



Corporate Plan

2020/21 to 2024/25

Version: 29 September 2020



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Strategic Highlights by the Chairperson of the Board

As an Interim Board, we join Umgeni Water at an opportune time where the Water Board has been instructed to review its Corporate Plan, like all others, in response to the non-approval of tariff increases for the 2020/21 cycle. The previous Board finalised and approved the Corporate Plan 2020/21 to 2024/25 for submission to the Executive Authority and various stakeholders, in line with the legislative requirements. The current operating environment also gives impetus to this review, as the strength of a financial position of any organization at this time does not guarantee the mainstay of the organisation.

When the Minister of Human Settlements, Water and Sanitation appointed this Interim Board effective from 1 August 2021, the impact of the advent of the coronavirus (COVID-19) pandemic could already be seen in how negatively it has, and will continue to, affect the business environment and the plans already put in place by Umgeni Water. It is with this background that the Interim Board appreciates the opportunity granted by National Treasury for Umgeni Water and other organs of state who are in a similar conundrum as Umgeni Water, to revise some of its targets, plans and commitments during this financial year. Further revisions will also be made for the years to follow in order to ensure that all considerations are addressed and the plans respond to the challenges faced in the short to medium term. This revised plan seeks to address these challenges already identified that have an already felt impact.

Having joined the organisation four (4) months after the Umgeni Water Corporate Plan 2020/21 to 2024/25, the Interim Board was fully briefed on the plans to take the organisation to the year 2050, and are confident that in the context of the developmental state within which we operate, the organisation is on the right path. We fully applaud the work done by the previous Board and the Executive Committee, and are fully behind these plans. In revising the CAPEX Plan and Funding Strategy, to align to the current operating environment, we remain committed to realising Umgeni Water's Strategy: Vision 2050.

As a State Owned Entity, Umgeni Water takes its role and contribution to the State attaining its objectives seriously, and remains resolute in fulfilling this role. While we have to do things differently, we will not change our stance on research and innovation, as we strive for continued sustainability and growth under the new normal. As we negotiate the uncharted waters of the pandemic, the Executive Authority's emphasis on the need for rapid roll-out of efficient and cost-effective water and sanitation, as well as enhanced security of water supply, remains valid as water has become more of an essential than it previously was. The strategic theme of the entity for this period of **"enabled and innovative growth"** will go a long way towards us heeding this call to action, as it will afford us the opportunity to quicken the pace of infrastructure implementation and find sustainable and innovative solutions for current and future markets in the water services provision value chain. Umgeni Water is therefore ready to embrace the Minister's vision for turning the sector around.

With the year 2020 being the beginning of the half way mark to target for achieving the United Nations 2030 Agenda for Sustainable Development, specifically Goal 6 which relates to increased access to water and sanitation, South Africa has a great deal of catching up to do. The pandemic has since a spotlight on this backlog. Every infrastructure project implemented will contribute towards the Sustainable Development Goals (SDGs). This illustrates why major projects such as the uMkhomazi Water Project will require greater impetus towards launching the construction, despite the challenges we will experience due to the availability of labour under the new normal. However, at the current estimated cost for construction, which continues to escalate, search for financial backers cannot be ruled out, especially in light of the revised funding strategy. We at Umgeni Water, see the year 2020 as the beginning of our **Decade of Consolidation**, a period we would want to ensure that all those who live within our current customer service areas have access to safe drinking water. This therefore calls for more impetus towards the rollout of infrastructure, improving collaborations and strengthened relations with those in whose space we operate. In response to the pandemic however, the implementation will have to take cognisance of the fact that the new protocols might not allow the envisaged timing of the plans in this regard. While a lot of work within this Decade was meant to be done at the beginning, Umgeni Water might have to do with the peak being towards the end of the Decade.

The need to continue ensuring the balance between the primary imperative of embracing social-objectives and the viability of the organization remains at the core of the strategy of the organisation. In our quest to ensure that we contribute to South Africa's water demand, as an organization we will consciously prioritize initiatives that will ensure the sustainability of the entity and resilience of the water sector. In this regard, the foreseeable future brings exciting opportunities for innovation around how we do business, how we stretch this finite resource that is water, how we capitalize on all possible opportunities within the value chain, as well as how we contribute to other areas beyond our current market.

As the Board, we will ensure that we support Umgeni Water in its efforts to remain a catalytic state instrument for service delivery, growth and transformation of the society locally and internationally. We therefore commit ourselves to provide the necessary support and strategic guidance to the Executive Management in their quest to build a strong and resilient entity into the future.

Finally, the Board would therefore like to reassure all stakeholders that as the Interim Board and on behalf of the company, we will remain resilient and we will ensure that Umgeni Water's core mandate is carried out without compromising the Health and Safety of employees and customers. Together we can do our part in the battle against COVID-19.

Mr Magasela Mzobe

Chairperson of the Board

29 September 2020

Foreword by the Chief Executive

Umgeni Water takes pride in its ability to respond to its mandate as given by the Water Services Act No. 108 of 1997, under the leadership of the Executive Authority and the Accounting Authority – The Board. As an entity, we however believe that there is more that we can do to ensure that more citizens of South Africa are able to access water and related services. It is for this reason that as this decade begins, we align ourselves towards increasing our contribution to this drive.

The Corporate Plan was concluded and submitted in April 2020, in line with Section 52 of the Public Finance Management Act, Act No 1 of 1999 as amended. This was right at the beginning of the Covid – 19 Pandemic in South Africa, and other unforeseen circumstances. Cognisant of this operating environment, we resubmit the revised Corporate Plan.

Our daily work is guided by the need to contribute positively to the creation of sustainable and equitable communities that are economically viable, as espoused by the developmental agenda of the country. As directed by the Interim Board of Umgeni Water, the entity will focus on not only securing safe drinking water for the people of the region, but also consolidating the source-to-source water service within our customer areas over the next five (5) years. Our Corporate Plan acknowledges the impact of the Covid -19 disaster on the non-approval of the tariff increase for the 2020/21 financial year, as well as other resources required to achieve this vision. Many people lost their jobs as businesses ceased to trade, reducing individuals' disposable income and ability to pay for municipal services received. The increased demand for water, coupled with lockdown to curb the spread of the disease, affected the municipalities' ability to pay for bulk water. This reduction in projected revenue, coupled with the global supply chains and availability of human capital to deliver CAPEX programmes has resulted in the review of the 2021 to 2025 CAPEX Plan, together with the funding strategy.

The 2020/21 revenue has now reduced by R375million and cumulatively up to R3.1billion over the corporate planning (2020/21 to 2024/25) period. The loss in revenue translates to decreased cash flows, which have been revised down from R1.7billion to R1.4billion in the 2020/21 financial year, with a cumulative impact over the five year period amounting to R2.9billion. The net impact on the projected net profit levels for the 2020/21 year is a reduction in profits of R390million and R2.9billion cumulatively over the five year corporate planning period to 2024/25. The CAPEX programme is funded through the tariff and external financing through debt capital. This therefore means the programme has also had to be revised downwards, with the cumulative reduction of R3,1billion over the 2020/21 to 2024/25 planning period.

In implementing the CAPEX programme, the entity will ensure a strong balance between quantity, time and budget, weighing the delays as a result of impact of Covid-19 against the available resources and the increasing demand of the water as a resource. While we continue to support government's agenda of socio-economic transformation and infrastructure investment, we are mindful of the ever-growing demand on our services, due to increasing immigration. To this end, Umgeni Water will invest in its research and innovation capacity to ensure that it remains relevant and agile in an environment faced with numerous environmental challenges, the shrinking fiscal capacity and reduced household affordability.

To be able to achieve this balance, this Corporate Plan will prioritize those activities that will result in positive balances, to give the entity the muscle to continue providing the best service into the future. This will include exploiting opportunities available through the value chain and diversifying within the water sector. Prudence in the business also entails ensuring that the infrastructure that is already in place is not allowed to deteriorate, posing risk to the sustainability of the services.

To ensure that the current service is not disrupted, this Corporate Plan has made provision for a total of R17 billion for Capital Infrastructure, 33% of this amount (R5.6 billion) meant for rural development.

In realization of the dependence of the sustainability of the entity on the ability of our customers to pay for our services, the entity will also strengthen its contribution to the households' disposable income during this Corporate Plan period within the ambits of the law. Umgeni Water will continue to strengthen and drive a transformation agenda that supports inclusivity and reduces inequality and unemployment, through its various corporate plan programmes. This will include partnerships and collaborations with the communities within which our infrastructure is placed. Other partnerships and collaborations to respond to challenges facing the sector will also be leveraged, including water availability, redistribution, demand management, drought mitigation and resilience planning in the face of climate change.

This Corporate Plan will be driven in an enabled and innovative manner to achieve the entity's strategic objectives by targeting plans, projects, programmes and initiatives that respond to the needs and priorities of government, and in particular the people of KwaZulu-Natal.

Mr Thami Hlongwa CA(SA)

Chief Executive

29 September 2020

Chapter 1: Introduction



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1.1 Legislative Mandate

Umgeni Water is a state-owned entity (SOE) established in 1974 to provide water services, water supply and sanitation services to other water services institutions in its service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and is categorised as a National Government Business Enterprise.

Umgeni Water reports directly to the Department of Water and Sanitation (DWS), through the Board (*Accounting Authority*) and through its functionaries, the Chairperson of the Board and the Chief Executive. The Minister of Human Settlements, Water and Sanitation is the *Executive Authority* for Water Boards.

1.2 Activities of Umgeni Water

The primary activities of Umgeni Water, as pronounced in section 29 of the Water Services Act, is to provide water services (water supply and sanitation services) to other water services institutions in its service area.

In addition, section 30 of the Water Services Act, enables Umgeni Water to undertake other activities, provided these do not affect the entity's ability to perform its primary activity negatively. These include:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use the water for household purposes,
- Providing catchment management services to or on behalf of the responsible authority,
- With the approval of the water services authority having jurisdiction in the area, supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,
- Providing water services in joint venture with water services authorities, and
- Performing water conservation functions.

Umgeni Water has 100% investment in two subsidiaries namely Msinsi Holdings and Umgeni Water Services. Refer to the chapter on Participation in Companies for further details regarding these companies.

1.3 Supply Area and Customers

KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water and straddles a total geographical area of 94 359 km², which is home to 11.1 million people and 2.9 million households.

The KwaZulu-Natal Province comprises one (1) Metropolitan Municipality, ten (10) District Municipalities and forty-three (43) Local Municipalities. Fourteen (14) of these municipalities are Water Services Authorities (direct retail customers) as defined in the Water Services Act.

In the prior period, Umgeni Water focused service delivery, and largely derived revenue from seven (7) customers:

- eThekweni Metropolitan Municipality
- iLembe District Municipality
- Ugu District Municipality
- Harry Gwala District Municipality
- uMgungundlovu District Municipality
- Msunduzi Municipality.
- uThukela District Municipality

Umgeni Water's seven (7) customers cover 44% of KZN geographical area and is home to 72% households.

Water Utility / Municipality	Supply Areas (km ²)	Area (%)	Population	Households	Households (%)
Umgeni Water (incl uThukela DM)	41 738	44%	7 426 467	2 077 035	72%
Mhlathuze Water	36 867	39%	2 552 535	555 558	19%
uThukela Water (Pty) Ltd	15 754	17%	1 086 209	243 252	9%
Total KZN	94 359		11 065 241	2 875 845	

Umgeni Water's infrastructure assets in support of its bulk water services business comprise:

- Approximately 1260 kilometres of pipelines and sixty-seven (67) kilometres of tunnels,
- Fifteen (15) impoundments,
- Twenty (20) water treatment works, and
- Eleven (11) wastewater treatment works.

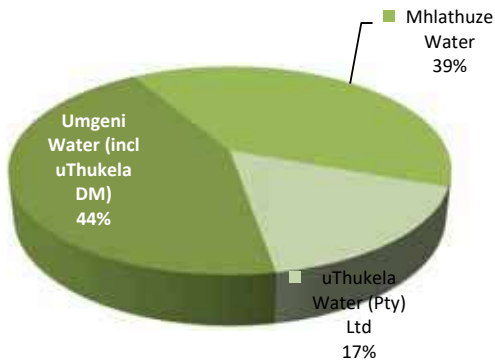


Supply Area

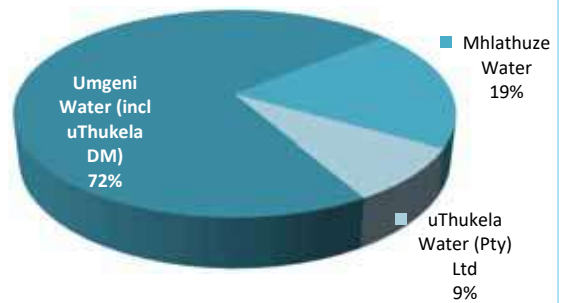
KwaZulu-Natal has a total geographical area of 94 359 km² and is home to 11.1 million people and 2.9 million households.

A total of 54 municipalities of which 14 are Water Services Authorities (WSAs): 1 Metro; 10 DMs; and 43 LMs of which 3 are WSAs.

Supply Area Contribution to KZN



Households Distribution





Chapter 2: Operating Environment and Strategy



Think Water, Think Umgeni Water.

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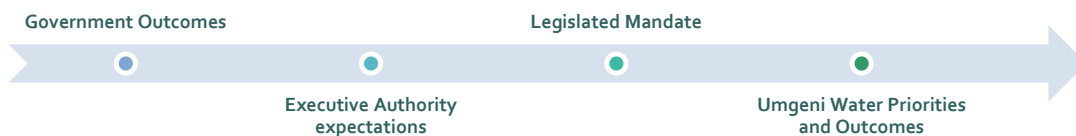
2.1 Operating Environment and Alignment to Government Mandate

This strategy is informed by the operating environment, cognisant of the Minister's expectations as implicitly and explicitly pronounced in the following statements and publications:

- The 2020 State of the Nation and National Budget Addresses,
- The Fourteen Strategic Outcomes of Government and pertinent Outputs cascading to the Executive Authority.
- The National Development Plan (NDP) for South Africa for 2030, the MTSF 2019-2024 and the NWR52.
- The key focus areas highlighted by the Minister of Water and Sanitation and the Department of Water and Sanitation.
- KwaZulu-Natal Provincial Growth and Development Strategy and Plan, as updated in 2016 and 2019 respectively,
- Presidential Review Committee Report (2013) on reshaping state-owned-entities.

The combined efforts of government and state-owned entities during this period are aimed tackling the triple challenge of poverty, unemployment and inequality in the country and operational regions, all of which are aligned to the NDP 2030 and the MTSF 2019-2024. In this regard, Umgeni Water will continue to align to government outcome goals and the focus areas and mandates of water boards as communicated by the Executive Authority.

Details of national DWS priorities are summarised below.



2.1.1 14 Priority Outcomes of Government

National government targets fourteen (14) priority outcomes. These outcomes are:

- **Outcome 1 (Education)** "Quality Basic Education"
- **Outcome 2 (Health)** "A long and healthy life for all South Africans"
- **Outcome 3 (Security)** "All people in South Africa are, and feel safe"
- **Outcome 4 (Economy)** "Decent employment through inclusive economic growth"
- **Outcome 5 (Skills)** "Skilled and capable workforce to support an inclusive growth plan"
- **Outcome 6 (Infrastructure)** "An efficient, competitive and responsive infrastructure network"
- **Outcome 7 (Rural Development)** "Comprehensive rural development and land reform"
- **Outcome 8 (Human Settlement)** "Sustainable human settlements and improved quality of household life"

- **Outcome 9 (Local Government)** "Responsive, accountable, effective and efficient local government system"
- **Outcome 10 (Environment)** "Protect and enhance our environmental assets and natural resources"
- **Outcome 11 (International)** "Create a better South Africa, contribute to a better and safer Africa in a better world"
- **Outcome 12 (Public Service)** "An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship"
- **Outcome 13 (Social Protection)** "An inclusive and responsive social protection system"
- **Outcome 14 (Nation Building)** "Nation Building and Social Cohesion"

2.1.2 Medium Term Strategic Framework (MTSF)

The Medium Term Strategic Framework is the manifestation of the implementation plan for the NDP and a translation of the electoral mandate into the Sixth Administration's priorities. The MTSF 2019-2024 aims to address the challenges of unemployment, inequality and poverty through the following three pillars:

- Achieving a more capable state.
- Driving a strong and inclusive economy.
- Building and strengthening the capabilities of South Africans.

Working together with the private sector and the civil society, the government will focus on the following priorities, underpinned by the aforementioned pillars:

Priority 1: A capable, ethical and developmental state

Priority 2: Economic transformation and job creation

Priority 3: Education, skills and health

Priority 4: Consolidating the social wage through reliable and quality basic services

Priority 5: Spatial integration, human settlements and local government

Priority 6: Social cohesion and safe communities

Priority 7: A better Africa and world

2.1.3 Water Mandate (DWS Priorities)

The following key actions are targeted by national government and DWS to achieve the 2030 NDP goals:

Implement the National Water Resources Strategy (NWRS2)

The NWRS2 is aligned to the National Development Plan (NDP) through ensuring, amongst other aspects:

- Water supports development and the elimination of poverty and inequality,
- Water contributes to the economy and job creation, and
- Water is protected, used, developed, conserved, managed and controlled sustainably and equitably.

Reconciliation Strategies developed (NWRS2) to assess water balance against projected future needs and guide future water resource planning, management and investment requirements have identified the following key issues: (1) A greater focus on WC/WDM; (2) Increased value and utilisation of groundwater; (3) Reuse of wastewater at both coastal and inland systems; (4) Opportunity for more dams and transfer schemes; (5) Desalination; (6) Catchment rehabilitation; and (7) Rainwater harvesting.

Define future institutional arrangements for water resources management

These include:

- A national water-resource infrastructure agency that will develop and manage large economic infrastructure systems (national significance).
- Catchment management agencies to undertake resource management on a decentralised basis, with the involvement of local stakeholders.
- National capacity to support research, development and operation of water reuse and desalination facilities.
- A dedicated national water-conservation and demand-management programme and sub-programmes focused on municipalities, industry and agriculture.

Strengthening water management and establishing Regional Water Utilities (RWU)

This includes expanding the mandates of existing water boards to better support municipalities.

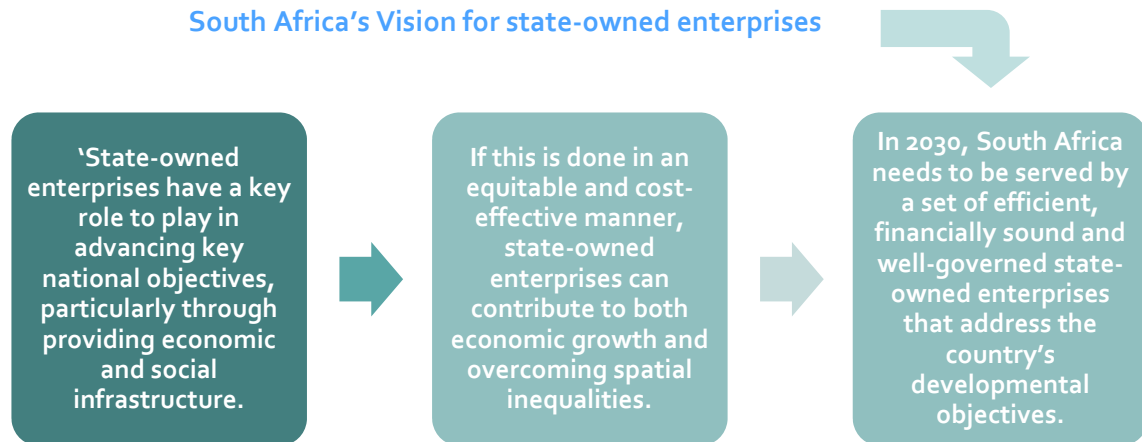
- The primary function of the Regional Water Utility (RWU) will be to plan, construct, operate and maintain Regional Bulk Infrastructure.
- The Regional Water Utility will take on more responsibility for regional water resources infrastructure to achieve greater integration with regional systems.
- In addition, the RWU will provide support functions to municipalities.

Ensuring licensing procedures for water: Ensuring licensing procedures for water avoid unnecessary delays and blockages to projects that can support employment creation, productive investment and export growth.

Finalise the comprehensive investment programme for Water Resources Development, bulk-water supply and wastewater management for major centres: This programme includes major infrastructure investment projects.

2.1.4 South Africa's Vision for 2030 and Vision for SOEs

'By 2030, all South Africans have affordable access to sufficient safe water and hygienic sanitation to live healthy and dignified lives'



2.1.5 KZN Province's Vision for 2035 and Water Related Strategy and Targets

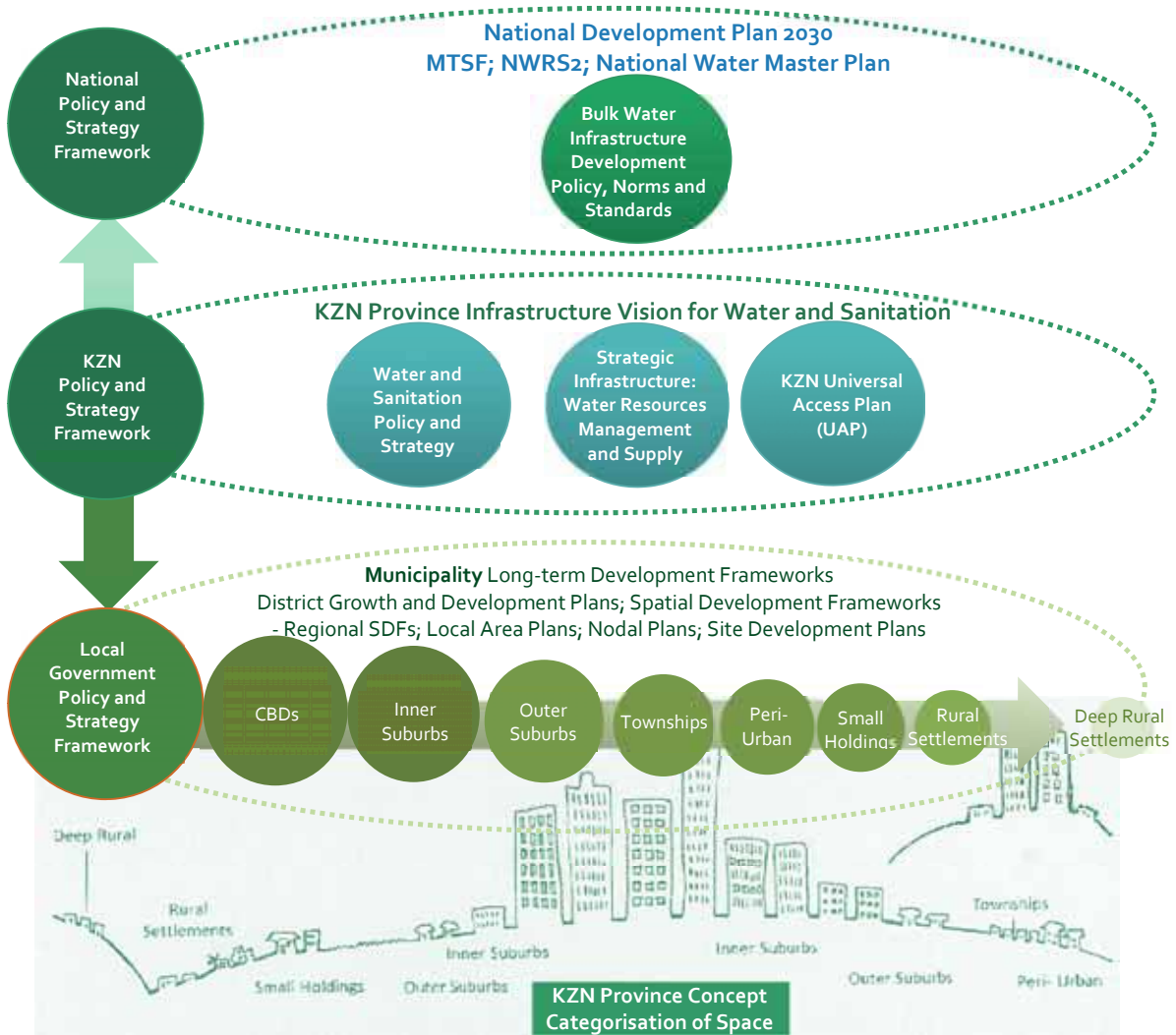
KwaZulu-Natal's Long Term Vision:

'By 2035 KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World'

The KZN Province Strategy and Plans are informed by national strategy and planning considerations and ensures there is cascading to local development strategy and plans:

- National Development Plan (NDP), Medium-term Strategic Framework (MTSF), National Water Resources Strategy (NWRS2),
- Informs Provincial Growth and Development Strategy (PGDS), Provincial Growth and Development Plan (PGDP), and Universal Access Plan for Water and Sanitation, and
- Integrated Development Plans for KZN Local Municipalities that straddle the landscape from CBDs to deep rural areas.

