

# BEAUFORT WEST MUNICIPALITY



## WATER DISTRIBUTION LOSSES POLICY

2024

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*Copies of this document can be viewed at the offices of the Municipality and on the municipal website.*

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## **1. SCOPE**

The Beaufort West Municipality is responsible for the purification and distribution of water within the Beaufort West municipal jurisdiction. Water losses can occur during the storage, supply, and distribution of water. This policy will also describe the disclosing of water related losses in terms of the relevant legislation. This policy should be read in conjunction with the Accounting Policy of Beaufort West Municipality.

## **2. OBJECTIVE**

The objective of the municipality must be to minimize these losses, as these losses can have a significant financial impact with the municipality that will have to pay for the treatment and distribution of water that cannot be billed.

## **3. LEGISLATION**

### **Municipal Finance Management Act 56 of 2003**

Section 125(2) -The notes to the annual financial statements of a municipality or municipal entity must disclose the following information:

- (d) particulars of -
- (i) any material losses

## **4. TYPES OF LOSSES**

The most common losses occurring in the Municipality are the following:

- Old and Ailing infrastructure.
- Pipe bursts.
- Unmetered water connections.
- Open spaces and sport fields that are unmetered.
- Undetected underground water leaks.
- Old end-user meter; and
- Inaccessible properties- cannot read meters.



This can also be split into technical losses (network / infrastructure related) and non-technical losses (Theft / illegal connections, unmetered, illegal, tampering etc.).

## 5. METERING AND DEBT RELIEF CONDITIONS

- The municipality must progressively install **Smart pre-paid meters** in the municipal water distribution areas.
- Commercial and Industrial should make use of Smart metering solutions but unlike residential should not necessarily be pre-paid.
- All new meter replacements and new meter installations should be Smart meter installations as required in terms of the Eskom Debt Relief Programme.
- The Smart metering system to be installed must comprise an electronic smart water metering device or meter which communicates with a main data collector, whereby this data can then be seamlessly integrated into the municipality's billing system.
- The Municipality will be required to participate in the National Treasury transversal tender RT29-2024 in the procurement of their water-meters.

## 6. ACCEPTABLE NORM

In terms of MFMA Circular No. 71: Uniform Financial Ratios and Norms dated January 2014, the industry norm is between 15% and 30%.

### ***Purpose/Use of the Ratio***

*The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold as a result of losses incurred through theft (illegal connections), non- or incorrect metering or wastage as a result of deteriorating water infrastructure. It is expected that implementation of the free basic service policy is included in the calculation for sale of water.*

### ***Formula***

*(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified × 100*



### ***Interpretation of Results***

*A ratio within the norm depicts that water losses and water infrastructure are well managed. If the Ratio exceeds the norm, it could indicate various challenges, for example, ageing water infrastructure or poor management, affecting the Municipality, which would require further analysis and explanation to determine the reasons for such losses. In addition, the root causes should be addressed.*

## **7. CONTROL AND MONITORING**

The municipality must have the intention to keep the losses of water to below a specified percentage of the total water purified and distributed.

- To keep the losses to a minimum, the metering of water must be monitored sufficiently.
- The water losses must be monitored on a monthly basis.
- Distribution meters must be installed to obtain meaningful meter data, to calculate losses accurately in terms of volume and per distribution area, if possible (ward etc).
- A formal system of communication should be maintained or put in place to ensure effective and efficient communication between the revenue department and the technical department. This will ensure that meters replaced, meter reset, disconnections, last readings etc. being accounted for to ensure that the municipality suffer no losses in this regard; and
- The billing system must be used to detect possible cases of illegal connections (deviation / exception reporting). If theft is detected, the water supply to the premises will be disconnected and a fine need to be paid at a rate as published in the municipal tariffs applicable to the financial year it relates to. Action will be taken as in terms of the municipal policy relating to customer care, credit control and debt collection and criminal charges should be considered.

## **8. REPORTING**

Water losses must be reported to the Director: Infrastructure on a monthly basis by means of a monthly report. Other reporting requirements will include:

- Quarterly reporting to the Department Water & Sanitation regarding water losses.
- Reporting on a quarterly basis in terms of section 52 of the MFMA.
- The total water losses incurred, must be made public in the annual financial statements of the municipality.



- Water losses are also reported in the Mid-Year Performance Report of the municipality.

The water losses reporting on in terms of financial reporting, must clearly indicate the quantity in terms of the units (KI's) lost as well as the financial implication of the losses.

## 9. POLICY REVIEW


The content of the policy will be reviewed as and when required but at least on an annual basis during the budget process.

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by several loops and a horizontal stroke at the bottom.

**DOCUMENT CONTROL**



**VERSION AND DOCUMENT CONTROL**

<b>POLICY NAME:</b>	Water Distribution Losses Policy		
<b>POLICY OWNER:</b>	Financial Department / BTO		
<b>RELATED POLICIES:</b>	Budget Policies – MBRR Regulation 7		
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1	6 June 2023	1 <sup>st</sup> Adoption	
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Municipal Manager D. Welgemoed			
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