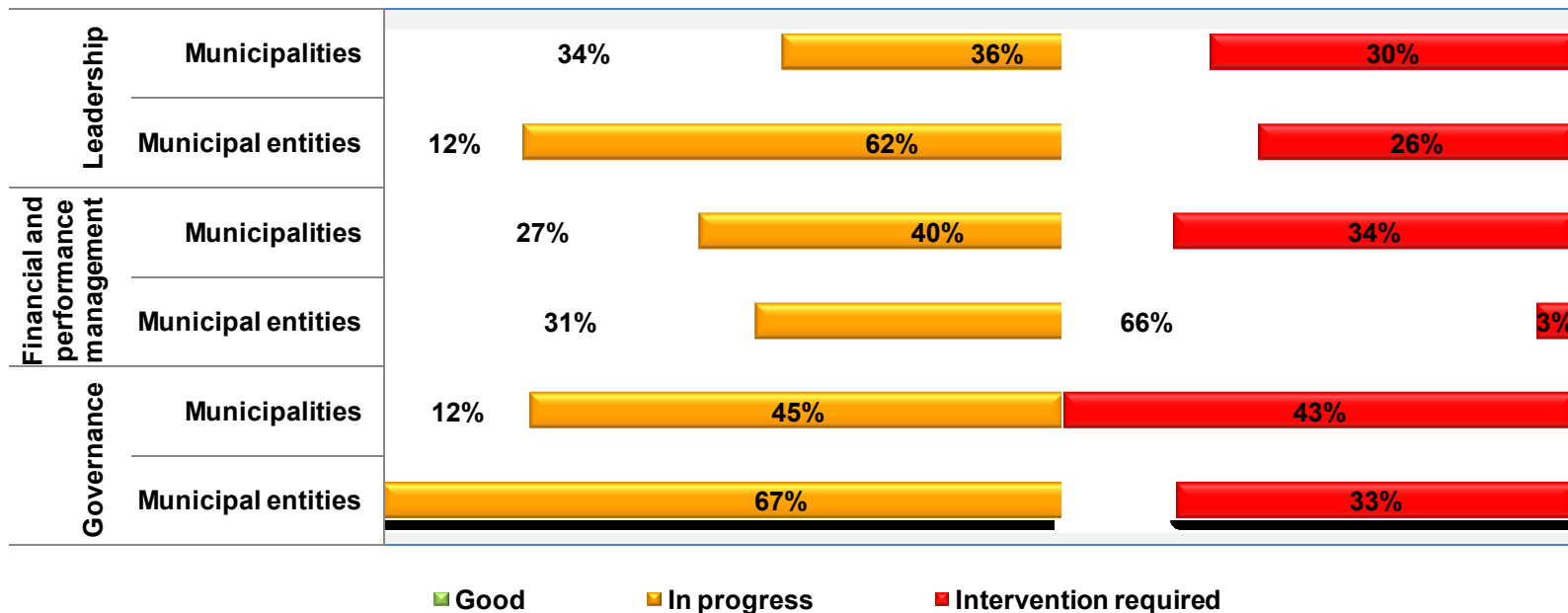
2009 / 2010 MuSSA Completion Status



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AUDITOR GENERAL: MFMA AUDIT OUTCOME 2009/10



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SUMMARY

**KPI 8
INSTITUTIONAL
EFFECTIVENESS**

**KPI 9
FINANCIAL
PERFORMANCE**

**KPI 10
STRATEGIC ASSET
MANAGEMENT**

**KPI 11
WATER USE
EFFICIENCY**

**ABOVE-MENTIONED KPIs NEEDS SERIOUS
ATTENTION!!**



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CHALLENGES TO FINANCIAL SUSTAINABILITY

- ☐ LACK OF SOUND POLICIES (e.g. NO PUNITIVE MEASURES....)
- ☐ LACK OF PROPER INSTITUTIONAL ARRANGEMENT
- ☐ LACK OF COOPERATION
- ☐ ILL POLITICAL CLIMATE
- ☐ LACK OF KNOW-HOW
- ☐ LACK OF LEADERSHIP
- ☐ CORRUPTION
- ☐ AND.....



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