Water is identified as a cross-cutting resource and Goal 4 of the Province's seven (7) goals 'Infrastructure Development' has a strategic objective: 'Ensure availability and sustainable management of water and sanitation for all.'



2.1.6 Customer Environment: Coverage of Water and Sanitation

Figure 2.1: Water infrastructure quality index (IQI) (Source: StatsSA Community Survey 2016)

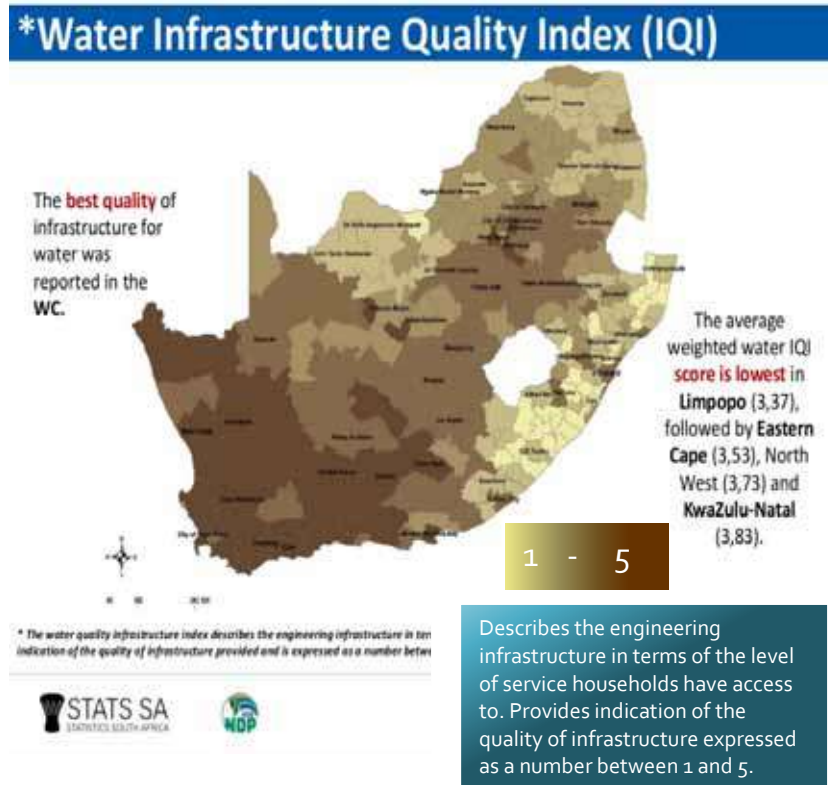
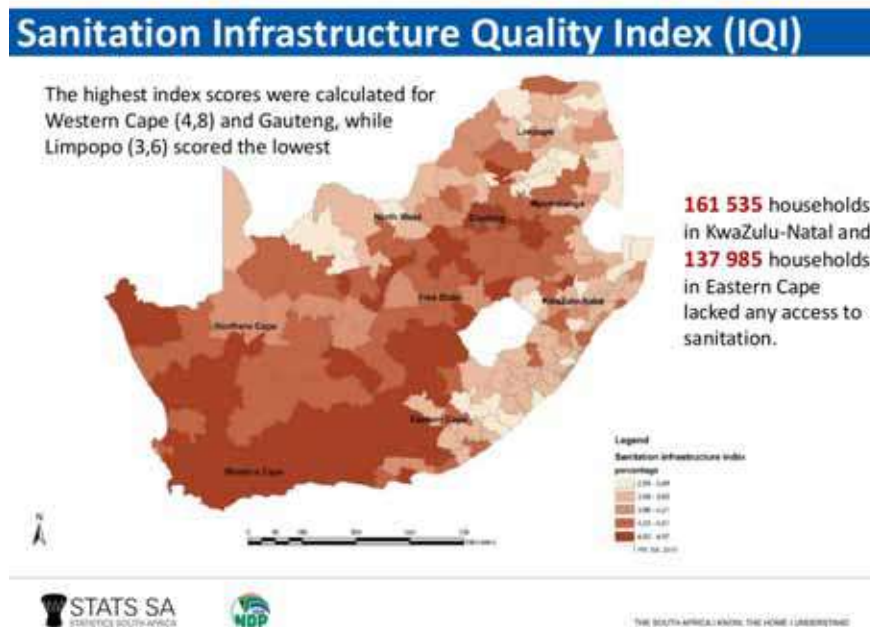


Figure 2.2: Sanitation infrastructure quality index (IQI) (Source: StatsSA Community Survey 2016)



2.2 Umgeni Water Strategy

2.2.1 Umgeni Water SWOT

Table 2.1: Summary of operating environment opportunities and constraints, together with Umgeni Water's strengths and constraints

Opportunities (External Enablers)	Strengths (Internal Enablers)
<ol style="list-style-type: none"> 1. National Development Plan, MTSF, NWRs-2, NWSMP and SOE Mandate <i>Reduce poverty, unemployment and inequity. Improve social cohesion through water services.</i> 2. KZN Service Area <i>Plan, construct, operate and maintain regional infrastructure. Increase customer base and access. Implement integrated planning. Water value-chain functions.</i> 3. Support to Municipalities <i>Enhance value proposition. Non-revenue water management. Asset management support. Provide more water related services.</i> 4. Water Resources development <i>Regional water resources development. Diversification of water resources mix.</i> 5. Innovation and Technology <i>Research and development. New technology. Integrated Energy Plan. Digital revolution, the future of connectivity and the future of work.</i> 6. Strategic Partnerships <i>Public-Private, Public-Public, project funding-financing, including global partners, skills sharing and other integrated service partnerships.</i> 7. Legislative reform <i>Opportunity to influence legislative landscape</i> 	<ol style="list-style-type: none"> 1. Bulk Water and Wastewater Treatment Competencies <i>Distinctive competencies in bulk water and wastewater treatment.</i> 2. Brand Value <i>Strong Umgeni Water brand.</i> 3. Business Model <i>Sustainable business model.</i> 4. Financial Strength and Integrity <i>Strong balance sheet, good credit rating, strong governance systems and risk management.</i> 5. Bulk Infrastructure <i>Well maintained bulk infrastructure network. Sound asset management strategy and infrastructure development plans. Infrastructure operational standards and quality assurance.</i> 6. Resource Mobilisation <i>Experienced and committed people. Capacity and capability meets needs. On-going Human Capital development</i>
Threats (External Constraints)	Weaknesses (Internal Constraints)
<ol style="list-style-type: none"> 1. Low economic growth (Global, National) inability to address poverty, unemployment and inequity <i>Low growth impacts sovereign credit-rating. Negative impact on cost of capital. Low job creation increasing poverty and inequity.</i> 2. Customers capacity and indigent consumer base <i>Customer vulnerability and sustainability. Non-payment for services. Customer areas with insufficient economy of scale / densities. Tariff issues, unsustainable infrastructure model. Water pricing / true cost of water.</i> 3. Water loss / non-revenue water <i>Significant water loss in retail systems threatening sustainability of service delivery. Poorly maintained municipal water systems / aging infrastructure.</i> 4. Poorly maintained wastewater /sewer networks <i>Pollution from poorly maintained municipality sewer network impacts resource water quality / sustainability.</i> 5. Climate change <i>Increase in the severity and frequency of floods and drought. Long-term water resources sustainability.</i> 6. Water resources development <i>Delay in national water resources developments.</i> 7. Legal and Institutional constraints <i>Weakness in institutional arrangements conflating bulk water mandate of water boards and municipality reticulation mandate.</i> 8. Value Chain Alignment (tie-in of bulk and reticulation) <i>Misaligned planning – delay in reticulation implementation delaying community / end-user realising access.</i> 	<ol style="list-style-type: none"> 1. Distinctive competencies in full water-value chain functions <i>Insufficient or no track record / experience in wastewater recycling, alternate water resources and other water value-chain functions.</i> 2. Innovation and Technology <i>Lag in embracing and applying innovation. Conservative approach to new technology. Slow response to potential impact of the digital revolution, future of connectivity and future of work.</i> 3. Systems, Processes and People <i>Structure, systems, processes, skills and capacity for growth. Aging workforce - targeted mentoring, succession planning and knowledge management. Reskilling for future of work.</i> 4. Funding and Financing of Universal Access Plan (UAP) <i>Funding and financing model for KZN Universal Access.</i>

2.2.2 Our Strategy Narrative

Preamble

Umgeni Water is faced with unprecedented growth opportunities. These include regionalisation, geographical expansion and integration across the water value-chain.

Mindful of the risks, our survival as an entity is reliant on us embracing these opportunities and being the nucleus and catalyst for growth. How we position ourselves is key to becoming the regional water entity of choice. Technology and innovation, associated with capable human resources will give us the opportunity and edge for the above. Given this, what do we need to do to realise the future we want?

Given this, to realise the future we want we will do the following:

1. Who do we want to be?

- *An entity that invests in its people / skills*
- *An entity that invests in technology and innovation*
- *An entity that invests in its relationships and partnerships*
- *An entity that invests in infrastructure stability and resilience*
- *An entity that invests in financially sustainable initiatives*
- *An entity that invests in value proposition for its customers and citizens*

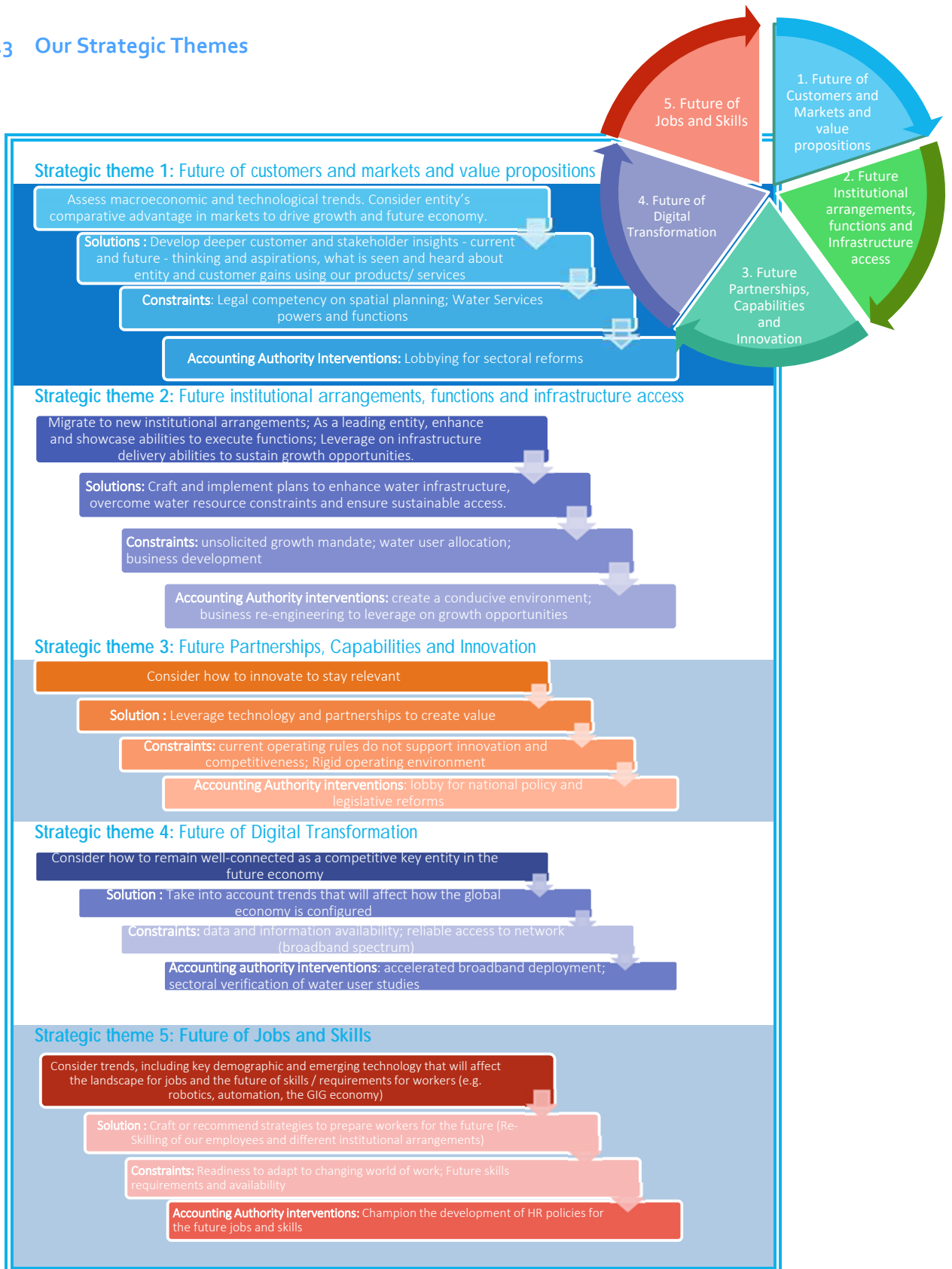
2. We need to change the way we do things

- *An entity that adapts its culture and increases its commitment to innovation*

3. We need to position ourselves differently

- *An entity that positions itself through an aggressive and agile growth strategy*

2.2.3 Our Strategic Themes



2.2.4 Our Strategic Thrusts

1. In our journey from water for a few to water for all, Umgeni Water balances its sustainability and that of the community. This is achieved through leveraging the entity's procurement programs to enhance local economic development by building capabilities of SMMEs, particularly those owned by women and youth.
2. We will plan, prioritize and mobilize resources to maximize value for the entity to transform the face of sustainable water services provision value chain.
3. We will collaborate with public and private national and international partners to leverage resources, knowledge and intellectual capital to influence sectoral reform in the water sector.
4. Cognisant of the complex operating environment, we will be deliberate in developing human capital that is responsive to the organizational strategy to enable successful execution thereof and increase overall value to the organization.
5. We will innovate to secure information for data-driven decision-making.
6. We will develop strategies to improve self-sufficiency and environmental sensitivity, and reduce expenditure to ensure organizational resiliency.
7. We will generate intellectual capability to develop and deploy responsive water and related solutions to the market to create and sustain revenue streams through application-specific R&D programs.
8. We will sustain freshwater availability for economic growth through the diversification of the resource mix to build resiliency against impacts of environmental deterioration such as climate change.
9. We will diversify the funding and financing spectrum through leveraging of key instruments and partnerships to ensure resilience and sustainable service provision.

2.2.5 Umgeni Water Vision, Mission and Values

Vision

Global Leader in the sustainable provision of water and related services

We strive to be a globally recognised, effectively run, public-oriented and socially accountable water utility, which has its heart and mind, focused on the provision of water and related services. We will achieve leadership based on our performance and the sustainable value we co-create with our customers and stakeholders and continue to leave a positive legacy in our communities, region, country and the world over.

Mission

To create value for our customers through providing innovative, sustainable, effective and affordable water and related services

Our business is the provision of water and related services and providing specialist support in the provision of water for all. This includes providing all water and related services to our customers, supporting municipalities and contributing to water knowledge that will lead to sustainability from source-to-source.

Strategic Intent

Key Partner that enables government to deliver effective and efficient water and related services

Umgeni Water intends to be recognised as a strategic and sustainable partner of government, co-creating value through providing water and related services as a catalyst for community development.

Benevolent Intent

Provide water and related services to improve quality of life and enhance sustainable economic development.

Umgeni Water intends to be recognised as a transformational organization that is accountable to the society. Through this people-centered approach Umgeni Water will leverage its resources ensure the restoration of dignity for all. Water and related services will be provided for both health and economic benefits, which contribute to addressing poverty, under-development and inequality.

Values

Shared vision

We share and keep the sustainability, strategy and mandate of the Umgeni Water top of mind in all our decisions and actions

Service orientation

We deliver responsive and quality service that speaks to the need of our clients and continuously build relationships that result in win-win outcomes

Innovation

We challenge ourselves continuously to improve what we do, how we do it and how well we work together

Integrity

Our interactions and conduct are proof of transparent and ethical behaviour that shows respect and care for all our stakeholders

High performance

We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded.

Environmentally sustainable

We are committed to conserving our diminishing natural resources.

2.2.6 Umgeni Water Strategic Goals

Strategic Goal 1: Adopt environmentally sensitive measures in the provision of reliable, responsive and affordable services and expansion of infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs.

Strategic Goal 2: Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of water and related services.

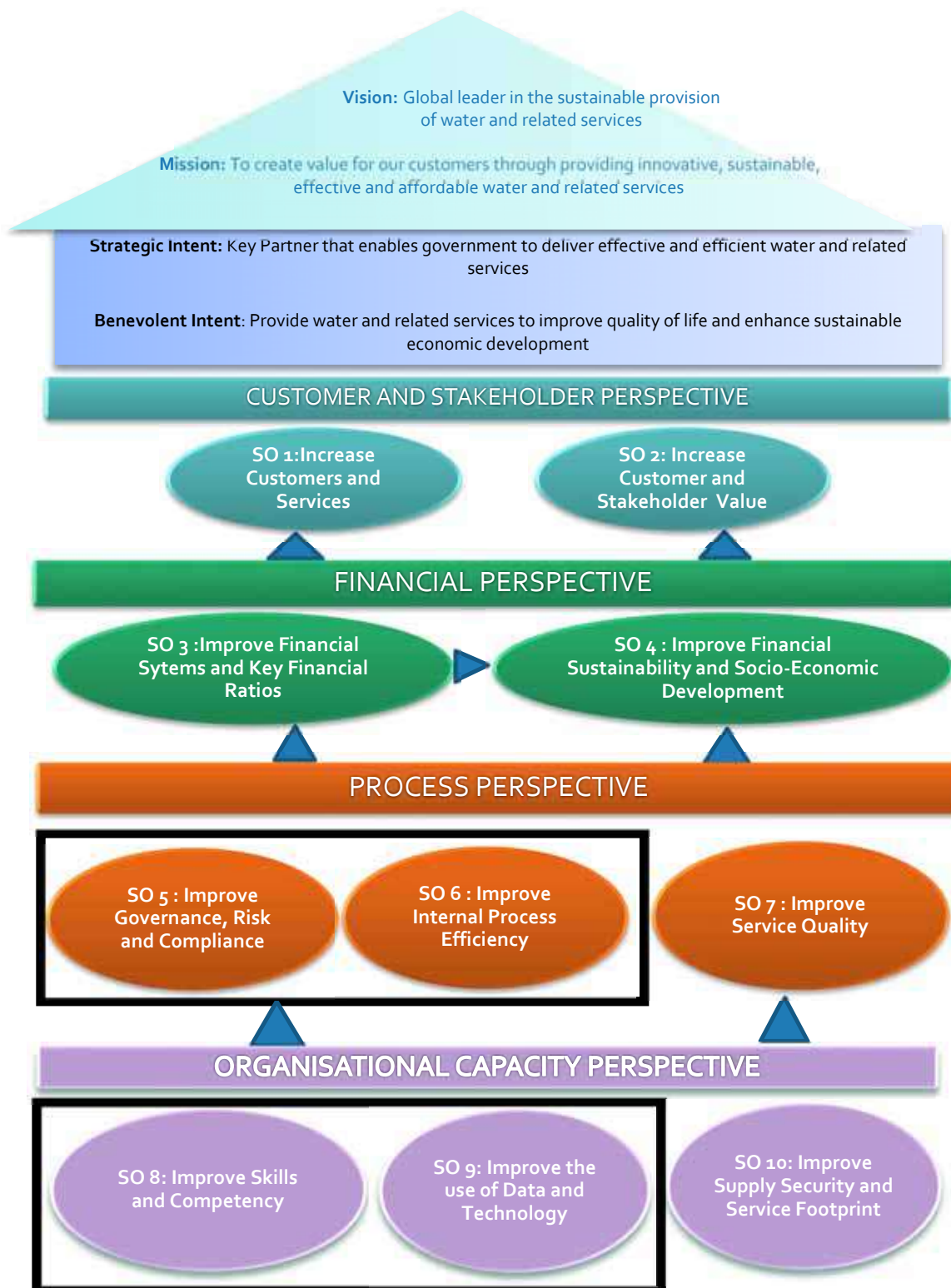
Strategic Goal 3: Ensure sufficient operating cash flows, manage key cost drivers and leverage debt and assets to provide for future expansion, whilst supporting socio-economic development.

Strategic Goal 4: Ensure a well-governed and resilient entity that innovates, educates and supports community development, and contributes to environmental sustainability.

Strategic Goal 5: Strengthen and develop quality human resources and ensure a participatory, collaborative organization dedicated to continual learning and improvement.

2.2.7 Umgeni Water Strategy Map

The Umgeni Water Strategy Map has been realigned to DWS perspectives for Water Boards. This affects the packaging / grouping and does not materially change the strategy of Umgeni Water.



The realigned strategy has four (4) perspectives, five (5) goals, and ten (10) strategic objectives that realise Umgeni Water's strategy. DWS Performance Objectives for Water Boards underlie the Strategic Objectives.

CUSTOMER & STAKEHOLDER PERSPECTIVE

SO 1: Increase Customers and Services

PERFORMANCE OBJECTIVE 1: INCREASED ACCESS TO SERVICES

SO 2: Increase Customer and Stakeholder Value

PERFORMANCE OBJECTIVE 2: BULK SUPPLY AGREEMENTS CONCLUDED WITH MUNICIPALITIES / OTHER CUSTOMERS

PERFORMANCE OBJECTIVE 3: IMPLEMENTATION OF MINISTERIAL DIRECTIVES

PERFORMANCE OBJECTIVE 4: SUPPORT RURAL DEVELOPMENT

PERFORMANCE OBJECTIVE 5: VALUE-ADDING PARTNERSHIPS / COLLABORATIONS

PERFORMANCE OBJECTIVE 6: ACHIEVE STATUTORY REPORTING COMPLIANCE

PERFORMANCE OBJECTIVE 7: CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Key outcomes: Customer Satisfaction, Stakeholder Understanding and Support, Community Sustainability

FINANCIAL PERSPECTIVE

SO 3: Improve key financial ratios

PERFORMANCE OBJECTIVE 8: IMPROVE KEY FINANCIAL RATIOS

SO 4: Improve financial sustainability and socio-economic development

PERFORMANCE OBJECTIVE 9: MANAGE COSTS WITHIN APPROVED BUDGET

PERFORMANCE OBJECTIVE 10: ENGAGEMENT IN SECONDARY ACTIVITIES

PERFORMANCE OBJECTIVE 11: INCREASE TRANSFORMATION THROUGH B-BBEE

PERFORMANCE OBJECTIVE 12: JOBS CREATED

Key outcomes: Financial Viability, Community Sustainability, Stakeholder Understanding and Support

PROCESS PERSPECTIVE

SO 5: Improve governance, risk and compliance systems

PERFORMANCE OBJECTIVE 13: BOARD EFFECTIVENESS

PERFORMANCE OBJECTIVE 14: EFFECTIVE CONTROLS, COMPLIANCE AND RISK MANAGEMENT

PERFORMANCE OBJECTIVE 15: GOOD GOVERNANCE

SO 6: Improve Internal Efficiency

PERFORMANCE OBJECTIVE 16: PROCUREMENT TURNAROUND

PERFORMANCE OBJECTIVE 17: ORGANISATIONAL READINESS REVIEW

PERFORMANCE OBJECTIVE 18: ENVIRONMENTAL SUSTAINABILITY AND RESEARCH & INNOVATION

SO 7: Improve Service Quality

PERFORMANCE OBJECTIVE 19: BULK POTABLE WATER QUALITY COMPLIANCE

PERFORMANCE OBJECTIVE 20: MANAGE AVOIDABLE WATER LOSSES

PERFORMANCE OBJECTIVE 21: RELIABILITY OF SUPPLY

PERFORMANCE OBJECTIVE 22: BULK WASTEWATER COMPLIANCE

Key outcomes: Product Quality, Environmental Sustainability, Operational Optimisation, Operational Resiliency

ORGANISATIONAL CAPACITY PERSPECTIVE

SO 8: Increase skills and competency

PERFORMANCE OBJECTIVE 23: TRAINING AND SKILLS DEVELOPMENT

PERFORMANCE OBJECTIVE 24: STAFF LEVELS

SO 9: Improve the use of Data & Technology

PERFORMANCE OBJECTIVE 25: DIGITAL TRANSFORMATION PROGRAMME

SO 10: Improve Supply Security and Service Footprint

PERFORMANCE OBJECTIVE 26: CATCHMENT MANAGEMENT

PERFORMANCE OBJECTIVE 27: CAPITAL EXPENDITURE PROGRAMME

PERFORMANCE OBJECTIVE 28: ASSET MANAGEMENT PROGRAMME

Key outcomes: Infrastructure Stability, Leadership and Employee Development, Operational Optimisation, Operational Resiliency, Water Resources Adequacy

2.2.8 Umgeni Water Strategy Outcomes

Product Quality (Water and Related Services)

Achieved when Umgeni Water produces water and related services in full compliance with statutory and reliability requirements and consistent with customer and environmental needs

Water Resources Adequacy

Achieved when Umgeni Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.

Operational Optimisation

Achieved when Umgeni Water has on-going, timely, cost-effective, reliable, and sustainable performance improvements in all facets of its operations, minimises resource use, loss, and impacts from day-to-day operations and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements

Customer Satisfaction

Achieved when Umgeni Water provides reliable, responsive, and affordable services in line with explicit, customer-agreed service levels and receives timely customer feedback to maintain responsiveness to customer needs and emergencies.

Stakeholder Understanding and Support

Attained when Umgeni Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions, and water resources adequacy.

Financial Viability

Achieved when Umgeni Water understands the organizational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organization aims at a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.

Infrastructure Stability

Achieved when Umgeni Water's understands the condition and costs associated with critical infrastructure assets and maintains and enhances the condition of all assets over the long-term. This is done at the lowest possible life-cycle cost and acceptable risk levels, is consistent with customer service and statutory-supported service levels, and consistent with anticipated growth and system reliability goals. The organization further assures that asset repair, rehabilitation, and replacement efforts are coordinated to minimise disruptions and other

Operational Resiliency

Achieved when Umgeni Water's leadership and staff work together to anticipate and avoid problems and proactively identify, assess, and establish tolerance levels for, and proactively and effectively manages a full range of business risks, consistent with industry trends and system reliability goals.

Community and Environmental Sustainability

Achieved when Umgeni Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supports socio-economic development, and manages its operations, infrastructure, and investments to protect, restore, and enhance the natural environment, whilst using energy and other natural resources efficiently.

Leadership and Employee Development

Achieved when Umgeni Water is a participatory, collaborative organization dedicated to continual learning and improvement, recruits and retains a workforce that is reflective of demographics, competent, motivated and adaptive, and works safely, ensures institutional knowledge is retained and improved; provides opportunities for professional and leadership development, and creates an integrated and well-coordinated senior leadership team.



Chapter 3: Balanced Scorecard



Think Water, Think Umgeni Water.

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BALANCED SCORECARD PERSPECTIVE: CUSTOMER AND STAKEHOLDER

The following strategic objectives are aimed at increasing customers and services, and increasing value for our customers and stakeholders to achieve the organization's mission and vision.

OUTCOMES:

Customer Satisfaction, Stakeholder Understanding and Support, Financial Viability

STRATEGIC OBJECTIVES:

SO 1: Increase Customers and Services

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO1	PO1: INCREASED ACCESS TO SERVICES	Investigate new markets and products for growth	1.1	Investigations for water and related services or products completed	IMP developed for UW operated areas of uThukela DM	IMP developed for all of KZN.	Growth plan for water and related services for existing customers	Growth plan for water and related services for existing customers	Implementation Plans for new water and related services for existing customers	Implementation Plans for new water and related services for existing customers	Implementation Plans for new water and related services for existing customers

OUTCOMES:

Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability

STRATEGIC OBJECTIVES:

SO 2: Increase Customer and Stakeholder Value

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO2	PO 2: BULK SUPPLY AGREEMENTS CONCLUDED WITH MUNICIPALITIES / OTHER CUSTOMERS	Conclude supply agreements with all customers.	2.1	Total number of signed contracts (bulk supply agreements) in place as a % of total customers. (SHC) ★	7 customers, 100% signed agreements	7 customers, 100% signed agreements	7 customers, 100% signed agreements.	7 customers, 100% signed agreements.	7 customers, 100% signed agreements.	7 customers, 100% signed agreements.	7 customers, 100% signed agreements.
		Engage Contractual Stakeholders and create customer and stakeholder value.	2.2	Number of engagements with customers.	≥ 1 engagement with all 7 customers	≥ 1 engagement with all 7 customers	≥ 1 engagement with ≥ 7 customers	≥ 1 engagement with ≥ 7 customers	≥ 1 engagement with ≥ 7 customers	≥ 1 engagement with ≥ 7 customers	≥ 1 engagement with ≥ 7 customers
	PO 3: IMPLEMENTATION OF MINISTERIAL DIRECTIVES	Implement Ministerial Directives	3.1	Directives implemented in accordance with plan (SHC) ★	1 Directive: Funding and implementation of the uMkhomazi Water Project Phase 1 Potable Water Component	1 Directive: Funding and implementation of the uMkhomazi Water Project Phase 1 Potable Water Component	3 Directives	3 Directives	3 Directives	3 Directives	3 Directives
	PO 4: SUPPORT RURAL DEVELOPMENT	Implement projects that support vulnerable municipalities.	4.1	Number of signed contracts/MOUs with rural Municipalities for provision of support. (SHC) ★	2 Signed contracts/MOUs	3 Signed contracts/MOUs for ≥ 1 projects or services implemented	Contracts/MOUs for ≥ 2 projects or services implemented	Contracts/MOUs for ≥ 2 projects or services implemented	Contracts/MOUs for ≥ 2 projects or services implemented	Contracts/MOUs for ≥ 2 projects or services implemented	Contracts/MOUs for ≥ 2 projects or services implemented

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
	PO 5: VALUE-ADDING PARTNERSHIPS / COLLABORATIONS	Engage Stakeholders and create stakeholder value.	5.1	Implementation of Stakeholder Value Proposition and Plans	-	-	Stakeholder Value Proposition and Plan implemented. Progress report against planned milestones	Stakeholder Value Proposition and Plan implemented. Progress report against planned milestones	Stakeholder Value Proposition and Plan implemented. Progress report against planned milestones	Stakeholder Value Proposition and Plan implemented. Progress report against planned milestones	Stakeholder Value Proposition and Plan implemented. Progress report against planned milestones
			5.2	Number of International Relations / strategies and plans implemented	-	-	≥ 1 developed and implemented	≥ 1 refined and implemented	≥ 1 refined and implemented	≥ 1 refined and implemented	≥ 1 refined and implemented
	PO 6: ACHIEVE STATUTORY REPORTING COMPLIANCE	Develop and submit all statutory accountability documents.	6.1	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and Policy Statement. (SHC) ★	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	21 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC Policy Statement	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC
	PO 7: CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	Plan and implement Collaborate Consumer conscientization programmes.	7.1	Consumer conscientization programmes implemented	-	-	Annual report for ≥ 4 theme programmes EXCO Approved Annual integrated plan developed for 2021/2022	Annual report for ≥ 4 theme programmes EXCO Approved Annual integrated plan developed for 2021/2022	Annual report for ≥ 4 theme programmes EXCO Approved Annual integrated plan developed for 2022/2023	Annual report for ≥ 4 theme programmes EXCO Approved Annual integrated plan developed for 2023/2024	Annual report for ≥ 4 theme programmes EXCO Approved Annual integrated plan developed for 2024/2025

(SHC) ★ Shareholder Compact Indicator

BALANCED SCORECARD PERSPECTIVE: FINANCIAL

The following strategic objectives will improve the organisation's financial sustainability, and enable the entity to realise its socio-economic imperatives.

OUTCOMES:

Financial Viability

STRATEGIC OBJECTIVE:

SO 3: Improve key financial ratios

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO3	PO 8: IMPROVE KEY FINANCIAL RATIOS	Manage liquidity and solvency	8.1	Operating cash flows, Rm	R1574m R274m above target	R1859m R 359 above target.	≥ R1395m	≥ R1500m	≥ R1800m	≥ R2200m	≥ R2500m
			8.2	Current Ratio (SHC) ★	2.75	2.63	≥ 2.9	≥ 1.5	≥ 1.5	≥ 1.3	≥ 0.5
			8.3	Debt to Equity ratio. (SHC) ★	0.19	0.16	≤ 0.1	≤ 0.2	≤ 0.2	≤ 0.3	≤ 0.4
			8.4	Interest cover ratio.	5.94	6.39	≥ 5	≥ 6	≥ 4	≥ 2.7	≥ 2.5
		8.5	Manage debtor days.	Number of debtor days. (SHC) ★	59 days	62 days	≤ 48	≤ 58	≤ 55	≤ 53	≤ 50
		8.6	Increase return on investment.	Per cent return on assets. (SHC) ★	11.30%	10.32%	≥ 6.7%	≥ 5.8%	≥ 6.5%	≥ 6.7%	≥ 7.3%
		8.7	Manage primary business performance	Gross profit margin % for primary activity (SHC) ★	63%	65.1%	≥ 57%	≥ 58%	≥ 59%	≥ 60%	≥ 60%
				8.8	Net profit margin % for primary activity (SHC) ★	39%	34.3%	≥ 23%	≥ 19%	≥ 21%	≥ 22%

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
		Manage secondary business performance	8.9	Gross profit margin % for secondary activity (SHC) ★	20%	20.6 %	≥ 22%	≥ 11%	≥ 11%	≥ 11%	≥ 11%
			8.10	Net profit margin % for secondary activity. (SHC) ★	14%	(4.7 %)	≥ 15%	≥ 3%	≥ 3%	≥ 3%	≥ 3%
		Increase staff efficiency and productivity.	8.11	Staff remuneration as a % of total operating expenditure (SHC) ★	31%	27.82%	≤ 35%	≤ 35%	≤ 35%	≤ 35%	≤ 35%

(SHC) ★ Shareholder Compact Indicator

OUTCOMES:

Financial Viability, Community and Environmental Sustainability.

STRATEGIC OBJECTIVE:

SO 4: Improve financial sustainability and socio-economic development

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO4	PO 9: MANAGE COSTS WITHIN APPROVED BUDGET	Ensure sustainable operations.	9.1	Total revenue, Rbn and per cent variance.	R3.52bn	R4.14bn±10%	R4.2bn±10%	R4.59bn±10%	R5.1bn±10%	R5.71bn±10%	R6.4bn±10%
			9.2	Total expenditure, Rbn and per cent variance. (SHC) ★	R2.18bn	R2.75bn±10%	R3.2bn±10%	R3.74bn±10%	R4.00bn±10%	R4.33bn±10%	R4.64bn±10%
			9.3	Total surplus (loss) Rbn and per cent variance	R1.38bn	R0.14bn±10%	R0.96bn±10%	R0.90bn±10%	R1.1bn±10%	R1.30bn±10%	R1.65bn±10%
	PO 10: ENGAGEMENT IN SECONDARY ACTIVITIES	Manage s30 revenue.	10.1	Total s30 revenue, Rm and per cent of turnover. (SHC) ★	R33m, 1% of turnover	R32m ±10%, ≥ 1% of turnover	R36m ±10%, ≥ 1% of turnover	R31m ±10%, ≥ 1% of turnover	R33m ±10%, ≥ 1% of turnover	R35m ±10%, ≥ 1% of turnover	R37m ±10%, ≥ 1% of turnover
	PO 11: INCREASE TRANSFORMATION THROUGH B-BBEE	Increase participation, B-BBEE spend and capability of SMMEs.	11.1	Actual B-BBEE spend as a % of total discretionary expenditure. (SHC) ★	116%	122%	>80%	>80%	>80%	>80%	>80%
			Number of new B-BBEE entrants awarded work. (SHC) ★	Five new entrants were sourced and awarded work.	≥ 3 new entrants awarded work.	≥ 10 new entrants awarded work.	≥ 10 new entrants awarded work.	≥ 10 new entrants awarded work.	≥ 10 new entrants awarded work.	≥ 10 new entrants awarded work.	≥ 10 new entrants awarded work.
11.2			B-BBEE Scorecard element and score per element	-	-	BEE Compliance progression verified towards attainment of Level 3 by 2020/2021	BEE Compliance progression verified towards attainment of Level 1 by 2021/2022	BEE Level 1	BEE Level 1	BEE Level 1	BEE Level 1
	PO 12: JOBS CREATED	Create jobs	12.1	Number of permanent and temporary jobs created. (SHC) ★	80 permanent	36 permanent	-	-	-	-	-
484 temporary					268 capex jobs.	≥ 300 capex jobs.	≥ 400 capex jobs.	≥ 400 capex jobs.	≥ 400 capex jobs.	≥ 400 capex jobs.	

BALANCED SCORECARD PERSPECTIVE: PROCESS

The following strategic objectives will improve internal efficiencies to enhance productivity and delivery of services of appropriate quality to customers and stakeholders.

OUTCOMES:

Operational Resiliency

STRATEGIC OBJECTIVE:

SO 5: Improve governance, risk and compliance systems

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	
SO5	PO 13: BOARD EFFECTIVENESS	Monitor and improve fiduciary duties and governance.	13.1	Board / Committee meetings attended as a % of planned meetings. (SHC) ★	>80% attendance	>80% attendance	≥ 80%	≥ 80%	≥ 80%	≥ 90%	≥ 80%	
				Resolutions taken by the board as a % of resolutions required. (SHC) ★	100% resolutions taken	100% resolutions taken	≥ 80%	≥ 80%	≥ 80%	≥ 80%		
	PO 14: EFFECTIVE CONTROLS, COMPLIANCE AND RISK MANAGEMENT	Monitor and review systems for performance and financial controls.	14.1	Unqualified report with no emphasis of matters (Clean Audit) (SHC) ★	Unqualified external audit report	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified report with no matters of emphasis (Clean Audit).
				Monitor and review internal controls and risk system.	14.2	Number of repeat and number of unresolved findings. (SHC) ★	0 repeat. 0 unresolved	≤ 7 findings.	≤ 6 findings	≤ 6 findings	≤ 6 findings	≤ 6 findings
		Develop compliance registers and monitor and improve legal compliance.	14.3	Percent compliance against Annual Legal Compliance Plan.	97% against compliance register	73% against compliance register	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
		Monitor and improve health and safety.	14.4	Disabling Injury Frequency Ratio (DIFR).	0.16	0.06	≤ 0.5	≤ 0.5	≤ 0.5	≤ 0.5	≤ 0.5
			14.5	Security of information, human capital and physical assets	-	-	Information security and cyber security action plan implemented to address findings	Information security and cyber security action plan implemented to address findings	Information security and cyber security action plan implemented to address findings	Information security and cyber security action plan implemented to address findings	Information security and cyber security action plan implemented to address findings
							100% compliance against NKP Act achieved for 3 WTWs	100% compliance against NKP Act achieved for 3 WTWs	100% compliance against NKP Act achieved for 3 WTWs	100% compliance against NKP Act achieved for 3 WTWs	100% compliance against NKP Act achieved for 3 WTWs
	PO 15: GOOD GOVERNANCE	Improve controls and risk mitigation	15.1	Number of breaches in materiality and significance framework. (SHC) ★	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(SHC) ★ Shareholder Compact Indicator

OUTCOMES:

Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability

STRATEGIC OBJECTIVE:

SO 6: Improve Internal Efficiency

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO6	PO 16: PROCUREMENT TURNAROUND	Improve procurement cycle turnaround time.	16.1	Turnaround time (working days) for awarding of capex programme tenders, contract negotiations and issuing of signed contract.	127 days, 4 of 6 tenders ≤ 90days (67%) 21 days, 2 of 2 tender ≤ 45 days (100%) 22 days, 1 of 2 tenders ≤ 15 days (50%)	123 days 11 of 23 tenders < 90days (34%) 47 of 51 CPG Negotiations < 45 days (92%) 15 days 9 of 14 tenders < 15 days (64%)	≤ 120 days for award; ≤ 15 days for CPG negotiations ≤ 10 days for signed contract	≤ 120 days for award; ≤ 15 days for CPG negotiations ≤ 10 days for signed contract	≤ 120 days for award; ≤ 15 days for CPG negotiations ≤ 10 days for signed contract	≤ 120 days for award; ≤ 15 days for CPG negotiations ≤ 10 days for signed contract	TBC
		Improve demand management and procurement planning.	16.2	Develop and implement an Integrated organisational procurement plan	-	-	≥ 75% of planned are procurements are actioned	85% of planned are procurements are actioned	85% of planned are procurements are actioned	≥ 90% of planned are procurements are actioned	≥ 95% of planned are procurements are actioned
	PO 17: ORGANISATIONAL READINESS REVIEW	Improve organisational readiness for growth	17.1	Organisational Change Management Programme implemented	-	-	EXCO Approved Organisational Change Management programme developed	Business Process Re-engineering planned and implemented Fourth Industrial Revolution readiness implementation plan developed	Business Process Re-engineering planned and implemented Fourth Industrial Revolution readiness implementation plan developed	Business Process Re-engineering planned and implemented Fourth Industrial Revolution readiness implementation plan developed	Business Process Re-engineering planned and implemented Fourth Industrial Revolution readiness implementation plan developed.
	PO 18: RESEARCH & INNOVATION PROGRAMME	Develop and implement a full value chain research & innovation programme.	18.1	Full Value Chain Research and Innovation programme implemented.	-	Phase 1: 1 research and innovation project completed. Business cases completed ≥ 4 projects	EXCO Approved Research & Innovation Programme developed for implementation in 2021/22.	Phase 3: ≥ 2 pilot projects scaled for production ≥ 9 pilot projects completed	≥ 9 pilot projects scaled for production	Phase 1 restart: Literature review revised and Key initiatives identified Business cases completed ≥ 4 projects	Phase 2: ≥ 2 pilot projects completed

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
							Business cases completed \geq 5 projects				
							Phase 2: \geq 5 pilot plans completed				
			18.2	Environmental Sustainability Programme implemented.	6 initiatives	1 environmental project completed	EXCO Approved Environmental sustainability implementation plan developed for 2021/2022	EXCO Approved Environmental sustainability implementation plan developed for 2022/2023	EXCO Approved Environmental sustainability implementation plan developed for 2023/2024	EXCO Approved Environmental sustainability implementation plan developed for 2024/2025	EXCO Approved Environmental sustainability implementation plan developed for 2025/2026

OUTCOMES:

Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability

STRATEGIC OBJECTIVE:

SO 7: Improve Service Quality

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO7	PO 19: BULK POTABLE WATER QUALITY COMPLIANCE	Improve water quality compliance.	19.1	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (SHC) ★	13 WTW systems 100% compliant with Excellent SANS 241. Four (4) UMDM schemes compliant with Excellent SANS 241 in five categories.	12 of 13 WTW systems 100% compliant with Excellent SANS 241 3 of 4 UMDM schemes 100% compliant with Excellent SANS 241:2015 standard. 1 UMDM scheme compliant with Good SANS 241:2015 standard in one risk Category. Three (3) UMDM schemes compliant with Excellent Chronic Chemical Health and Acute Chemical Health risk categories of SANS 241	> 13 WTW systems 100% compliant with Excellent SANS 241 Three (3) UMDM schemes compliant Excellent SANS 241 in three categories and with Good SANS 241 in operational and aesthetic.	> 14 WTW systems 100% compliant with Excellent SANS 241 One (1) UMDM scheme compliant Excellent SANS 241 in three categories and with Good SANS 241 only in operational and aesthetic.	> 14 WTW systems 100% compliant with Excellent SANS 241 One (1) UMDM scheme compliant Excellent SANS 241 in three categories and with Good SANS 241 only in operational and aesthetic.	> 14 WTW systems 100% compliant with Excellent SANS 241 One (1) UMDM scheme compliant Excellent SANS 241 in three categories and with Good SANS 241 only in operational and aesthetic.	> 14 WTW systems 100% compliant with Excellent SANS 241 One (1) UMDM scheme compliant Excellent SANS 241 in three categories and with Good SANS 241 only in operational and aesthetic.
	PO 20: MANAGE AVOIDABLE WATER LOSSES	Reduce water loss / unaccounted for water per system.	20.1	Avoidable water lost (mil m ³) over total water produced (mil m ³). (SHC) ★	2.25%	2.91%	≤ 5%	≤ 5%	≤ 5%	≤ 5%	≤ 5%

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
	PO 21: RELIABILITY OF SUPPLY	Develop integrated water resources plans for each supply system and region for long term sustainability.	21.1	Supply and demand status and projections demonstrating long-term water resources adequacy per system and region.	Updated Infrastructure Master Plan.	Updated Infrastructure Master Plan.	Updated Infrastructure Master Plan. EXCO Approved Water Resources Diversification Plan developed.	Updated Infrastructure Master Plan.	Updated Infrastructure Master Plan.	Updated Infrastructure Master Plan.	Updated Infrastructure Master Plan.
		Improve supply reliability and asset management to eliminate unplanned supply disruptions.	21.2	Number of days (> 24 hours) supply disrupted over total supply days (365 days per year). (SHC) ★	3.5 of 365 supply days disrupted (1%)	6.22 of 365 supply days disrupted (1.7%)	0 days > 24 hours	0 days > 24 hours	0 days > 24 hours	0 days > 24 hours	0 days > 24 hours
	PO 22: BULK WASTEWATER COMPLIANCE	Improve wastewater quality compliance.	22.1	Per cent compliance of WWTW systems with discharge licence or General Authorisation requirements. (SHC) ★	7 WWTW ≥ 85% compliant, 1 WWTW ≥ 60% complaint	10 WWTW ≥ 85% compliant 1 WWTW ≥ 80% compliant	9 WWTW ≥ 90% 2 WWTW ≥ 80% compliant	9 WWTW ≥ 90% 2 WWTW ≥ 80% compliant	10 WWTW ≥ 90% 1 WWTW ≥ 80% compliant	10 WWTW ≥ 90% 1 WWTW ≥ 80% compliant	11 WWTW ≥ 90% compliant

(SHC) ★ Shareholder Compact Indicator

BALANCED SCORECARD PERSPECTIVE: ORGANISATIONAL

The following strategic objectives will improve capacity in the form of skills, technology and financial resources to position the organization towards the successful execution of its strategy.

OUTCOMES:

Operational Resiliency, Leadership and Employee Development

STRATEGIC OBJECTIVES:

SO 8: Increase skills and competency

UW	Performance Objective	Strategic Initiative /Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO8	PO 23: TRAINING AND SKILLS DEVELOPMENT	Build leadership, management and functional competence.	23.1	Human capital development programmes responsive to the strategy	-	-	Vision 2050 Human Capital Development Strategy developed	Vision 2050 Human Capital Development Strategy implemented	Vision 2050 Human Capital Development Strategy implemented	Vision 2050 Human Capital Development Strategy implemented	Vision 2050 Human Capital Development Strategy implemented
			23.2	Number of capacity building programmes evaluated	-	-	Employee Health and Wellness Plan developed	Approved capacity building framework developed.	Organisational Capacity building plan implemented	Organisational Capacity building plan implemented	Organisational Capacity building plan implemented
	PO 24: STAFF LEVELS	Manage staff / skills retention.	24.1	Number of staff terminations, excluding normal retirements, as a % of the total staff complement. (SHC) ★	3.9%	3.37%	≤ 8%	≤ 8%	≤ 8%	≤ 8%	≤ 8%

(SHC) ★ Shareholder Compact Indicator

OUTCOMES:

Operational Resiliency

STRATEGIC OBJECTIVES:

SO 9: Improve the use of Data & Technology

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO9	PO 25: DIGITAL TRANSFORMATION PROGRAMME	Plan and implement transition to being a data driven organisation.	25.1	Digital transformation Programme implemented	-	-	Digital transformation strategy developed	Digital transformation strategy implemented	Digital transformation strategy implemented	Digital transformation strategy implemented	Digital transformation strategy implemented

OUTCOMES:

Operational Resiliency, Infrastructure Stability

STRATEGIC OBJECTIVES:

SO 10: Improve Supply Security and Service Footprint

(SHC) ★ Shareholder Compact Indicator

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
SO10	PO 26: CATCHMENT MANAGEMENT	Develop integrated water resources plans for each supply system and region for long-term sustainability.	26.1	Integrated resource / ecological infrastructure management plans per system and region.	-	-	Climate Change Plan implemented	Climate Change Plan implemented	Climate Change Plan implemented	Climate Change Plan implemented	Climate Change Plan implemented
				Ecological infrastructure management plans implemented.			Ecological infrastructure management plans implemented.	Ecological infrastructure management plans implemented.	Ecological infrastructure management plans implemented.	Ecological infrastructure management plans implemented.	Ecological infrastructure management plans implemented.
	PO 27: CAPITAL EXPENDITURE PROGRAMME	Implement capital infrastructure to meet demands and for growth.	27.1	CAPEX Rm against budget and % variance. (SHC) ★	R1250m (75.9%)	R861m, (45%)	≥ 80% of R1411m, ≤ 20% variance	≥ 80% of R2217m, ≤ 20% variance	≥ 80% of R2643m, ≤ 20% variance	≥ 80% of R2890m, ≤ 20% variance	≥ 80% of R2902m, ≤ 20% variance
			27.2	Number of CAPEX projects within target completion	66% of strategic projects (as per Corporate Plan - CE)	55% of Strategic Projects (as per Corporate Plan – CE Foreword)	≤ 15% for 14 Strategic Infrastructure Projects	≤ 15% for 14 Strategic Infrastructure Projects	≤ 15% for 14 Strategic Infrastructure Projects	≤ 15% for 14 Strategic Infrastructure Projects	≤ 15% for 14 Strategic Infrastructure Projects

UW	Performance Objective	Strategic Initiative / Plan	#	Result Indicator	Actual 2018/2019	Actual 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025
				dates against planned number and % variance. (SHC) ★	Foreword); 34% variance	30% variance					
		Implement infrastructure to meet national objectives of increasing access.	27.3	Capex spend on rural expansion related projects as % of CAPEX Spend. (SHC) ★	R383m, 31% of Total CAPEX spent	R205m 24% of Total CAPEX spent.	R336m ±24% of annual capex spend.	R775m ±35% of annual capex spend.	R876m ±33% of annual capex spend.	R1084m ±37% of annual capex spend.	R1268m ±44% of annual capex spend.
	PO 28: ASSET MANAGEMENT PROGRAMME	Invest timely and appropriately in infrastructure asset repairs and maintenance.	28.1	Repairs and maintenance Rm over PPE Rm. (SHC) ★	R225m, 2.45%	R231m, 2.46%	R375m ±10% ≥ 3% of PPE	R340m ±10% ≥ 3% of PPE	R367m ±10% ≥ 3% of PPE	R396m ±10% ≥ 2% of PPE	R428m ±10% ≥ 2% of PPE

(SHC) ★ Shareholder Compact Indicator



Chapter 4: Marketing, Branding and Communication



Think Water, Think Umgeni Water.

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4.1. Marketing and Branding Plan

4.1.1 Approach to Marketing and Branding

Umgeni Water's marketing approach responds to its operating environment. The overall value proposition is premised on securing mutually beneficial relationships. Building brand identity involves Umgeni Water positioning itself, relative to its customers and stakeholders, such that they choose to acquire services and related services from Umgeni Water, in preference to others.

A key aspect of Umgeni Water's Branding activities and initiatives is the need to demonstrate that the organisation has a holistic and fully integrated approach to effective service delivery. A positive reputation is a prerequisite for building of strong and enduring relationships with all customers and stakeholders, and it helps in ensuring that customers and communities recognise Umgeni Water as a strategically relevant entity that adds value through its services and products.

4.1.2 Umgeni Water Brand Building

Umgeni Water will build its brand through its staff "walking the talk" and demonstrating, to its customers and stakeholders, that it is a reliable, capable, competent, efficient and effective service provider. This will be underpinned by a clear and deliverable Value Proposition for all Market Development and Market Penetration activities, services and products.

Umgeni Water will build its brand by incorporating the following key elements:

- Delivering on mandate.
- Matching the strengths of the entity to the products and services offered.
- Identifying and understanding key customer needs, expectations, priorities and passions.
- Designing and offering services and products that will give optimal value to customers.

4.1.3 Products and Services

Umgeni Water, as an entity of state operates within prescribed legislation and national Government frameworks and mandates. Within this framework, the basket of water products and related services vary in response to local and regional needs. The core products Umgeni Water will continue to focus on are:

- Bulk potable water supply
- Bulk wastewater treatment
- Water related services

4.1.4 Geographical Markets, Marketing Matrix and Customers

Umgeni Water has identified the following markets for growth of water services (water and wastewater) and water related services:

1. KwaZulu-Natal: For water and other related activities.
2. South Africa: water services and other related activities on demand.
3. Rest of Africa: knowledge management, networking and responding to bi-lateral agreements between South Africa and other countries.
4. Global: networking and knowledge management.

Within KwaZulu-Natal, bulk water and wastewater services and/or water related services will progressively be increased in customer areas, driven by the regionalisation timeframe:

- | | |
|---|---|
| 1. eThekweni Metropolitan Municipality: | Retain and grow |
| 2. Msunduzi Local Municipality: | Retain and grow |
| 3. iLembe District Municipality: | Retain and grow |
| 4. uMgungundlovu District Municipality: | Retain and grow |
| 5. Harry Gwala District Municipality: | Market penetration |
| 6. Ugu District Municipality: | Market penetration |
| 7. uThukela District Municipality: | Market development |
| 8. Newcastle Local Municipality: | Market Development (Demand driven) |
| 9. Amajuba District Municipality: | Market Development (Demand driven) |
| 10. uMzinyathi District Municipality: | Market Development (Demand driven) |
| 11. King Cetshwayo District Municipality: | Market Development |
| 12. uMkhanyakude District Municipality: | Market Development |
| 13. uMhlathuze Local Municipality: | Market Development |
| 14. Zululand District Municipality: | Market Development |

		Products	
		Existing	New
		Market Penetration	Product Development
Markets	Existing (6 WSAs)	<ul style="list-style-type: none"> Bulk potable water services Bulk wastewater services Water related services (e.g. training, laboratory analyses, working-for-water and related programmes) 	<ul style="list-style-type: none"> Water resources development Local and regional dams Alternate water resources Wastewater reclamation / water recycling Desalination
	New (8 WSAs)	<ul style="list-style-type: none"> Bulk potable water services Bulk wastewater services Water related services Water related services (e.g. training, laboratory analyses, working-for-water and related programmes) 	<ul style="list-style-type: none"> Reticulation Retail services Non-revenue water management Energy co-generation

4.1.5 Market Development: Customer Engagement Approach

Umgeni Water's customer engagement model entails meaningful contact, at various levels for different purposes, with various customers.

4.1.6 Market Development: Engagement Approach during Development Phase

Umgeni Water will foster trust, consolidate and form relationships with customers in KwaZulu-Natal through open and honest interactions.

Validation of Water Services Authorities' (WSAs) interests in target areas will continue through the presentation of the service delivery model, its costs and tariffs and through gaining deeper understanding of the WSAs' needs.

Feedback gained from the engagements will continue to be used to review assumptions, refine service delivery plans and mitigate any additional risks identified. Once successful, development of a long-term bulk supply agreement (SALGA-approved) and water related service agreement with customers, preferably 20 years, will be undertaken to ensure sustainable capital investments can be made.

4.1.7 Market Development: Engagement Approach during Operational phase

Umgeni Water will replicate and improve on existing successful customer experience models. Experience has shown that sustainable-positive outcomes arise when:

- Honest responses and answers to questions are provided, notably when these relate to supply disruptions and quality problems,
- There is efficiency in problem solving,
- There is collaboration, support and assistance provided to address the WSAs' needs in time of water crises, such as droughts and floods.

4.1.8 Market Development: Engagement Approach during future planning phase.

Umgeni Water will continue to assess that the service delivery model is adding the intended value and is the best cost and most sustainable option for the WSAs, the end-users and the economy as a whole. The tariff and pricing of all water related services will be linked to changes in cost components, changes in resource allocation, and increases in investments relating to changes in demand, whilst continuing to provide a service and tariff that reflects the WSA's preference for price stability, efficiency and security of supply.

The regional schemes / Universal Access Plan concept will be further refined over this period in terms of the phased approach to water access as follows:

- Alleviating the immediate need through implementing stand-alone regional schemes;
- Integrating existing stand-alone schemes into sub-regional schemes; and
- Integrating all of the latter into sustainable regional schemes.

4.2. Communication Plan

The objectives of Umgeni Water's Communication Plan are to:

- Ensure that relevant and appropriate strategic approaches are adopted for interaction with each distinct group of Stakeholders,
- Enhance internal policies, projects and services provided through Stakeholder engagement,
- Facilitate effective collaboration and knowledge sharing between Umgeni Water and its Stakeholders, and
- Ensure that the entity is aware of Stakeholder needs and priorities through timeous receipt and provision of relevant information.

4.3. Water Sector Stakeholders

Umgeni Water is a crucial regional water services provider and, as a consequence, it plays a strategic role as a catalyst for social and economic development within its service area. In implementing its mandate relative to primary and secondary activities, Umgeni Water is required to interact with a vast array of stakeholders who are impacted on or could potentially be impacted on, either directly or indirectly.

Umgeni Water's stakeholders are categorised and clustered as Statutory Stakeholders, Strategic Stakeholders, Contracted Stakeholders and Non-Contracted Stakeholders, as shown in Figure 4.1. Umgeni Water will continue to implement the imperatives of the Board approved Stakeholder Engagement Strategy in which value proposition and engagement frequency of the stakeholders by category, has been developed.

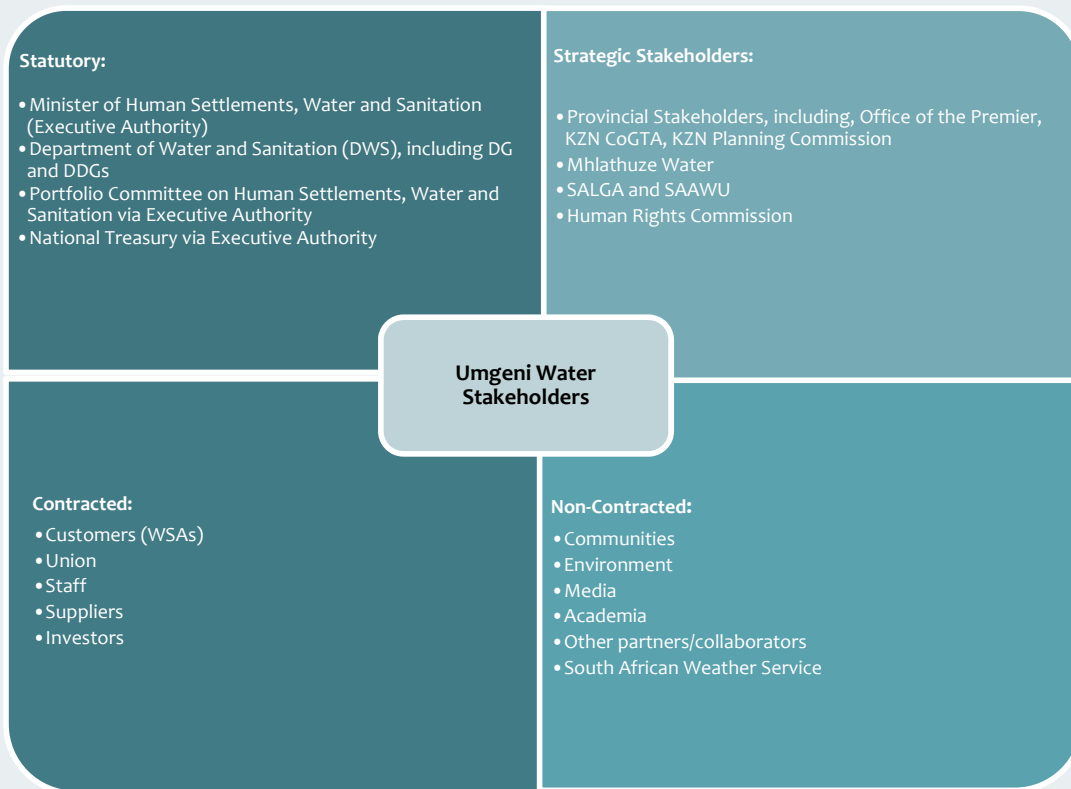
Statutory Stakeholders: Stakeholders who have a regulatory or oversight function over Umgeni Water, among them the Minister of Human Settlements, Water and Sanitation; the Department of Water and Sanitation; the Portfolio Committee that has oversight on Water and Sanitation and National Treasury. Legislative requirements (Water Services Act and Municipal Finance Management Act, among others) are that Umgeni Water must interact with stakeholders on a formal and regular basis; this with a view to ensuring that there is alignment with Government's developmental objectives, strategies and plans.

Strategic Stakeholders: These stakeholders include Provincial and some National stakeholders to whom Umgeni Water provides information relating to entity performance, capital infrastructure plans, solutions to prolonged bulk water supply interruptions and expertise available to assist vulnerable water boards and municipalities. Among these stakeholders are the Office of the Premier of KwaZulu-Natal, KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs, Provincial Planning Commission, South African Local Government Association, Trans-Caledon Tunnel Authority, South African Association of Water Utilities, South African Human Rights Commission, Water Institute of Southern Africa, Water Research Commission, Institute of Municipal Engineering of Southern Africa, Mhlathuze Water and other water boards.

Contracted Stakeholders: Stakeholders with whom Umgeni Water has contracted for provision of potable water, products, services and goods. These stakeholders include customers (municipalities), suppliers and investors and, in the case of employees and organised labour, provision of employment and accompanying service benefits. They also include traditional authorities with whom Umgeni Water has contracts or memorandum of agreements for use of land.

Non-Contracted Stakeholders: Stakeholders to whom Umgeni Water demonstrates its value as a socially responsible, efficient and high performing entity. These Stakeholders include the media, community-based organisations, environmental groups, academia, civil society in general and small, medium and emerging business enterprises (military veterans’ formations affiliated to or recognised by the Department of Defence and Military Veterans and departments of the KwaZulu-Natal Provincial Government and business forums recognised by the Provincial Government of KwaZulu-Natal) and South African Weather Service.

Figure 4.1: Umgeni Water Stakeholders, clustered into four groups - Statutory, Strategic, Contracted Stakeholders and Non-Contracted Stakeholders



Chapter 5: Policy Statement



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Policy Statement

The policy statement is due for review in 2022. Other than periodic review of organisational policies as a result of legislative requirements, operational enhancements and the need to adapt to best practice, there have been no significant changes to Umgeni Water policies in the past year.



Chapter 6: Corporate Governance



Think Water, Think Umgeni Water.

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6.1 Composition and Functioning of the Board

In terms of the Water Services Act (Act 108 of 1997), Board members (except the Chief Executive who is appointed by the Board) are appointed by the Minister of Water and Sanitation (as of May 2014) ("the Minister").

The Umgeni Water Board term ended in July 2020 and the Minister appointed an interim Board, effective from 1 August 2020. The interim Board comprises of eleven (11) non-executive Board members and one (1) Executive Board member, namely the Chief Executive.

The Chairperson of the Board and all other Board members (with the exclusion of the Chief Executive), are independent non-executive directors in the manner described in the King IV Report on Corporate Governance (hereinafter referred to as "King IV") to ensure the independence of the two positions and the clear definition of roles and responsibilities. All Board members execute their legal duties in a professional manner, with integrity and enterprise.

The Board has established four (4) standing committees to assist it in discharging its responsibilities, namely:

- Audit Committee
- Capital Projects, Fixed Assets and Procurement Committee
- Human Resources and Remuneration Committee
- Governance Committee

The list of Board and Committee members is shown in **Table 6.1**. The Board is accountable for the leadership and control of Umgeni Water. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of major capital expenditure, risk management and monitoring of operational and financial performance. The government of the Republic of South Africa, represented by the Minister, and the Department of Water and Sanitation, is the sole shareholder of Umgeni Water.

The Board contracts with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board will continue to actively engage with the shareholder through various forums during the year.

A Board Charter (reviewed in 2017) provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA,
- Treasury Regulations (GG 27338) as amended from time to time,
- The Water Services Act (Act 108 of 1997), as amended, and

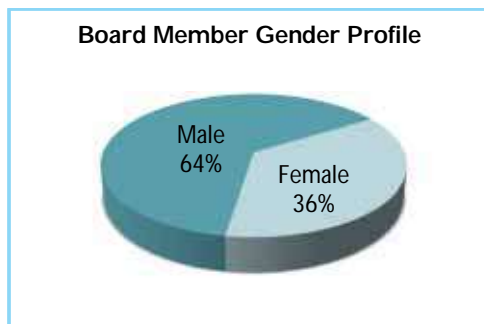
- The King Code of Governance Principles, 2016 (King IV).

Non-executive board members receive remunerative benefits and fees as determined by the Minister on an annual basis and in line with their terms of appointment. Therefore, no Board member is involved in determining his / her own remuneration. Board Members' remuneration is fully disclosed in Umgeni Water's Annual Report.

Table 6.1: Board and Committee Memberships

Board Member	Gender	Audit	REMCO	Capex	Governance	Ethics
1. Mr M Mzobe ¹	M				✓	
2. Mr T Tselane ^{2 4}	M			✓	✓	
3. Mr Vuyani Ndara	M	✓				
4. Mr. S James	M	✓		✓		
5. Adv. M Magigaba	M		✓			✓
6. Mr. B Dladla	M		✓			
7. Ms. P Ntombela	F	✓		✓		
8. Ms. U Mhlope	F		✓	✓		
9. Mr. M Ngubo ⁵	M	✓	✓		✓	
10. Ms. L Ngcobo ³	F	✓			✓	
11. Ms. S Getyeza	F		✓	✓		
12. Mr. T Hlongwa ⁶	M		✓	✓		✓

Figure 6.1: Board Gender Profiles



✓ Denotes Committee Member

¹ Board Chairperson

² Deputy Chairperson

³ Audit Committee Chairperson

⁴ CAPEX, Fixed Asset and Procurement Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

⁶ Chief Executive

6.1.1 Meetings Scheduled for 2020/2021

Five (5) normal Board meetings are scheduled, five (5) normal Audit Committee meetings are scheduled, five (5) normal HR and Remuneration Committee meetings are scheduled, five (5) normal Procurement, Fixed Assets and Capital Projects Committee meetings are scheduled and two (2) Governance Committee meetings are scheduled.

6.1.2 Summary of Meetings and Attendance

The prior years (2018/2019) and (2019/2020), including the current year, attendance at Board and Committee meetings continue to exceed the 80% attendance target set by the shareholder.

6.1.3 Performance Management

The critical issues dealt with are the formulation of organisational strategy, oversight of organisational performance and the expectations of the Executive Authority, among others. As recommended by King IV the Board evaluates the performance of all divisions including the finance division. This is planned for twice in the reporting year. The Members of the Board have skills that are put to good use in providing leadership, guidance and directing strategy during the period. Overall, the Board functions at a strategic level and delivers outputs in line with its mandate.

6.2 Board Committees

The Board Committees are formally constituted and are chaired by non-executive Board members. The Board Committees assist the Board in the performance of duties and enables effective decision-making through providing more detailed attention to matters within the terms of reference. The committees report to the Board on activities at every meeting. In terms of the Water Services Act, the Board is authorised to delegate powers to the Committees established by the Board. The functions and powers delegated to Committees are set out in the written Terms of Reference which are formally approved by the Board.

6.2.1 Audit Committee

The Committee consists of five (5) non-executive Board members and its chairperson is Ms Linda Ngcobo.

The Committee is mandated to exercise oversight and ensure achievement of the highest level of financial management, accounting and reporting to the shareholder and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (Act 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). The Audit Committee's oversight responsibility covers issues of ethics, further performs a critical function of risk management oversight by ensuring the effectiveness, quality, integrity and reliability of Umgeni Water's risk management processes.

The terms of reference of the Audit Committee takes into account the recommendations in King IV, the Companies Act (Act 71 of 2008), the Public Finance Management Act (Act 29 of 1999) as amended and Treasury Regulations, 2005, to ensure alignment to best practice and legislation.

The Ethics Committee and Corporate Risk Committee also report through the Audit Committee.

6.2.2 Ethics Committee

Umgeni Water has formally adopted best practice principles as contained in King IV with respect to fraud prevention planning. The change to King IV will enable, amongst other aspects: greater accountability and transparency as a broader stakeholder within society; an integrated approach to corporate governance in view of economic, social and environmental spheres; and proposed greater integration between the role and function of the Social and Ethics Committee and other Board committees.

In line with this, the Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical entity and will continue to exercise oversight through its already fully functional Ethics Committee as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA as well as in line with the requirements of section 72 (4) of the Companies Act (Act No.71 of 2008).

The Ethics Committee ensures the implementation of the Integrated Fraud Management Framework and accounts to the Board through the Audit Committee. The Committee provides assurance to the Board that there is effective institutional-wide prevention of fraud and corruption; and complaints are effectively managed, appropriately followed-up and efficiently investigated.

The Ethics Committee has an Independent Chairman - who is neither a member of management nor a member of the Board. The Board, through the Audit committee, appointed Ms. Precious Mvulane in 2029 as the Chairperson of the Ethics Committee. She is the Managing Director of GAD Consulting Services Inc. Ms. Mvulane is a Chartered Accountant (SAICA) and a Registered Auditor (IRBA). She has over eighteen (18) years' experience in different finance roles, i.e. Auditor (internal and external) in the private and public sector. She has also been involved with governance structures for the past eleven (11) years and sits on various Boards as an Audit Committee Member. One of these Boards is the IRBA (her own professional body) and IBASA. The Ethics Committee reports matters within its scope of mandate to the Board, through the Audit Committee, which include, *inter alia*, environmental, financial and social ethics.

A code of ethical conduct approved by the Board provides guidelines for ethical decision-making by all employees, board members and stakeholders. The code formally acknowledges the organisation's intent to undertake business in an ethical manner and is communicated to all employees through various awareness and communication forums and programmes.

6.2.3 Corporate Risk Committee

The Corporate Risk Committee includes the Chief Executive, Executive Management, Company Secretary and senior Management Members including the Risk Manager. The Committee assists the Audit Committee in discharging its duties relating to implementation of the integrated risk management framework.

6.2.4 Internal Control

The Board is accountable for the systems of internal control. Umgeni Water policies, procedures, structures and delegation of authority framework clearly define and provide appropriate levels of responsibility.

The internal control systems are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Principal features of the entity's internal finance controls are:

- A system of financial planning, budgeting and reporting which allows continuous monitoring of performance;
- A materiality and significance framework;
- Clearly-defined delegations of authority;
- The establishment of a short, medium and long-term funding strategy;
- The tariff model which determines the financial impact of capital expenditure and the bulk water tariff on Umgeni Water's debt curve; and
- Established policies and procedures.

To assist the Board in the discharge of its responsibilities, Internal Audit undertakes an independent assessment of the internal control systems and business risks and reports to the Board through the Audit Committee. The audit plan covers major financial and commercial risks and responds to any changes emanating from Umgeni Water's integrated risk management process.

6.2.5 Internal Audit

Internal Audit is an independent assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors. In line with the requirements of the Public Finance Management Act (PFMA) and Good Governance, the internal auditors give the Audit Committee and management assurance on the appropriateness and effectiveness of internal controls.

The internal auditors report regularly to the Audit Committee and have unrestricted access to the Committee chairman.

6.2.6 External Audit

The external auditors are responsible for undertaking procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the report on predetermined objectives and compliance with laws and regulations applicable to the entity. This is based on, amongst other:

- Assessment of the risks of material misstatement of the consolidated financial statements, the report on predetermined objectives and material non-compliance with laws and regulations;
- Considering internal controls relevant to Umgeni Water's preparation and fair presentation of the financial statements, the report on predetermined objectives and compliance with laws and regulations;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management; and
- Evaluating the appropriateness of systems and processes that ensure the accuracy and completeness of the financial statements, the report on predetermined objectives and compliance with laws and regulations.

The external auditors express an opinion on the consolidated financial statements and report on findings relating to their audit of the report on predetermined objectives and compliance with material matters in laws and regulations applicable to the entity.

6.2.7 Compliance Management

In the previous period Umgeni Water developed a Compliance Framework and determined its Compliance Universe. In addition a formal organisation-wide compliance register has been developed together with individual divisional compliance registers. These registers will be consistently used as the basis for reporting compliance in a structured manner for this Corporate Plan period.

6.2.8 Delegation of Authority

A comprehensive Delegation of Authority Framework governs the authority levels for the Board and management. These are exercised through various board and management committees. This framework assists the Board to discharge its duties with Board members' accountability and responsibility. The Board reviews the framework regularly.

6.2.9 Remuneration and Human Resources Committee

This Committee comprises of five (5) non-executive directors and the Chief Executive and its chairperson is Mr. Manqoba Ngubo.

The Committee reviews and recommends to the Board all matters relating to:

- Human Resources policies, organisational structure and compliance with the Employment Equity Act, (Act 55 of 1998) and other Labour legislation,
- Conditions of employment of executive management,
- Appointment of the Chief Executive and members of executive management,
- Remuneration packages for the Chief Executive, members of executive management and staff,
- Succession planning for executive management,
- Policies and practices for Performance Management

- Strategic Human Resource related matters, and
- Special rewards recommended by the Chief Executive.

6.2.10 Capital Projects, Fixed Assets and Procurement Committee

This Committee comprised of five (5) Non-Executive Directors and the Chief Executive. This committee is chaired by Mr Thabo Tselane.

The Committee assists the Board with capital expenditure related/programme related decisions, and recommends Procurement Policies to the Board for approval and approves the release of capital expenditure above executive management's delegated authority but within the Committee's delegated authority. It ensures that the organisation's supply chain policy and procedures are equitable, transparent, competitive and cost effective. It reviews the organisation's infrastructure asset maintenance programme/performance. Contracts which exceed the Committee's Delegation of Authority are referred to the Board for approval. The Committee reviews and recommends amendments to the limits in the delegation of authority, relating to budget approvals for capital projects and procurement, to enable management to expedite the implementation of projects.

6.2.11 Governance Committee

The Governance Committee meets twice in a financial year to conduct performance evaluations of Executive Management and the Company Secretary, as well as on an ad-hoc basis when the need arises to deal with other governance related matters. The Committee comprised of four (4) Non-Executive Directors. The Chairperson of the Board Mr. Magasela Mzobe chairs the Committee.

The Committee assists the Board in monitoring and assessing the performance of executive management to ensure that performance objectives and targets are met. Performance results are considered by the Remuneration and Human Resources Committee in determining the remuneration of the Chief Executive and other executives to be recommended to the Board for approval.

6.2.12 Board Member Appointment Dates and Details

Mr Magasela Mzobe

BA Politics, Philosophy and Public Administration (University of KwaZulu-Natal). Public Relations Course (UNISA)

Appointed as Interim Board Member and Chairperson in August 2020.

Committee Role: Board Chairperson.

Umgeni Water Interim Board member from August 2020. Extensive local government and public sector experience. He has served at various government and municipal level. He was a special advisor to the Ministry of State Security 2015-2019.

Mr Thabo Johannes Tselane

M.Sc.; Applied Nuclear Physics, UWC;; B.Sc. (Hon. Physics) (UNW), Senior Management Programme (University of Pretoria); Environmental Law; Global Executive Development Programme: GIBS.

Appointed as Interim Board Member in August 2020.

Committee Role: Deputy Chairperson of the Board.

Group Chief Technology Officer at South African Nuclear Energy Corporation (Necsa), Board of Director at NTP Radioisotopes SOC Ltd and Interim CEO of NNR.

Mr Vuyani Ndara

MBA (Regent Business School); Master Degree in Forensic Investigation (UNISA); Certificate in Monitoring and Evaluation (Rhodes University); B Tech Business Administration (Walter Sisulu University); B Tech Degree in Policing (UNISA)

Appointed as Interim Board Member in August 2020.

Manager of the office of the SAPS Crime Intelligence. Experience in Project Management, Financial Management, Forensic Auditing and Investigation, Business Ethics, Corporate Governance, Strategic and Change management, Business leadership and Public Sector Management.

Mr Sydney James

Bcomm Accounting and MBA degree.

Appointed as Interim Board Member in August 2020.

Associate Member of Institute of Risk Management SA.

Ms. Linda Ngcobo

Post Graduate Diploma in Accounting (University of KwaZulu-Natal); BCom Degree (University of Zululand)

Appointed as Interim Board Member in August 2020

A Managing Director of 1ST Verification Network, a Durban based BEE verification Agency. Prior to occupying this position, she has held various positions in the accounting field in both Private and Public sector

Mr Bheki Dladla

Masters of Business Administration (MBA), Honours in Policy Development and Degree in Human Resources

Appointed as Interim Board Member in August 2020.

Worked mainly in the Public Sector in various capacities. He has a lot of governance experience serving as Chairman of the Charles James Hospital Board, Domestic Air Licensing Council , Chair of Amajuba District Audit and Performance Audit Committee (2014- 2016)

Ms Pretty Ntombela

3 yrs Diploma in Business Management -Oval
Diploma in Purchasing and Supply Management
Accredited by IPSA UK, Business Risk Management - UCT
MBA student –Mancosa

Appointed as Interim Board Member in August 2020

Specialising in Global Supply Chain Management, Business Development and Global SQM Audits
Held various Senior Management and Executive positions at ;Transnet Rail Engineering (DBN), National Ports Authority (ELS),Deputy Director Strategic Sourcing Department of National Treasury (PTA),SCM Manager Amatola Water (ELS),Chief Procurement officer(CPO) Schneider Electric looking after Africa Zone and International SQM audits ,Business Development Executive MYG, CPO at AEMFC

Ms Unathi Mhlope

Bcom (Business Management and Economics, Rhodes University) NLAP UCT. Key Account Management - GIBS .

Appointed as Interim Board Member in August 2020

A seasoned Marketing and Sales Professional currently in the Technology and Mining industries. A Senior Executive heading up the Customer Success Division at Rocketmine SA – Africa’s Premier Drone Data Specialist. In her experience she has developed, and demonstrated strong commercial knowledge, the ability to lead in challenging situations and delivering consistent results. Her areas of expertise include Brand Strategy, Innovation, Leadership and CSI. She is passionate about youth development, especially from and is a Managing Director and Founder of Beyond Matric Career conversations, a registered non-profit company that specializes in giving the youth a platform to engage the private sector, government, mentors, and institutions of higher learning on careers

Mr. Boy Manqoba Ngubo

Phd Candidate (UniZul), MBA,(Oxford Business School, UK) BA Accounting Science (University of Free State)

Appointed as Interim Board Member in May 2020.

Chairman of the Audit and Risk Committee and Non Executive Board Member of JSE Listed company, PSV Holdings Ltd. A Senior Financial Management and Business Innovation lecturer at the Da Vinci Institute. Prior to this appointment, a Board Member at PetroSA SOC Ltd

Ms Sindisiwe Fortunate Getyeza

National Diploma: Civil Engineering (Eastern Cape Technikon).

Appointed as Interim Board Member in August 2020.

A professional Civil Engineer. She is currently an Area Manager: Operations and Maintenance (Umzimkhulu Local Municipality) at Harry Gwala District Municipality. She has 15 years of experience working in the Local Government under Water Services Department Her experience also includes Project Management of Water and Sanitation. She is a member of the Water Conservation and Demand Management Forum of KZN

Mr Thamsanqa Hlongwa

Chartered Accountant (SA); BCom Honours.

Appointed as Chief Executive in July 2018

Umgeni Water Executive Finance from July 2013. Director of Msinsi Holdings SOC Ltd since 2014. Chief Financial Officer KZN CoGTA from March 2007 to June 2013. Completed articles with Deloitte from 2002 to 2004. Audit Senior in Deloitte New York Office from 2004 to 2005. Senior Manager at Siyaya Management Services from 2005 to 2007. Served in other Governance Structures, including the DUT Council and the Board of PetroSA where he also Chaired the Audit and Risk Committees of the Board.

Adv. Mlamli Thembinkosi Magigaba

B Juris (1993) and LLB (1995)

Appointed as Interim Board Member in August 2020.

He is a practising advocate with 22 years of experience as an attorney.

6.2.13 Company Secretariat

The Company Secretary oversees the portfolio of secretariat, governance advisory services and plays a critical role in legal and governance advisory to the board, risk and compliance management, and attends all Board and Committee meetings as secretary.

The Board as a whole and individual Non-Executive Directors and members of the Executive have access to the Company Secretary who is enjoined to provide guidance on how members should discharge their duties and responsibilities in the best interests of the Company. The Company Secretary continues to oversee the preparation and coordination of the induction and on-going training of Board members and assists the Board and its Committees in formulating annual plans, agendas, minutes, and terms of reference as warranted.

The Company Secretary is not a Director of the Company or any of its subsidiaries and accordingly maintains an independent and arm's length relationship with the Board and the Executives.

Mr Sbusiso Madonsela

*Admitted Attorney of the High Court of South Africa.
LLM (UKZN); LLB (UZ); Postgraduate Diploma in Compliance (UJ).*

Appointed as Company Secretary in January 2014.

Prior to occupying this position, he was the head of Umgeni Water's Legal Services Department. Prior to joining Umgeni Water, he was the Competition Commission's Legal Counsel and has extensive experience in private legal practice.

He is the current Principal Officer of Umgeni Water Provided Fund.

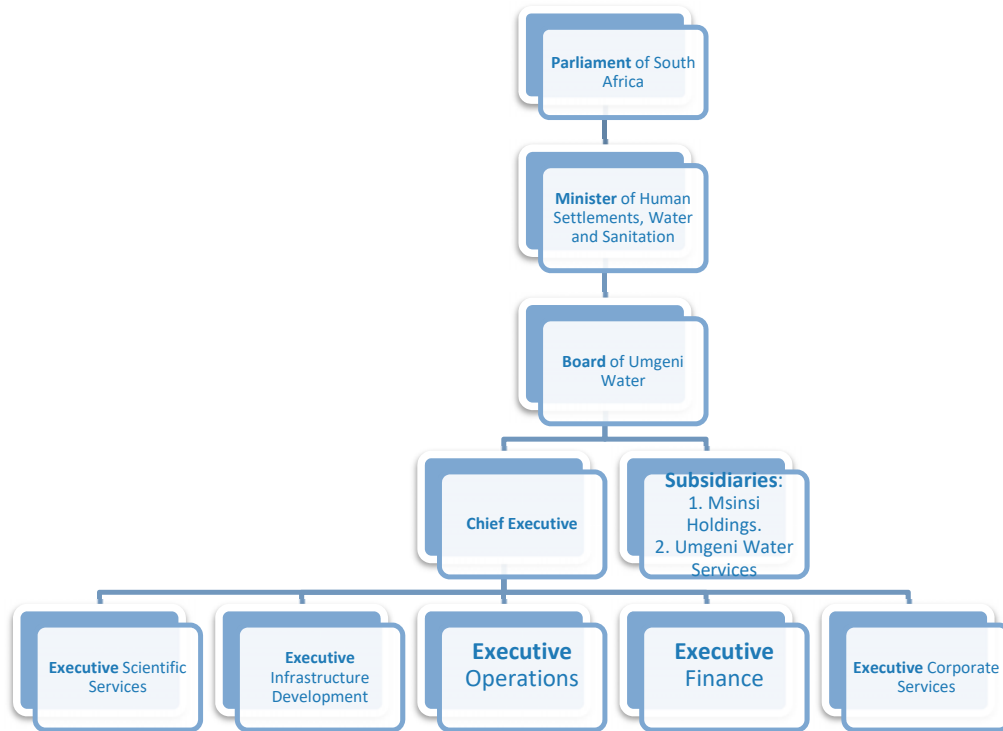
6.3 Executive Committee

The Board has delegated the day-to-day running of the Company to the Chief Executive who works with Executives, each heading up a Division, to assist him in this task. The Executive Committee is the highest executive decision-making structure in the entity and central to its role is the formulation and implementation of the Board's strategy and policy direction and ensuring that all business activities are aligned in this respect.

6.3.1 Functions and Management Structure

Each Division works towards the achievement of set strategic objectives for a predetermined period. The organisation is wholly owned operating subsidiary also works, independently, towards enabling Umgeni Water to fulfil its mandate and contracted obligations.

Umgeni Water has the following structure that responds to its strategy. The core functions pertaining to each is articulated in the strategic statements that follow. Umgeni Water will continue to ensure a structure that is aligned to functions and mandate of a regional water utility.



Umgeni Water Strategic Statement

“We will lead the process of providing solutions via an innovative, vigorous growth path, to increase sustainable water supply in order to satisfy the developmental water services requirements in our region, which contribute to government objectives”

Board Strategic Statement

“We will consider internal and external factors, consult with stakeholders, develop a strategy, provide oversight over strategy implementation and resource usage and manage risks, to produce a valid and approved strategic plan, deliver on strategic objectives and provide sound corporate governance, to achieve our vision and mission in order to contribute towards Government Objectives”

Chief Executive Office Strategic Statement

“We will position and lead the organisation, plan activities and allocate resources, implement strategy, champion corporate governance, partner with stakeholders, to deliver organisational objectives, to achieve a well governed, vibrant, committed, sector-relevant and engaged organisation that delivers on its mandate”

Operations Strategic Statement

“Provide water and related services to improve the quality of life and enhance sustainable economic development”

Scientific Services Strategic Statement

“We will undertake water sampling and laboratory analysis, assess water quality and, environmental health, catchment health, leverage technology, optimise water treatment processes, to achieve sustainability, water resources security and public health and provide innovative and optimal scientific solutions, in order to meet organisational objectives”

Infrastructure Development Strategic Statement

“To be a transformational leader and key partner in the development of appropriate source to source water infrastructure in an innovative, environmentally sustainable and cost-effective manner utilizing an enabled, globally recognized skills base to ensure socio-economic development.”

Finance Strategic Statement

“Provide agile financial resources in support of the organization to achieve sustainable growth and competitive advantage in the provision of water and related services within the relevant governance framework”

Corporate Services Strategic Statement

“A key partner in the provision of strategic support by enabling a conducive, innovative, transformative and sustainable environment for the organization to be recognized as a global water brand”

6.3.2 EXCO Member Appointment Dates and Details

Mr Thamsanqa Hlongwa

Chartered Accountant (SA); BCom Honours.

Acting Chief Executive September 2017 to June 2018.

Appointed as Chief Executive effective July 2018.

Umgeni Water Executive Finance from July 2013. Director of Msinsi Holdings SOC Ltd since 2014. Chief Financial Officer KZN CoGTA from March 2007 to June 2013. Completed articles with Deloitte from 2002 to 2004. Audit Senior in Deloitte New York Office from 2004 to 2005. Senior Manager at Siyaya Management Services from 2005 to 2007. Served in other Governance Structures, including the DUT Council and the Board of PetroSA where he also chaired the Audit and Risk Committees of the Board.

Ms Nomalungelo Mkhize

Chartered Accountant (SA); BCom Honours.

Appointed as Executive Finance in December 2018.

Has held various roles including Audit Manager in one of the big four audit firms (Deloitte), Commercial Manager for a packaging company (Nampak), Group Assistant Finance Manager for a listed company in the agricultural sector (Crookes Brothers Limited), and various senior management positions in consulting firms, the latest being an Executive for Product Development (Bonakude Consulting) and Director (Morar Incorporated).

Ms Monica Malunga

BSc. Chemistry (UKZN); B.Tech Management (DUT); MBA (DUT) (Coursework completed)

Appointed as Acting Executive Operations in November 2019.

Chairperson of Imbewu Capital Partners Development Trust since 2005. Council Member of Elangeni TVET College since 2014. Board member of EWSETA since 2019. Previous Board member of Durban Water Recycling; Black Management Forum (BMF); Protech and Thandanani Children's Home. Umgeni Water Operations Regional Manager since 2012; Senior and Management positions held at Umgeni Water in Scientific Services, Marketing, Business Development, and Operations Departments from 2005 to date. Prior to Umgeni Water worked as Senior Chemist in Hulamin.

Mr Sbusiso Mjwara

National Diploma (Civil Engineering); Professional Engineering Technologist (ECSA); Project Management Programme; Certificates in Municipal Finance Management and Labour Intensive Construction.

Appointed as Executive Infrastructure Development in November 2018.

Executive Member and Past KZN Branch Chairman of The Institute of Municipal Engineering of Southern Africa (IMESA). ECSA Moderator/Assessor/Interviewer. Senior Contracts Engineer at Royal Haskoning DHV from 2017 to 2018. Senior Manager: Construction at eThekweni Water & Sanitation from 2016 to 2017. Divisional Head: Water & Sanitation Infrastructure Planning & Development at UMDM from 2006 to 2016. Project Management Unit Manager, Municipal Infrastructure Grant at UMDM from 2004 to 2006. Chief Civil/Structural Technician at Emzansi Consulting Engineers from 2002 to 2004. Civil Engineering Technician at BCP Engineers from 1998 to 2002.

Ms Manu Pillay

Professional Natural Scientist (SACNASP); MSc Eng. (Chem)

Appointed as Executive Scientific Services in December 2018.

Non-Executive Director of Msinsi Holdings SOC Ltd from January 2019. Trustee of the Umgeni Water Retirement Fund from April 2016. Manager: Strategy & Special Projects at Umgeni Water from 2008 to 2018. Manager: Water and Environmental Services from 1998 to 2008.

Dr Siphon Manana

PhD in Development Management; MBA; BA (Honours) in Human Resources Development; BSc.

Appointed as Executive Corporate Services in June 2019.

Has over thirty (30) years' experience in the Public Sector, in various senior positions, the last being the Acting Director-General for the National School of Government



Chapter 7: Directives by the Minister



Think Water, Think Umgeni Water.

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Overview

The Minister has directed Umgeni Water in terms of Section 74 of the National Water Act No. 36 of 1998 as amended and Section 41 of the Water Services Act No 108 of 1997 as amended. Umgeni Water has three (3) Ministerial directives in this Corporate Plan period.

7.1 uMkhomazi Water Project Phase 1

This directive is for the funding and implementation of the uMkhomazi Water Project Phase 1 Potable water component, Stephen Dlamini Dam, and Cwabeni Off-Channel Storage Dam Project. The uMkhomazi Water Project Phase 1 Potable water component directive issued was to Trans-Caledon Tunnel Authority (TCTA) and Umgeni Water (UW)

The uMkhomazi Water Project Phase 1 portable water component will consist of:

- A proposed Water Treatment Works (WTW), and its appurtenant works, with a capacity of about 625 Ml/day in the uMlazi River Valley;
- One, or two parallel, of about 21.3km long, gravity potable water pipeline/s from the WTW to Umgeni Water bulk potable water distribution system, as well as
- An investigation into potential Hydropower Plant at the WTW and implementation if found to be feasible.

The Feasibility Study conducted to assess the success factor for the implementation of this project identified Umgeni Water as preferred entity to:

- Fund and implement the potable water component as part Section 29 of the Water Service Act of 1997 (Act No. 108 of 1997)
- Develop the Financial Model for the funding of the potable water component, and
- Draft negotiate and finalise the Bulk Water Supply Agreement between Umgeni Water and its customers (the municipalities)

To co-ordinate the activities of Umgeni Water (UW) and Trans-Caledon Tunnel Authority (TCTA), recommended by the Political Steering Committee meeting that Umgeni Water should establish a Project Management Office to:

- Co-ordinate the implementation of both the raw and potable water components by the TCTA and UW respectively;
- Provide for the secondment of personnel from TCTA and UW, and

- Facilitate capacity building in and skills transfer to Umgeni Water to deliver similar larger projects in future.

7.2 Stephen Dlamini Dam

The Minister has directed Umgeni Water to fund and implement the Stephen Dlamini Dam. This will be a 29.5m high and 600m long zoned earth embankment dam with a storage of 9.78 million m³ and an estimated yield of 3.07 million m³/a (8.41 ML/d) at 98% assurance supply with the Environmental Water Requirements (EWR).

Umgeni Water completed a reconnaissance study for this project in 2007 and a detailed feasibility study in 2008.

7.3 Ncwabeni Off-Channel Storage Dam

The Minister also directed Umgeni Water to fund and implement the Ncwabeni Off-Channel Storage Dam. This water resource development will increase the yield of the Umzimkhulu River to fulfill the water resource requirements of the Umzumbe Municipality for a planning horizon of up to 2040.

Chapter 8: Self-Appraisal



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8.1 Umgeni Water KPIs

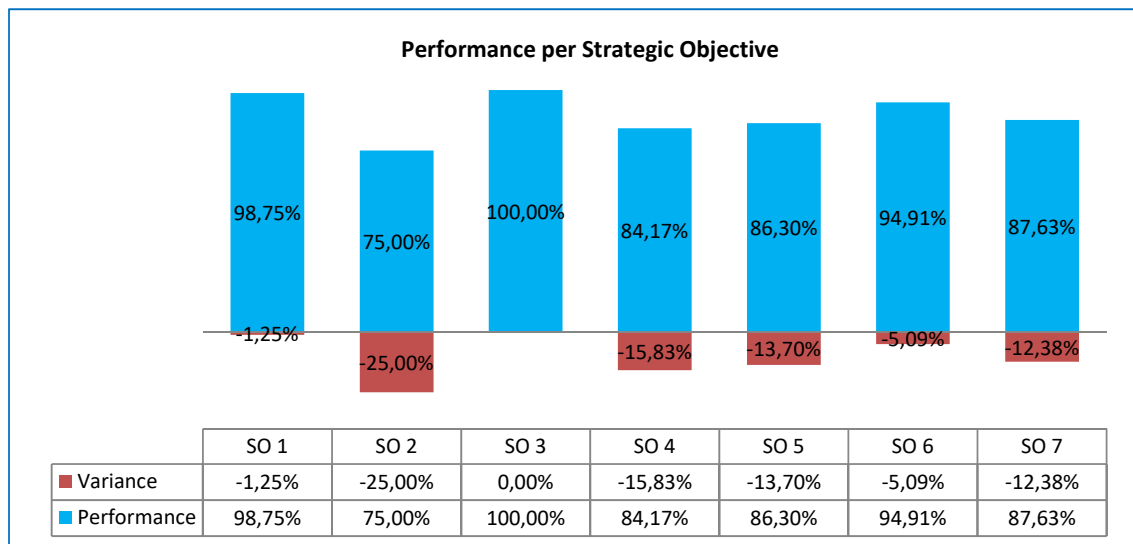
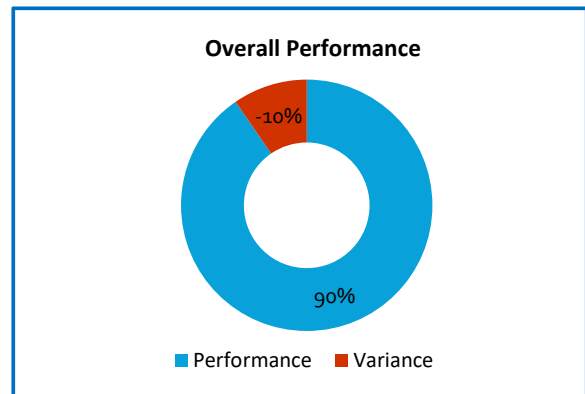
Umgeni Water’s strategy in 2019/2020 was implemented through a balanced scorecard comprising Five (5) Strategic Perspectives and Goals, Seven (7) Strategic Objectives (SOs) and Twenty-Four (24) Performance Objectives (POs).

The Performance Objectives were further made up of fifty-seven (57) annual measurable Result Indicators. Responsibilities and accountabilities for these were agreed upfront and Quarterly Targets approved. These Result Indicators included all Shareholder Compact Indicators specifically targeted by the Executive Authority. Collectively the scorecard enabled Umgeni Water to achieve its five (5) perspectives and ultimately its Mission/Mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services to customers.

The realigned strategy (effective from 1 July 2020) now has four (4) perspectives, five (5) goals, and ten (10) strategic objectives that realise Umgeni Water’s strategy, in line with the Shareholder Compact.

8.2 2019/2020 Performance (Full UW Scorecard inclusive of SHC Indicators)

Overall, Umgeni Water performance for 2019/2020 was 90% with a 10% variance.



Variance Report per Indicator (Year-End Performance)

SO 1: Improve supply security and service delivery

PO 3: Bulk potable water quality compliance achieved 92%

Result Indicator: Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)

Target	Actual	Variance	Turnaround Plan
13 WTW systems 100% compliant with Excellent SANS 241.	12 of 13 WTW 100% complaint with Excellent SANS 241:2015 standard in Five risk categories; 1 WTW compliant with Good SANS 241:2015 standard in one risk category.	Ixopo WTW 1.09% variance for Operational Risk category)	Process optimisation activities will continue to ensure production of consistent water quality for customers.
Four (4) UMDM schemes: Excellent SANS 241 in three categories and Good SANS 241 for operational and aesthetic.	3 of 4 UMDM schemes 100% compliant with Excellent SANS 241:2015 standard. 1 UMDM scheme compliant with Good SANS 241:2015 standard in one risk category.	UMDM schemes: Appelsbosch WTW 0.85% variance for Acute Microbiological Health.	Appelsbosch WTW was decommissioned in Q2 with the Appelsbosch area now receiving water from the uMshwathi BWSS.
Three (3) UTDM schemes compliant with and Good SANS 241.	Three (3) UTDM schemes compliant with Excellent Chronic Chemical Health and Acute Chemical Health risk categories of SANS 241	Unacceptable compliance for UTDM schemes in Acute Microbiological Health, Operational and Aesthetic Categories of SANS 241	Various interventions are in progress at the newly acquired UTDM schemes, with turn around expected during 2020/2021.

PO 3: Reliability of Supply – achieved 98%

Result Indicator: Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (*SHC)

Target	Actual	Variance	Turnaround Plan
0 days > 24 hours	6.22 of 365 supply days disrupted (1.7 %) at 2 of 17 Supply Systems as at Q4. 1.62 supply days disrupted at Maphumulo WTW in Q3 4.67 supply days disrupted at Maphephetheni WTW in Q2	6.22 of 365 supply days disrupted (1.7 %) at 2 of 17 Supply Systems as at Q4	Disruption at Maphumulo WTW was due to delayed power reconnection to the national grid. Backup power generators were procured, with installation anticipated to be complete by August 2020. Disruption at Maphephetheni WTW was due to human error. Appropriate actions were taken and supply was restored successfully at Maphephetheni WTW.

SO 2: Increase bulk infrastructure access, customers and services

PO4: increased access to services- achieved 4,7%

Result Indicator: Investigations for new services or products completed

Target	Actual	Variance	Turnaround Plan
R408m ± 30% of annual capex spend)	R205m, 24% of total CAPEX spent)	R203m below target	A combination of factors (project delays, cancellation of contracts and appeals) adversely affected progress of the organizations key infrastructure projects. The following project specific interventions have been made: <ul style="list-style-type: none"> - Appointment of new contractors where the previous contractor went into business rescue. - Having cession agreements in place to allow continuity of work - Strengthening of Internal Capacity (Design, Quantity Surveying and Project Management) <p>The COVID-19 Pandemic has brought about a great degree of uncertainty on the implementation of CAPEX projects, as the construction sector is still not operating in full capacity.</p>

SO 4: Improve financial systems and key financial ratios

PO 10: Improve key financial ratios

Result Indicator	Target	Actual	Variance	Turnaround Plan
Number of debtor days (*SHC)	≤ 40	62 days	22 days above target	<p>The target not met significantly due to UMDM, Msunduzi LM and ILembe DM not paying their account on time. The CUC overdue debt for ILembe DM has not been provided for as they have signed the agreement to start paying from July 2020. UMDM has been paying late often in this financial year which indicates financial distress.</p> <p>Outstanding debt will be pursued as per debtor's policy.</p>
Net profit margin % for secondary activity (*SHC)	≥ 17%	(4.7 %)	21.7% below target	<p>Target not met due to Provision for credit losses amounting to (R4.9m) for UGU DM Lab Services.</p> <p>Continuous engagements are being held with the customer as they highlighted their cash flow problems in complying with the payment plan in place..</p>
Repairs and maintenance as % of PPE and Investment Property (Carrying Value) (*SHC)	R356m ±10% ≥ 3% of PPE	R231m 2.46% of PPE	R125m below target 0.54% below targeted percentage of PPE	<p>The delay in acquisition of WTWs in Ugu DM, Harry Gwala DM and uThukela DM are already provided for in the maintenance budget, adversely affected maintenance spend.</p> <p>The delay of full operation of the three plants has affected the annual maintenance spend target.</p>

SO 5: Improve financial sustainability and enhance socio-economic development

PO 12: Manage costs within approved budget

Result Indicator	Target	Actual	Variance	Turnaround Plan
Total surplus (loss), Rm and per cent	(R12m) ±10%	(24m)	R31m below target	<p>Bad debt provision relating to non-payment by customer adversely affected margins.</p> <p>Umgeni Water has resorted to implementing production cuts as a result of the customer's non-adherence to the agreed payment Plan.</p>

PO 13: Capital expenditure programme achieved 61%

Result Indicator	Target	Actual	Variance	Turnaround Plan
CAPEX Rm against budget and % variance (*SHC)	≥ 80% of R810m, ≤ 20% variance	R861m, 28% variance	R342m below target	A combination of factors (project delays, cancellation of contracts and appeals) adversely affected progress of the organizations key infrastructure projects.
Number of CAPEX projects within target completion dates against planned number and % variance (*SHC)	≥ 85% projects within target dates ≤ 15% for 14 Strategic Infrastructure Projects	55% strategic infrastructure projects within target completion date 45% variance	30% variance against target of ≤ 15%	<p>The following project specific interventions have been made:</p> <ul style="list-style-type: none"> Appointment of new contractors where the previous contractor went into business rescue. Having cession agreements in place to allow continuity of work Strengthening of Internal Capacity (Design, Quantity Surveying and Project Management) <p>The COVID-19 Pandemic has brought about a great degree of uncertainty on the implementation of CAPEX projects, as the construction sector is still not operating in full capacity</p>
Turnaround time (working days) for awarding of capex programme tenders, contract negotiations and issuing of signed contracts	≤ 90 days per tender for award ≤ 45 days per tender for CPG negotiations ≤ 15 days per tender for signed contract	Average: 123 days 11 of 23 tenders < 90days (34%) Average 24 Days; 47 of 51 CPG Negotiations < 45 days (92%) Average: 15 days 9 of 14 tenders < 15 days (64%)	21 of 32 tenders > 90 days (66%) 4 of 51 CPG Negotiations > 45 days (8%) 5 of 14 tenders > 15 days (36%)	<p>A combination of administrative delays (both internal and external) and appeals hampered the progress of turnaround times.</p> <p>ESD will follow the process of award closely around December. We will advise SCM if it is possible to have negotiation towards December shut down</p> <p>ESD will try and ensure that CPG negotiation happens early so that at intention to award, targeted enterprises have been identified and due diligence performed.</p> <p>With ESD database in place, potential CPGs will be expected to be always compliant and ready.</p> <p>ESD Specialists will provide an in the field link between the ESD Office and potential CPGs.</p>

PO 14: Engagement in secondary activities 96%**Result Indicator:** Total S30 revenue, Rm and per cent of turnover (*SHC)

Target	Actual	Variance	Turnaround Plan
R37m ±10% ≥ 1% of turnover	R32m	R5m below target	<p>S30 activities declined significantly due to COVID-19 especially Lab Services as well as Training & Capacity Building. There are delays on research projects from WRC and Greater Bizana project.</p> <p>With the pandemic still prevalent, losses are inevitable. UW, OR Tambo municipality and DWS are mapping a way forward with the Greater Bizana project, WRC projects are in progress.</p>

SO 6: Improve governance, risk and compliance systems**PO 20:** Environmental sustainability, research and innovation**Result Indicator:** Number of environmental sustainability, research and innovation initiatives implemented.

Target	Actual	Variance	Turnaround Plan
≥ 75% milestones met for projects as assigned to each Executive.	Business Cases completed for 7 projects; 1 initiative approved for implementation	< 4 initiatives approved for implementation.	<p>Delays incurred as a result of significant refinement work undertaken on all business cases. Overall, business cases were drafted for the following initiatives:</p> <ul style="list-style-type: none"> - UW Online Water Quality Monitoring System - Reducing vulnerability of the UW SCADA/OT network to cyberattacks - Treatment of groundwater using nanotechnology solutions for potable water supply - Obtaining a complete, current and accessible picture of water supply and demand utilising the power of WaterNet Advisor - Managing growing demand through WaterNet Advisor - Multipurpose water smart mobile application - Automation Control - Revolutionizing UW SCADA Systems through Artificial Intelligence (AI), Machine Learning (ML), and Internet of Things (IoT).
Business Cases completed for ≥ 2 projects;	The cybersecurity business case has been completed and submitted (All the business cases are being reviewed by an external service provider)		<p>The business cases will be presented to EXCO for consideration in Q1 of 2020/2021</p>

SO 7: Increase skills and competency
PO 21: Training and skills development

Result Indicators	Target	Actual	Variance	Turnaround Plan
Number of employees enrolled and developed through management development programme achieved 86%	Employee Reskilling Plan ≥ 20% of milestones implemented	Drafting of the Competency Framework is in progress	Drafting of the Competency Framework is in progress	The Competency Framework was a Q1 deliverable and its preparation was delayed which in turn has affected the subsequent deliverables (Organisational Skills Profile and Employee Reskilling Plan) that were due in Q2 and Q3 respectively. Corporate Services will be incorporating the elements of this work into the Human Capital Development Plan it is developing in 2020/2021
	Study commissioned to assess the effect of 4IR to the business.	Preliminary literature review was conducted on the subject in Q2 as part of the work that was done by work stream 9.	The study to assess the effects of 4IR on Umgeni Water is in progress.	Upon completion of the literature review, it was identified that this work would be a key input to the Organizational Design (OD) project to help inform the crafting of the entity's Human Capital Development Plan that will be responsive to Umgeni Water's Growth Strategy. It is expected that Corporate Services will include this element in the Human Capital Development Plan that the division will be developing in 2020/2021.

PO 22: Jobs created achieved 74%:

Result Indicators	Target	Actual	Variance	Turnaround Plan
Number of permanent jobs created and number of temporary jobs created (*SHC)	≥ 600 temporary jobs (Capex programme).	268 temporary jobs (capex)	332 jobs below target	Job creation has been adversely affected by sluggish performance of the Capex Programme combined with closure of the construction sector associated with the COVID-19 Pandemic. Various interventions are being made at project level to expedite progress which will stimulate job creation to acceptable levels during 2020/2021.

Chapter 9: Participation in Companies



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9.1 Umgeni Water Subsidiaries

Umgeni Water has a 100% shareholding in Msinsi Holdings SOC Ltd ("Msinsi") and a 100% shareholding in Umgeni Water Services (UWS) SOC Ltd. UWS in turn holds an 18.5% investment in Durban Water Recycling.



9.2 Msinsi Holdings SOC Ltd

Umgeni Water has a 100% shareholding in Msinsi Holdings SOC Ltd ("Msinsi").

Umgeni Water continues to provide support to Msinsi as its going concern status is dependent upon Umgeni Water's continued support in terms of contracting / engaging Msinsi to undertake the resource management function for dams. A shareholder compact, memorandum of incorporation and service level agreement have been developed and approved by the relevant structures for implementation during the contract period.

Umgeni Water signed a 10-year renewable agreement for the operation, administration and maintenance of dams with DWS in 2013 encompassing all dams in the Umgeni System and Hazelmere Dam. Msinsi in turn manages several of these dams in terms of the shareholder compact and service level agreement signed with Umgeni Water.

A governance framework clarifying the respective roles of Umgeni Water and Msinsi confirms Umgeni Water's commitment to the partnership, which will continue for the duration of the corporate plan period.

Contribution to Umgeni Water Objectives and Strategic Initiatives over next five years

The initiatives to be undertaken by Msinsi Holdings, in terms of the shareholder compact and service level agreement will include supporting Umgeni Water's strategy outcome of Environmental and Community Sustainability:

- The maintenance and enhancement of the natural environment around Umgeni Water owned and/or managed dams:
 - Control of alien invasive plants.
 - Management of game species according to the carrying capacity of each reserve.
 - Grassland management.
- The control of pollution inside the purchase area surrounding Umgeni Water owned and/or managed dams.
 - Ensuring that infrastructure developments takes place with minimum impacts on the environment.
 - Ensuring that there is no illegal dumping by industries within the purchase line.
- Controlling visitor access and activities on the water surface and within the purchase line.

9.3 Umgeni Water Services SOC Ltd

Umgeni Water has a 100% shareholding in Umgeni Water Services (UWS) SOC Ltd. This subsidiary holds an 18.5% investment in Durban Water Recycling.

A governance framework, in the form of a memorandum of incorporation, has been developed and approved by relevant structures within Umgeni Water will be implemented and complied with for as long as UWS remain a wholly owned subsidiary of Umgeni Water

Contribution to Umgeni Water Objectives and Strategic Initiatives over the next five years

The initiatives undertaken by Durban Water Recycling (Pty) Ltd (through Umgeni Water Services, contribute to Umgeni Water's strategy outcome of Water Resources Adequacy, specifically focussing on reuse/recycling.

Chapter 10: Water Resources



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10.1 Water Resources Diversification Plan

Umgeni Water, as a water services provider, requires sustainable and cost-effective water resources to meet its customer's demands. In view of the significant lead times required to plan, design, construct and commission major water resource development projects, future medium to long-term water resources from the Department of Water and Sanitation (DWS), as the custodian of the country's water resources, have to be secured in a timely manner.

DWS has, to date, undertaken regional water resource development investigations within Umgeni Water's area of operation in close collaboration with Umgeni Water and its major customers. A number of these studies were co-funded by Umgeni Water. The status of water demand within Umgeni Water's area of supply, however, requires several of these water resource investigations to be completed, failing which, customers could be faced with severe water shortages in coming years.

Umgeni Water, as a water services provider, also has a strategy to expand into areas that are not currently served by the organisation. Many of the areas, outside of Umgeni Water's Supply footprint, are not providing a consistent supply of water to communities and in many cases these other Water Service Authorities (WSA's) have large backlogs within their areas of supply. Umgeni Water is currently undertaking a third phase of a Universal Access Plan (UAP Ph3) which will provide information on the status quo of supply to all areas within the province. This phase will also provide plans to develop water resources and supply infrastructure for a consistent and reliable supply of potable water. Water Resource Adequacy is, in many instances, lacking in these WSA's and a number of water resource options have to be considered, to best suit the needs of these areas.

Umgeni Water will continue to manage its existing resource supplies with the utmost diligence. Umgeni Water also operates many water supply resources infrastructure in its operational area on behalf of the Department of Water and Sanitation. This is currently undertaken with a signed agency agreement that Umgeni Water concluded with DWS in 2013. In the next twelve months, Umgeni Water will be developing its Water Resources Diversification Plan to broaden its water resources mix to plan and implement the most cost effective water resource options to improve supply security and adequately service the region's water requirements in the medium to long-term. The plan will cover a suite of water resources options ranging from cloud seeding to underground water for which the entity will continue to conduct feasibility studies as the technology becomes cheaper.

10.2 Climate Change Plan

Umgeni Water strives to build capability that will ensure that it becomes an entity that is resilient and adaptive to climate change. In this regard, the entity will develop a Climate Change Policy and Implementation Plan during 2020/2021 of this corporate plan period.

Chapter 11: Potable Water Supply



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11.1 Bulk Supply Agreements with Major Customers

Bulk Supply Agreements are concluded to cover obligations of both Umgeni Water and its customers in relation to water volumes, water quality, supply pressure, service interruption intervals, metering, tariff consultation, assurance of supply and capital infrastructure plans.

Water demand projections are updated based on trends in historical water sales volumes and customer demand trends. In parallel, analysis of Umgeni Water's bulk infrastructure and water works capacity in relation to demands highlight any infrastructure supply constraints or limitations on future growth that need to be responded to.

Umgeni Water has signed Bulk Supply Agreements with all of the seven Water Service Authorities it currently supplies, namely eThekweni Metropolitan Municipality, iLembe District Municipality, Ugu District Municipality, uMgungundlovu District Municipality, Harry Gwala District Municipality, Msunduzi Local Municipality and uThukela District Municipality.

Umgeni Water's levels of service will continue to be regulated and monitored at a micro level at the water treatment works where the final treated water is distributed, as well as, at a macro level where regional systems are integrated for water supply. Monitoring frameworks have been formulated in response to the formal agreement and are incorporated into operating rules, schedules and plans.

11.2 Asset Condition, Maintenance and Management

Umgeni Water remains highly committed to meeting all obligations of its Bulk Supply Agreements and conducts regular maintenance and inspection of all its assets as an intrinsic part of continued operations management. This comprises planned maintenance, which is inclusive of preventative maintenance, repairs, redesign and modifications, which are complemented by on-going unplanned, reactive and corrective maintenance in line with an asset management implementation plan for the year. The asset management strategy further drives the focus of condition assessments of the various components of key strategic and critical infrastructure to its various sub-components i.e. civil, mechanical, electrical, instrumentation and control.

A key output of these assessments is establishment of the condition status of assets. This status is vital in determining the useful life and future investments required to maintain our level of service to all our customers. The intention is to ensure there are no assets that pose significant risk to supply and there will be no major interruptions to business over the next five years and beyond.

Umgeni Water continues to invest on asset maintenance. The average expenditure planned for this period is 3 % of PPE and 10 % of revenue, based on prior assessments conducted. There are no assets that pose

significant risk to supply and the entity envisages no major interruptions to its business over the next five years and beyond.

Water Loss Management and Metering

Umgeni Water has maintained overall non-revenue water below 5% over the years and continues to target this level. This has been a result of a metering strategy which focuses on metering all critical nodes and monitoring of meter accuracy. This initiative will continue through meters installed by Umgeni Water at various critical points in its systems.

For raw and potable water applications this includes meters at abstraction points, treatment works inflow, treatment works outflow, within the distribution system and at the point of sale. These provide value information for abstraction, storage monitoring and adequacy, water balancing purposes, computation of water loss between the various points and water loss management, distribution control sales and billing purposes.

In addition, measurement provides information for on-going operations and efficiency improvements including unit processes management, ensuring correct filter backwashing rates, pump efficiencies, pipeline operation and other information to inform asset management.

Equally for wastewater applications meters at influent and effluent points provide valuable information for assessing plant loading, process control management, storage and treatment, including storm dam, billing and discharge information. On-going operational efficiency improvements will be made including unit processes, pump efficiencies and asset management.

Meter Accuracy Testing and Replacement

Meters utilised by Umgeni Water for the purposes of trade in raw and potable water, will be tested at intervals prescribed by regulation or at agreed frequencies as stipulated in Contractual Agreements. Interventions for meter verification and testing have been identified. All testing is followed by an analysis which will be undertaken according to a recognised testing protocol and procedure and interventions to provide assurance of meter accuracy. A prioritised meter replacement programme is instituted for mechanical meters of size less than 300mm and older than five-years and /or as per the asset renewal requirements of the Bulk Supply Agreement with customers.

Planned Technology to Improve Metering Accuracy and Water Loss Management

Umgeni Water is planning to leverage technology - spatial water balance - to simplify identification and make further gains in water loss management. Using GIS, spatial meters data is currently being verified and will be followed by extensive capturing of other network infrastructure spatial attributes.

Having done pilots of testing various technologies, Umgeni Water is now working on an integrated strategy to transition from the current state to eventually reach a smarter innovative metering environment. Umgeni Water envisaged a transition roadmap that will ensure that there is connectivity to all meters starting with critical meters. Umgeni Water wants to take advantage of the existing connectivity and emerging technologies to predict water shortages, identify leakages and help customers with demand management. Umgeni Water intends to focus on meter data analytics tools which may take advantage of the developments in the field of Internet of Things and Big Data.

11.3 Water Quality Management Plan

Umgeni Water is committed to providing all its customers with safe potable water suitable for lifetime consumption. This is achieved through implementing a rigorous water quality management programme throughout the supply system.

The Water Quality Management Programme includes water quality monitoring, system audits, compliance reporting and water quality assessments, conducted using a catchment to consumer approach and governed by the implementation of Water Safety Plans. Umgeni Water continually reviews water quality risks associated with abstraction, conveyance, treatment and bulk distribution to ensure the effectiveness of controls is maintained and that water quality is assured

Monitoring programmes are reviewed each year in accordance with legislative requirements, customer bulk supply agreements, requirements for water treatment processes and in accordance with water quality risks previously identified in the system.

Sampling and analysis is undertaken in accordance with an ISO 9001 certified monitoring programme and SANAS 17025 Accredited laboratory methods. Umgeni Water will ensure it maintain its certification and accreditation status through on-going quality assurance processes.

The calculation and reporting of potable water quality compliance is in accordance with the requirements of the SANS 241: 2015 drinking water specification. Performance is assessed against five risk categories:

- (1) Acute Health Microbiological,
- (2) Acute Health Chemical,
- (3) Chronic Health Chemical,
- (4) Aesthetic, and
- (5) Operational categories.

Information on water quality performance is conveyed as per communication plan to all customers, stakeholders and legislative decision makers.

All operational sites are equipped with an Incident Management Protocol aligned to SANS 241: Drinking Water Specification.



Chapter 12: Wastewater Treatment Plan



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12 Wastewater Treatment Plan

Umgeni Water operates and maintains eleven (11) wastewater treatment works that receive both domestic and industrial wastewater. The design capacity of the individual works varies from 0.5 Mℓ/day to as high as 65Mℓ/day. The effluent quality achieved also varies, which is associated mainly with the condition of the infrastructure and capacity. Rapid urbanization and industrial growth demand additional wastewater treatment capacity to meet all the wastewater treatment needs within reasonable cost.

The following initiatives will be implemented aimed at improving the compliance, effluent quality as well as improving the current rating against the Green Drop Certification System:

- **Development of wastewater Master Plan for uMgungundlovu DM:** This is aimed at addressing the expected population growth within the district and will allow for more streamlined wastewater treatment infrastructure planning. It will further allow for proper design and technology selection, ease the centralisation versus decentralisation decision making and improve overall financial ratios in wastewater treatment and service delivery within the district. This plan will be completed by June 2021.
- **Development of a Wastewater Business Model:** This is aimed at establishing wastewater treatment as a profitable stand-alone business, which will result in improved wastewater compliance and protection of the water resource. The business model will be scalable and easily adoptable by various water services authorities and water services providers. This will further serve to address the wastewater treatment plants compliance problem South Africa is currently facing. The model is being developed using uMgungundlovu wastewater treatment plants and will propose methods to identify the actual cost of water and achieve full cost recovery.
- **Operation Resiliency:** Umgeni Water is piloting a technology initiative to achieve improved operational resiliency. This is in response to the climate change driven natural disasters, which are quickly becoming a norm, including the recent viral outbreak. The technology initiative will allow for full automation, monitoring and control of wastewater treatment plants from a remote location. This is intended to achieve full plant compliance without the need for the operators to be on-site. This is step towards smart water treatment systems and will be piloted at the recently constructed Trustfeeds wastewater treatment plant situated near Wartburg.
- **Sludge Management:** the project aimed at improving wastewater sludge management is currently underway. This project will result in the production of a useful soil conditioner from wastewater sludge to be used for non-food crops. It aims to close the nutrient loop through adoption of a circular economy

approach in the management of sludge from all plants operated by Umgeni Water. It also promises to generate some revenue for the wastewater business in the long term.

- **Waste to energy generation:** A project that investigates the possibility of using municipal solid waste to improve methane yield by Darvill digesters is currently underway. Should this project prove viable, it will allow for the reduction in carbon credits while providing more fuel for the renewable energy generation plant to offset energy use in wastewater treatment at Darvill. This promises to be one of the flagship projects moving Darvill from a wastewater treatment plant to a first full resource recovery facility in Africa.
- **Trade Effluent Management:** Umgeni Water is strengthening wastewater compliance through improved monitoring of industries that discharge into its wastewater plants. An online industrial effluent discharge monitoring system project has recently started. This will allow for real-time monitoring of industrial discharges, improve the response times by the plant personnel in avoiding non-compliances and allow for the identification of the polluting industries.



Chapter 13: Retail Supply



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13 Retail Supply

Alarming population growth and prevalence of drought in South Africa has not only put pressure on the capacity to supply fresh and reliable water resources, but also on wastewater treatment infrastructure and sanitation systems. In a country with 3 million households that do not have access to reliable drinking water and 14.1 million people with no access to safe sanitation, Umgeni Water will use its resources to contribute to the preservation of life and provision of dignity to our people as enshrined in the Constitution of the Republic of South Africa.

Umgeni Water continues to consistently maintain its water losses below 5% on its bulk treatment and supply systems. This has been a result of a metering strategy that focuses on metering all critical nodes and monitoring of meter accuracy. This strategy has been and continues to be the bedrock of the entity's production efficiency.

In the Province of KwaZulu-Natal, Municipal Non-Revenue Water by Volume has continued to deteriorate from 42.1% to 44.5% year-on-year. Inefficiency of Use (percentage of leakage) also worsened from 25.9% to 28.6%. Inefficiency of Use (percentage of leakage) also worsened from 25.9% to 28.6%.

This reinforces that overall sustainability of water services delivery cannot be assured under the "business as usual" approach. This necessitates that the interventions by Umgeni Water ensure sustainable provision of water and related services. Umgeni Water is strategically placed to provide sustainable water services by growing its service offering across the value chain by commercializing some possible activities and expansion to industry.

To this effect, Umgeni Water will develop a reticulation business model in 2021 to focus its efforts of improving the overall sustainability of the water value chain.

Chapter 14: Other Activities- Section 30



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14.1. Laboratory Services

Umgeni Water provides an extensive array of ISO/IEC 17025 accredited laboratory-testing services to various municipalities in KZN. Currently contracts/MoUs are in place for water and/or wastewater quality monitoring with the Harry Gwala DM, Ugu DM, Alfred Nzo DM and uMhlathuze Water. The primary objective of the partnership with the WSAs is to improve the level of compliance in terms of the Integrated Regulatory Information System – IRIS Systems. In addition, Laboratory services are provided to various other water sector entities including eThekweni MM, Alfred Nzo DM, Mhlathuze Water and Amatola Water, as well as to over 2800 other clients. The laboratory collaborates with academic institutions, other municipalities to provide in-service, and National Treasury graduate training to various students annually.

14.2. Support to Municipalities

Umgeni Water is supporting vulnerable customers implement projects to improve water service delivery. Interventions vary from emergency refurbishment of reticulation infrastructure to upgrades of municipal wastewater systems.

Umgeni Water is piloting a flood early warning system for selected local communities within uMgungundlovu District Municipality. The project aims to increase the resilience of vulnerable communities through interventions that include community-based early warning systems, climate-smart agriculture and climate proofing of settlements. This work will continue in the corporate planning period.

Umgeni Water also provides IRIS, Sampling and SANS 241 training to various municipal staff to enable better understanding of legislation and general requirements; thus enabling better monitoring of their performance.

Chapter 15: Human Capital Development Plan



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15.1 Human Capital Strategy

Umgeni Water's Human Capital strategy is aligned to the changing needs of the organisation. It directs organisational response to its employee's needs and helps the organisation to deliver on its business strategy and plans, amid the critical skills challenges in the water sector and country as a whole. This strategy had been developed following consideration of the operating environment and organisation's vision, mission, strategies and plans. This Human Capital Strategy covers eleven human capital focus areas with specific objectives for each and grouped as follows:

- **Human Capital Planning** (Workforce Planning Human Capital Risk Management Human Capital Measurement)
- **Human Capital Development** (Talent management; Learning and development; performance management; and Organisational Development)
- **Employee Resourcing and Human Capital Administration** (Reward and Recognition Human Capital Services Delivery)
- **Employee Wellness** (Human Capital Information Technology; occupational wellness; hygiene management; HIV/AIDS management)
- **Employee Relations** (Employment Equity, Labour engagement)

These focus areas are described further in this plan.

15.2 Organisational Design

Umgeni Water will embark on an organizational design project which is a step-by-step methodology that seeks to identify dysfunctional aspects of work flow, procedures, structures and systems of the organisation. This project will realign the organisation to respond to the current and future business realities/goals ; and development plans in order to implement the new changes. The process will focus on improving both the technical and human capital side of the business. It is envisaged that the design process will lead to a more effective organization structure, significantly improved results (profitability, customer service, internal operations and business efficiencies; and right skills for the job), and employees who are empowered and committed to the business. A change and communication plan that supports the the outcome of the organisational design will be designed and implemented to support the organisational strategic shift.

Upon analysing the new business areas within the Growth Strategy and finalising the new business areas or functions, the Human Resource department guided by the overall Organisational Strategy, will produce a Macro-Organisational Structure that will fit the purpose of the organisation and the strategy.

15.3 Future capabilities and innovation

Umgeni Water will plan, prioritize and mobilize human capital resources to maximize value for the entity to transform the landscape for the provision of water. Umgeni Water will also harness employee skills that will enable the best use of technology to provide value to the organisation and its business processes.

New forces are transforming the future world of work and this transitions involved call for decisive action. Countless opportunities lie ahead to improve the quality of working lives, expand choices, close the gender gap, reverse the damages wreaked by global inequality, and bridge the generation gap among other.

Technological advances – artificial intelligence, automation and robotics – is the future of the work place globally. Umgeni Water will seize the new opportunities presented by the technological advances and continue to match skills for the jobs of tomorrow.

Expanding youth populations in some parts of the world and ageing populations in others may place pressure on labour markets and social security systems, yet in these shifts lie new possibilities to afford care and inclusive, active societies.

Umgeni Water will further align employee compensation programs with relevant markets and recognize compensation as a competitive tool to drive organizational results.

The International Labour Organisation (ILO) proposes a human-centred agenda for the future of work that strengthens the social contract by placing people and the work they do at the centre of economic and social policy and business practice. This agenda consists of three pillars of action, which in combination would drive growth, equity and sustainability for present and future generations. The three pillars are defined as follows:

1. **Continuous investment in people`s capabilities;**
2. **Increased investment in institutions of work, and**
3. **Increased investment in decent and sustainable work.**

Based on the above and in line with the entity's Enabled and Innovative Growth strategic theme, strategies and plans are being developed to prepare the workforce for the future world of work.

15.4 Umgeni Water Innovation Hub

The organisation will establish a learning academy/institute within the next three years to consolidate the above-stated learning and development projects. The objectives of the Institute will be to address the skills deficiencies of the past within the water sector, assist the organisation to develop the scarce skills in relation to its core business and ensure that the new product areas of the water business are also catered for; and ensure

the capacitation of providers within its Enterprise and Supplier Development Programme. The Institute's blue print will be developed by 31 December 2020 and its curriculum, accreditation and faculty developed by 31 December 2021 while its new intake of learners is envisaged to happen in January 2022. The Institute shall strengthen the current partnerships that the organisation currently has with Higher Education Institutions (HEIs) and the Technical and Vocational (TVET) colleges to avoid duplication of effort and the adherence to the National Qualifications Framework and the South African Qualifications Authority (SAQA) Act.

15.5 Employment Equity

During the 2020/21 financial year, Umgeni Water will be deliberate in ensuring gender equity in the workplace. This will be achieved through various interventions including succession planning, skills development and leadership / employee development programmes that will have a strong gender bias.

15.6 Training and Development

Umgeni Water will continue with the implementation of recommendations from the Skills Audit which identified gaps in water value chain functions through Competency-Based Development and, employee re-skilling plans compatible with the future of work. Cognisant of the complex operating environment, the entity will concretise the idea/concept of developing the learning academy/institute that will develop requisite skills (technical and professional), capabilities and the culture of innovation to achieve Umgeni Water 2050 vision.

Umgeni Water will continue to use its Young Professionals (UWYP) programme as a vehicle to build leadership and technical competencies, continuous career development leading to professional registration for its employees younger than 35 years. The UWYP Program targets to enrol up to 187 employees and support them through their journey to become professionally registered in their respective vocations.

Umgeni Water will continue to develop and retain strong partnerships with Universities, Universities of Technology, TVET colleges, NGOs and SETAs; in support of its skills development initiatives and achievement of initiatives aimed at developing historically disadvantaged individuals in society and bridging generation gap (loss of talented skills through natural attrition and resignation). The entity will also continue to maintain a strong partnership with National Treasury to assist in training of Graduate Technicians, Technologists, Engineers and Scientists and Artisans towards formal registration with the relevant professional bodies.

15.7 Employee Wellness

Umgeni Water's employee wellness programme was anchored on the efforts to fight against the spread and impact of HIV/AIDS on productivity. Over the years, successes of this programme have been evident in that the growth trajectory AIDS pandemic was effectively managed, hence the transition towards diversification to a more holistic and employee health and wellness programme that respond to a broader suite of aspects.

Umgeni Water's employee Health and Wellness Programme is meant to be a proactive programme which responds to spiritual, physical, financial and emotional wellbeing of all employees to ensure a healthy workforce that performs optimally. In order for the programme to realistically respond to the needs of the employees, for the 2020/21 financial year a detailed organisational wellness profile and corresponding plan will be developed.



Chapter 16: Environmental Management Plan



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16.1 Environmental Management Plan

Umgeni Water revised its Environmental Sustainability Framework in 2019/2020 to align to the National Development Plan (NDP) of South Africa that further aligns to the globally recognised Sustainable Development Goals (SDGs). The NDP is South Africa's yardstick to end poverty whilst protecting the natural resources upon which all people depend to sustain livelihoods and enjoy peace and prosperity.

This framework encompasses the policy, indicators and strategies for environmental sustainability at Umgeni Water. These high-level indicators, packaged into four main thematic areas encompass:

1. Air Quality, Energy and Reducing Air Pollution; Biodiversity and Reducing Ecosystem Stress; Land and Reducing Population Pressure; Reducing Waste and Consumption Pressures; Reducing Water Stress; Water Quality Management;
2. Environmental Health; Climate Change Response;
3. Environmental Governance; Eco-Efficiency; Eco-efficiency (Green Buildings); Research, Development and Innovation;
4. Participation in Collaborative Efforts; Greenhouse Gas Emissions; and Transition to a Circular Economy.

An Implementation Plan, that gives effect to the strategies, will be developed during 2020/2021 of this corporate plan period.



Chapter 17: Catchment Management Plan



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17.1. Ecological Infrastructure Management Plan

Ecological infrastructure is the nature-based equivalent of built or hard infrastructure. Ecological infrastructure includes catchments, rivers, wetlands, inland and coastal areas, nodes and corridors of natural habitats, which together form a network of interconnected natural structural elements in the landscape.

South Africa faces the challenge of deteriorating ecological infrastructure due to pollution, degradation, destruction and depletion. Management and protection of ecological infrastructure assures our water resources stock and is therefore as fundamental to Umgeni Water's business as built infrastructure development. Well managed ecological infrastructure buffers human settlements and built infrastructure against extreme events of floods and droughts, playing a cost-effective role in disaster risk reduction.

Umgeni Water has therefore re-ignited its commitment to the sustainable use, conservation and protection of ecological infrastructure that underpins its water resources stock. Initiatives and investment in ecological infrastructure will be aligned to national government priorities and National Development Plan objectives. This will also include the key principles that guide investment in ecological infrastructure as recommended by SANBI (South African National Biodiversity Institute).

During 2020/2021 of this corporate plan period, Umgeni Water in collaboration with key partners and stakeholders, will develop implementation plans for the restoration and maintenance of targeted ecological infrastructure elements.



Chapter 18: Research and Innovation Plan



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18.1. Background

The world is currently faced with the effects of climate change and loss of biodiversity, which negatively affect the entity's main resource, water. Contributing to this situation are issues such as pollution and unsustainable use of natural resources, which are man-made problems. With water being a life-necessity and a finite resource, the world needs to come up with innovative and proactive ways to address these challenges and their resultant conditions, to ensure better management, utilisation and distribution of this resource. The 4th Industrial Revolution presents opportunities to help address these water and environmental issues, amongst others, and transform how these shared and finite resources are sustainably used and managed.

18.2. Research and Innovation Approach

Mindful of the ever-growing demand on its services, due to increasing immigration, Umgeni Water continues to support the government's agenda for socio-economic transformation and infrastructure investment. It therefore remains important that the entity strengthen its ability to balance between the provision of safe, reliable and affordable water and sustaining its profit margins. This will enable the entity to continue to grow, and innovate towards sustainable water and related services for the benefit of the citizens.

To this end, Umgeni Water will invest in its research and innovation capacity to ensure that it remains relevant and agile in context of the operating environment fraught with numerous challenges, which include the shrinking capacity of the National Fiscus and reduced household affordability as a result of sustained financial pressure. The research programme will focus on various elements such as the technological space, energy planning, the future of connectivity and the future world of work, to ensure that the organization is able to carry out its mandate in the most cost effective manner for itself and its clients, and remain relevant.

In response to the 4th Industrial Revolution and trends in Science, Technology and Innovation, Umgeni Water will strengthen its research capacity by developing an integrated corporate research and innovation programme. The research and innovation programme will be driven by various work streams, which will focus on the following:

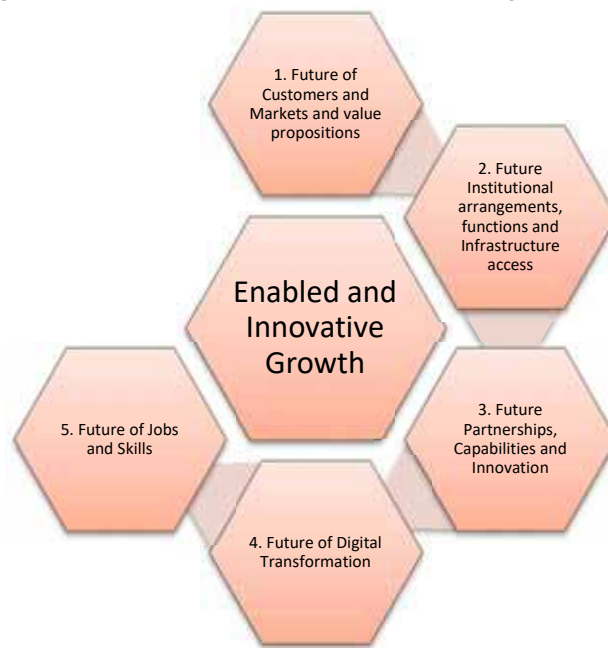
1. Diversified Sources of Supply and the reimagined wastewater business model
2. Online Metering and Sensors (including interface with SCADA, SAP)
3. Infrastructure security and a capable workforce to improve production efficiency
4. Community-based Water Resources Management programmes as a platform for socio-economic development

The key objectives of the research and innovation programme include:

- Addressing challenges of the water sector including supporting economic growth and improving the quality of life;
- Creating new water knowledge and finding technical solutions for better planning and water management leading to sustainable development;
- Optimising operational processes and reducing costs (energy, treatment chemicals & waste recycling/reduction);
- Value creation by harnessing leading technologies and improving water/wastewater quality;
- Investigating new technology and improving water quality compliance;
- Reducing demand through innovation;
- Increasing water availability from exploring non-traditional sources of supply and re-use;
- Protecting ecological infrastructure and biodiversity from the harmful effects of pollution;
- Adapting to climate change;
- Increasing competitiveness;
- Protecting water resources, and reducing non-revenue water;
- Providing research training and intellectual capital development; and
- Aligning research programmes with the broader national policies and plans.

The entity will continue to collaborate with academic institutions and researchers nationally and internationally. Locally, research is undertaken with local sector partners including the University of KwaZulu-Natal (UKZN), the Water Research Commission (WRC) and other sister organisations such as Rand Water.

Figure 18.1: Enabled and Innovative Growth Strategic theme



18.3 Research and Innovation Programme: Key Deliverables for 2020/21

In this corporate plan period, the programme will work in three distinctive phases. The **first phase** would be the identification of key initiatives through an extensive literature review process, after which business cases will be developed. The **second phase** would be the selection of suitable pilots, with the **third and final phase** being production.

All this work will be guided by a corporate policy on research and innovation. Utilising the recommendations from the business cases completed in the prior year, Umgeni Water will allocate resources to test the viability of these business cases as potential products and services. Further to this, the organisation will be developing a policy to guide research and innovation for growth.

The organisation will follow the following logic for implementation:

1. Invest in structuring data, identifying organisational data needs so as to be able to gain the necessary insights to grow the business (data is a GOLDMINE to a business on a growth path);
2. Deploy the appropriate infrastructure based on organisational requirements;
3. Invest in the appropriate analytics, modelling and visualisation tools to extract / convey these insights;
4. Apply the insights obtained from the data to drive efficiencies and reimagine the business where opportunities exist.



Chapter 19: Water Education and Awareness



Think Water, Think Umgeni Water.

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19.1 Water Education and Awareness Plan

Water lies at the heart of a nexus of social, economic, and political issues – agriculture, energy, cities, trade, finance, national security, and human livelihoods within rich and poor countries alike. Water is not only the indispensable ingredient for life, seen by many as a right, but also indisputably an economic and social good that requires deliberate investment and actions to sustain.

While water is a right, every right has an accompanying responsibility. As beneficiaries of this limited resource, every citizen has a responsibility to protect, pay for and use sparingly. It is for this reason that Umgeni Water continues to drive education and awareness campaigns to address:

- High levels of wastage in communities;
- Entrench responsible citizenry amongst end users; and
- Instil responsible recreational use of natural habitat, especially around large water bodies (dam safety);

Thus Umgeni Water's integrated water and environmental education programme in this corporate plan period puts a concentrated focus on influencing behavioural change by facilitating and promoting awareness; knowledge transfer and stewardship of water and environmental ecosystems. This behavioural change will be achieved by fostering and maintaining relationships by recognising the value in ensuring that Umgeni Water's stakeholders have relevant information and actively participate in water and environmental issues. Our programme is geared to both our internal stakeholders and external stakeholders. Our commitment as an organisation is to implement appropriate strategies that are aimed at building better understanding about water and environmental issues.



Chapter 20: Water Conservation, Demand and Water Loss Management Plan



Think Water, Think Umgeni Water.

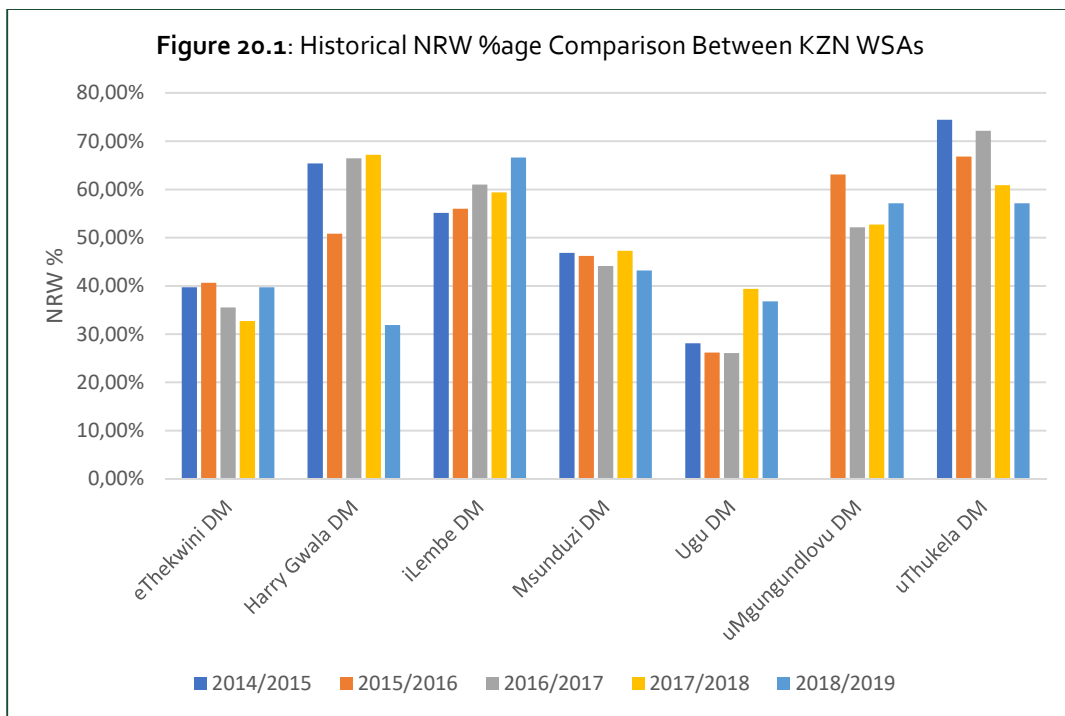
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20.1 Water Conservation, Demand and Water Loss Management Plan

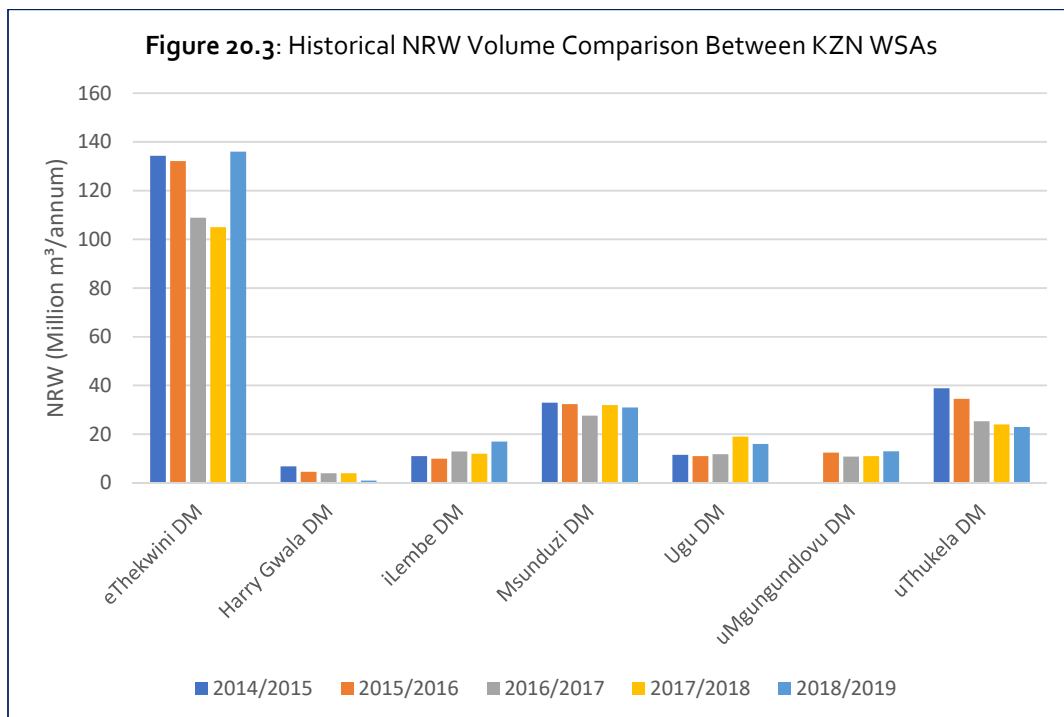
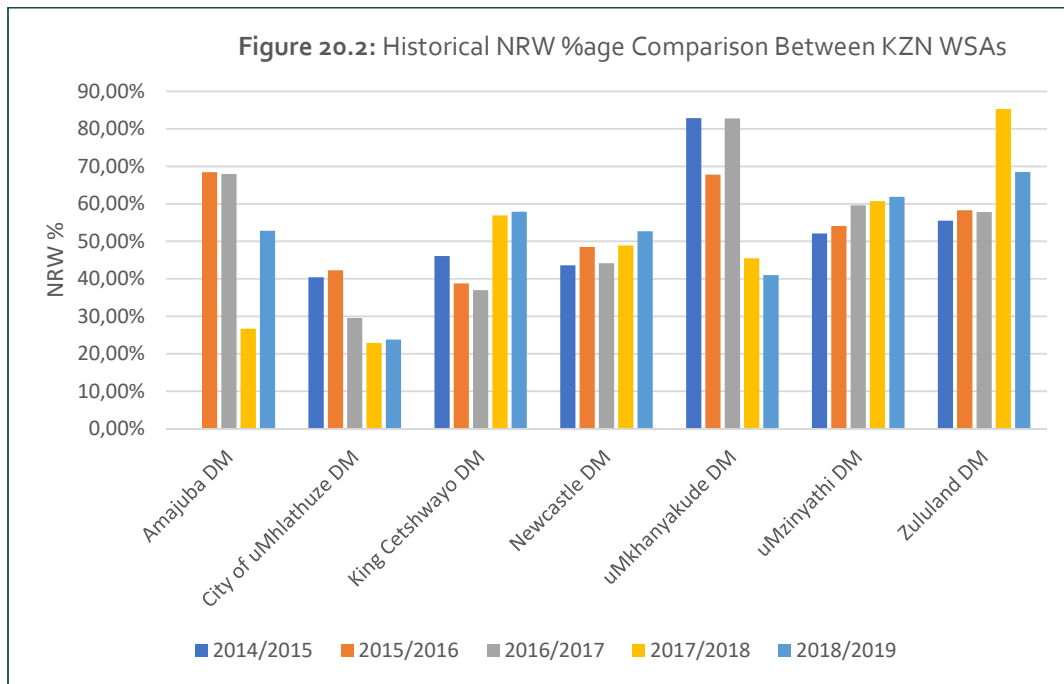
Umgeni Water recently undertook a study to determine the status of Non-Revenue Water (NRW) throughout the province of KwaZulu-Natal. The results of this are presented in Figure 20.1. In addition, the following can be noted in terms of the key performance measures across the Province:

- Conservatively, a total of 1 958 Ml/day is supplied to the Province's served population, with only 1 087 Ml/day of that being billed to consumers. That means that 871 Ml/day is being lost to Non-Revenue Water, of which 560 Ml/day is lost to leaks,
- Non-Revenue Water by Volume % is sitting at 44.5%,
- The annual estimated cost of Water Supplied across the province is over R5 billion,
- The annual estimated cost of Non-Revenue Water across the province is over R2 billion, and
- The annual estimated cost of Real Losses (Leakage) across the province is about R1.5 billion.



From the above it is clear that NRW is one of the most critical challenges in the province. In many instances the water lost in areas is greater than 50% of the supplied volume. This, not only has an impact on the WSA's income (operating expenses are still have to be incurred even though the water is not supplied for use), but also impacts the availability of the resource. Umgeni Water is placed under pressure by WSA's to augment both resource and supply infrastructure so that the higher demand, which includes water loss, can be met. In Umgeni Water's supply area infrastructure with a high capital cost is being planned to meet this increased demand due to water loss and this is not sustainable. A number of initiatives are planned to try to address this issue and some of these area presented in **Table 20.1**. However, the biggest opportunity to address this issue is for the WSA's to recognise the importance on addressing NRW in a clear and definite way and to put interventions in place to

address this. This could be through the funding and appointment of NRW teams or through the outsourcing (e.g. through a PPP) of the metering and management of their potable water supply infrastructure.



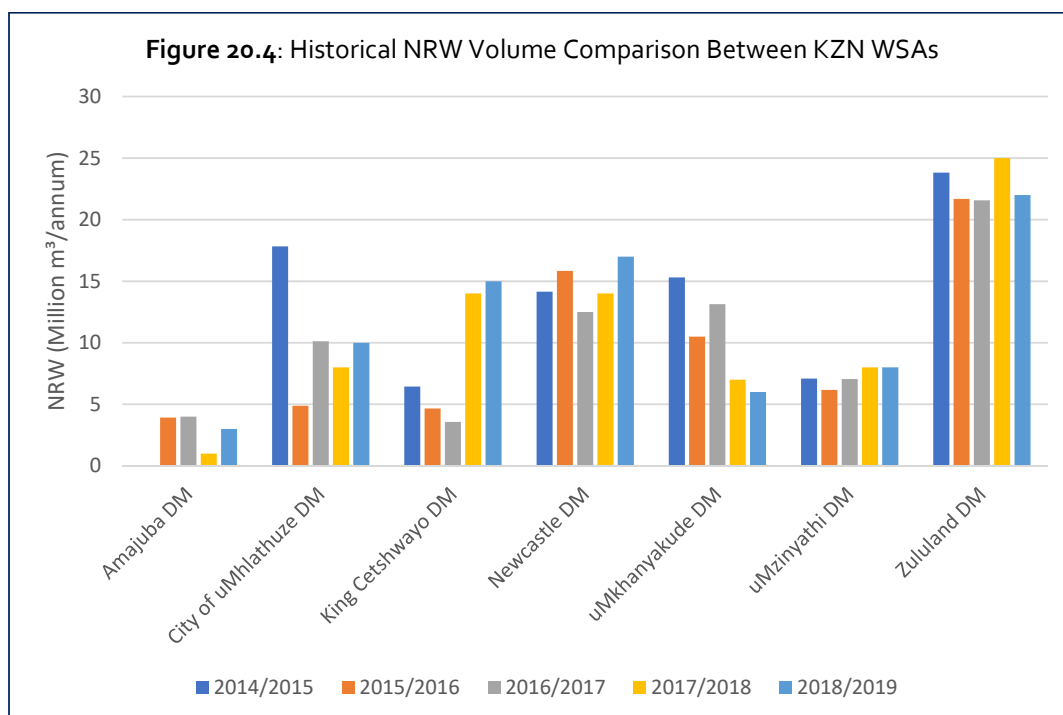


Table 20.1: Planned Water Conservation and Water Demand Management initiatives for 2020/2021

Water Demand Management Initiative	Elements / Outcomes
Review and refine Water Conservation/ Water Demand Management (WC/WDM) Master Plans for 6 of the 14 Water Services Authorities in KZN by 31 March 2020	<ul style="list-style-type: none"> • Current, valid and approved WC/WDM Master Plans for 14 KZN WSAs • State of the Province Report on WC/WDM drafted (to be based on the 2019/20 information and comparing it 2018/2019) • Technical support provided to all KZN WSA's for implementation of WC/WDM projects
Development of Revenue Improvement Strategies and Determination of True Cost of Water	<ul style="list-style-type: none"> • Revenue Management – maximizing of revenue from existing customers/consumers and • Revenue Enhancement – maximizing revenue from new/potential customers/consumers • Reviewing of the existing water tariff policy and Determination of the unit cost of water per kiloliter as well as the true cost of water per kiloliter
Provide training and mentorship to KZN WSAs in Water Loss monitoring and reporting (as per IWA Standard at 95% confidence levels).	<ul style="list-style-type: none"> • Regular water balance reports produced by WSAs (at WSA, town and water supply system level). • Improved monitoring and reporting on WC/WDM activities and quantification of water demand reduction across all KZN WSA's

Umgeni Water is currently implementing its third phase of the provincial WCDM project. In this phase of the project the focus will be on further identifying water demand management interventions that WSA's can implement to ultimately start projects to reduce their water loss. In addition, Umgeni Water is planning:

- the adoption of a strategy whereby the organisation can assist WSA's in identifying supply zones with the ultimate intention of metering these zones so that customers can better record what actual water losses are occurring within their areas.
- A pilot project to develop local plumbers in a rural area (Mpophomeni) so that internal leaks in unmetered houses can be identified and repaired. In Mpophomeni as an example, it is believed that up to 5Ml/d of the total demand of 7Ml/d is lost to internal leaks within the township and, if this can be reduced, then it will increase the sustainability of the customer and also the demand on both the reticulation and bulk potable water infrastructure.
- A hand held application which will allow both Umgeni Water's maintenance departments and the customers operating teams to record where and when water leaks are repaired. Through a consolidated database of water leaks it will, ultimately, be possible to identify areas that are prone to water leaks so that other interventions can be made in these areas (pressure reduction or replacement of infrastructure).



Chapter 21: Financial Plan



Think Water, Think Umgeni Water.

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21.1 Introduction

The financial plan underlying the Corporate Plan for the years 2020/21 to 2024/25 supports the strategic direction of the entity of enabled and innovative growth. Financial resources are allocated through the operating and capital expenditure budgets for the realisation of the outcomes envisaged from the strategic objectives and initiatives. The sustainability of the financial resources available to fund the strategic objectives is crucial and is dependent on robust financial systems and controls being implemented to prevent deviations from planned expenditure that could impact the financial viability of the organisation.

In terms of the projected financial performance, the net profit in 2019/20 is anticipated to be 15% lower than 2018/19 and in 2020/21 net profit is projected to decrease by a further 20% year on year. From 2021/22 onwards net profit will increase at an average of 15% per annum. The debt covenants set by the European Investment Bank linked to operating profits and net profit indicate that the organisation will not breach the required covenant levels.

The sales volumes are projected to increase by 6.3% in 2019/20 and 2.1% in 2020/21. Growth in sales volumes forecast for 2019/20 are attributable to the demand for increased volumes by eThekweni MM for the commissioning of the Western Aqueduct project, as well as the demands from the commissioning of the Umshwathi project in the Umgungundlovu DM area. The growth in volumes projected in 2020/21 is expected to come from Umgeni Water operating the Harding Weza waterworks owned by Ugu DM and the Kokstad water works owned by Harry Gwala DM. In the years thereafter, growth will be seen mainly from uThukela DM (at 6% growth) and Umgungundlovu DM (8% to 12% growth) whilst the growth from eThekweni will average 1.3% per annum.

The bulk water tariff increase for Umgeni Water for the 2020/2021 is at 0% increase as a result of the affordability concerns raised by SALGA causing the Minister to request the Waterboards to not increase the bulk water tariff for the year 2020/21. Going forward the tariff increases have been revised to CPI plus 2% up to 2023/24 to support the municipalities in recovering from the COVID 19 pandemic which has severely impaired the economy. The required tariff increases to support Umgeni Water's operations and capital infrastructure requirements is at least CPI plus 5.3% and Umgeni Water will have to defer some of the planned expenditure to allow for the affordability concerns raised by customers. From 2024/25 onward, Umgeni Water will have to revert to the CPI plus 5.3% or more as this tariff level is required to support the repayment of debt raised for the implementation of capital infrastructure as well as operating costs associated with the delivery of sustainable water and related services.

The main cost drivers (Chemicals, Depreciation; Energy; Maintenance; Payroll and Raw Water) in 2019/20 and 2020/21 is projected to be at least 62% and 67% respectively of total operating costs. The trend from 2021/22 onward is that these costs will continue to form at least 67% of total operating cost based on the assumption that only price will be a factor for increase in cost.

It is expected that Umgeni Water will be in a net finance income position in forecast for 2019/20 through to 2021/22, although at a decreasing trend due to the utilisation of investments set aside for capital expenditure. In 2022/23, Umgeni Water will be in a net finance cost position due to the funding requirements starting from that year.

Maintaining positive operating cash flows is key to ensuring that Umgeni Water is able to deliver on its mandate and remain a financially viable entity. The cash flows are required to support operations and the repayment of the funding required in implementing key infrastructure projects. It is projected that in 2019/20 and 2020/21, operating cash flows will remain positive at R1 268m and R1 395m respectively, and that these will grow at an average of 17% per annum to R2 588m by 2024/25. The debt covenants set by National Treasury linked to Cashflow from Operations will not be breached but in the forth years 2024 and 2025, these ratios are susceptible to being breached due to higher interest costs.

A major driver of the funding requirements is the capital expenditure requirements of the entity. Umgeni Water has a planned total investment in capital expenditure of R13 610m over the period 2019/20 to 2024/25. Of this amount, R4 662m or 34% of total planned capital expenditure is allocated toward developmental projects such as the Greater Mpofana project, the Impendle Bulk Water Supply scheme and Mhlabatshane Phase 2.

New projects included in the developmental projects category is the Stephen Dlamini Bulk water supply scheme and the Ncwabeni Dam.

The investment in Augmentation projects over the period to 2024/25 will be R 3 803m or 36% of the total planned investment for the period 2019/20 to 2024/25. The main projects in the Augmentation category is the uMkhomazi Water project and the Lower Mkomazi project which total R3 571m over the period 2019/2020 to 2024/25. These projects are key to providing the required water assurance requirements for Umgeni Water's area of operation and to realise the long term average annual sales volume growth of 1.5% per annum.

In recognition of the need to accelerate the organisation's move to being a data driven organisation, required for efficient and effective decision making, resources have been allocated in the capital expenditure budget to an amount of R647m (5% of capex budget) for Research and Development as well as process improvements for the delivery of water services.

The levels of borrowings required are determined by the capital infrastructure budget requirements and the levels of cash flows generated from operations. National Treasury approves the entity's set borrowing limits and it is forecasted that in 2019/20 and 2020/21, the level of gross borrowings will be within the set borrowing limit of R2.0bn and R1.4bn respectively. The funding strategy underlying this financial plan indicates the existing borrowing authority will not be breached. From 2023 onward, Umgeni Water will be seeking funding for approximately R6bn. Umgeni Water, in line with strategy, will look at establishing and strengthening

relationships and engagement with financial institutions and Development Funding Institutions (DFIs) to ensure a diversified funding and financing mix for the capital expenditure programme.

Finally, the financial plan is mindful of the risks posed by the operating environment. Therefore in the sensitivity analysis section, the possible impact of these risks is simulated in terms of the impact on the funding requirements as well as debt covenants.

21.2 Financial planning assumptions

21.2.1 Macroeconomic Factors

Table 21.1: Macroeconomic assumptions

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Inflation										
As measured by CPI per the BER	6.43%	4.90%	5.02%	5.44%	4.56%	4.58%	4.72%	4.83%	5.04%	5.04%
PPI										
Per the BER	4.88%	4.90%	5.02%	5.24%	4.24%	4.89%	4.30%	4.20%	4.40%	4.40%
% Adjustment	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Revised calendar average	6.38%	6.40%	6.52%	6.74%	5.74%	6.39%	5.80%	5.70%	5.90%	5.90%
Interest Rate - Borrowings										
Short-term	6.83%	6.77%	7.12%	7.12%	5.97%	6.14%	6.42%	6.70%	6.95%	7.18%
Spread	1.50%	2.50%	2.50%	2.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total Short term	8.33%	9.27%	9.62%	9.62%	6.97%	7.14%	7.42%	7.70%	7.95%	8.18%
Long-term	9.19%	8.23%	9.15%	8.78%	9.33%	9.34%	9.45%	9.55%	9.46%	8.85%
Spread	2.00%	2.50%	2.50%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Long Term	11.19%	10.73%	11.65%	11.28%	11.33%	11.34%	11.45%	11.55%	11.46%	10.85%
Interest Rate - Investments	7.33%	7.87%	8.12%	8.12%	6.57%	6.60%	6.70%	6.80%	6.90%	6.90%
Weighted average cost of capital	10.59%	10.61%	10.64%	10.71%	10.68%	10.75%	11.30%	11.52%	11.57%	11.35%
Exchange rates										
R/\$	13.313	13.003	14.328	14.430	15.072	15.307	15.334	15.373	15.546	15.546
R/euro	15.041	15.415	16.603	17.316	16.882	17.373	17.750	18.256	18.500	18.500
R/pound sterling	17.152	17.583	18.806	19.192	19.745	20.358	20.720	21.179	21.210	21.210

Reference was made to the following publications in order to arrive at the macro-economic factors for 2017 to 2025:

- Bureau for Economic Research (BER) Inflation forecast - June 2019 and Jan 2020
- BER interest Forecast – June 2020
- BER Exchange Rate forecast – June 2020

*Interest rate borrowings:

- The short term (3 month) rates are based on the average of the local money market average obtained from the mid-rate between the 3 m Banker's Acceptance (BA) from forward Rate Agreement (FRA) bid, and 3m BA from FRA (offer), converted to NACM and the swap rates per Inet Bridge.
- The long term (10 year) rate was based on the forecast per the BER.

21.2.2 Staff Costs

Table 21.2: Workforce: Umgeni Water

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Approved establishment Umgeni Water	1,034	1,114	1,133	1,232	1,271	1,321	1,321	1,321	1,321	1,321

Table 21.3: Staff Costs: Umgeni Water (R'ooo)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Annual Salary Increase	9.0%	8.0%	8.0%	6.7%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Per the Income statement:										
- Direct staff costs	205,421	220,675	250,488	335,453	249,327	294,795	315,431	337,511	361,137	386,416
- Indirect staff costs	320,766	337,128	388,627	414,600	356,752	437,265	467,873	500,624	535,668	573,165
Maintenance Payroll (incl in maintenance cost)	99,383	107,131	114,540	177,918	119,916	133,267	142,596	152,578	163,258	174,686
Subtotal	625,569	664,934	753,655	876,123	725,971	865,327	925,900	990,713	1,060,063	1,155,468
- % Increase before recoveries	17.2	6.3	13.3	12.6	(3.7)	19.2	7.0	7.0	7.0	9.0
- Less WIP Recoveries	(28,506)	(24,953)	(26,294)	(26,182)	(26,593)	(27,941)	(29,897)	(31,989)	(34,229)	(36,625)
Total staff costs (inc Statement)	597,064	639,982	727,361	849,941	699,378	837,386	896,003	958,723	1,025,834	1,118,844
- % Increase after recoveries	18.8	7.2	13.7	13.0	(3.8)	19.7	7.0	7.0	7.0	9.1
- Average pay (based on complement)	546	609	586	732	571	666	712	762	815	889
- % Increase	7.2	11.7	(3.9)	21.1	(2.5)	16.5	7.0	7.0	7.0	9.0
Productivity - KI'000 per employee	357.7	379.5	412.1	445.3	394.6	394.0	402.2	410.1	416.3	422.5

21.2.3 Operating costs assumptions

Table 21.4: Major operating costs

(i) Energy cost (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
- Forecast Price increase	9.4%	9.5%	7.2%	11.4%	15.6%	11.0%	12.5%	12.5%	12.5%	12.5%
- Usage	17.7%	3.9%	5.2%	30.3%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
- total price and impact of new schemes	27.1%	13.4%	12.6%	41.7%	16.1%	11.5%	13.0%	13.0%	13.0%	13.0%
- Cost	233,159	264,289	297,458	431,248	345,377	394,368	445,636	503,569	569,033	643,007
<i>Direct</i>	226,894	257,361	290,799	422,373	336,502	385,040	435,096	491,658	555,574	627,798
<i>Indirect</i>	6,265	6,928	6,660	8,875	8,875	9,328	10,540	11,911	13,459	15,209
- Increase in cost (%)	13.5	13.4	12.6	41.7	16.1	14.2	13.0	13.0	13.0	13.0
- Cost per kilolitre	56.9	60.8	63.0	84.6	68.9	77.0	85.2	94.5	105.2	117.1
TOTAL ENERGY COSTS	233,159	264,289	297,458	431,248	345,377	394,368	445,636	503,569	569,033	643,007

(ii) Chemical costs (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Forecast Price increase	10.5%	8.0%	10.0%	10.0%	-4.4%	4.4%	10.0%	10.0%	10.0%	10.0%
- Usage	10.3%	-3.3%	0.0%	40.8%	29.5%	17.1%	0.0%	0.0%	0.0%	0.0%
- Cost	62,516	65,453	71,995	120,886	90,096	109,491	120,440	132,484	145,733	160,306
- Increase in cost (%)	20.8	4.7	10.0	50.8	25.1	21.5	10.0	10.0	10.0	10.0
- Cost per kilolitre	15.3	15.1	15.3	23.7	18.0	21.4	23.0	24.8	26.9	29.2

(iii) Maintenance Costs (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Forecast Price increase	6.4%	6.4%	6.5%	6.7%	5.7%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Cost	190,043	212,694	224,603	355,631	279,095	374,585	339,752	366,932	396,286	427,989
Direct	174,586	192,480	207,878	331,208	256,439	349,971	313,169	338,223	365,280	394,503
Indirect	15,457	20,215	16,725	24,424	22,656	24,613	26,583	28,709	31,006	33,486
- Maintenance payroll	99,383	107,131	114,540	177,918	119,916	133,267	142,596	152,578	163,258	174,686
- Total excl Maint payroll	90,660	105,563	110,063	177,714	159,178	241,318	197,156	214,354	233,028	253,303
- Increase in cost	12.6	11.9	5.6	41.9	24.3	34.2	(9.3)	8.0	8.0	8.0
- (excl Maint payroll)	15.8	16.4	4.3	168.5	44.6	51.6	(18.3)	8.7	8.7	8.7
- % of PPE	2.9	2.9	2.8	3.7	3.1	3.7	2.8	2.4	2.0	1.8

21.2.4 Raw water costs

Table 21.5: Raw water cost assumptions (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Raw Water Abstraction Volumes										
Volume Mgeni System	384	367	423	434	460	471	478	486	500	515
Volume Mdloti System	17	18	20	20	21	22	22	22	23	24
Volume Lower Thukela System	6	3	9	9	9	10	10	11	11	11
Volume uThukela System			5	16	16	17	18	19	19	20
Volume Other	26	23	22	77	71	71	71	71	71	71
Total Abstraction Volume	433	411	479	557	577	590	599	609	625	642
Raw Water Consumption Charge per System including functional support										
Mgeni System										
Tariff existing infrastructure	38.01	41.00	42.19	44.21	43.16	44.41	48.85	53.73	59.11	65.02
Increase	13.8	7.9	2.9	4.8	2.3	2.9	10.0	10.0	10.0	10.0
Mdloti system										
Tariff existing infrastructure	129.24	137.77	154.02	165.20	161.17	165.49	182.03	200.24	220.26	242.29
Increase	9.7	6.6	11.8	7.3	4.6	2.7	10.0	10.0	10.0	10.0
Lower Thukela System										
Tariff existing infrastructure		52.53	60.17	68.10	69.35	80.55	91.43	100.57	110.63	121.69
Increase			14.5	13.2	15.3	16.1	13.5	10.0	10.0	10.0
uThukela System										
Tariff existing infrastructure				47.73	48.62	56.47	64.09	70.50	77.55	85.31
Increase				13.2	15.3	16.1	13.5	10.0	10.0	10.0
Consumption charge - New Capex										
Cost Raising Hazelmere Dam Wall (R'000)	-		2,204	2,204	2,204	2,204	2,204	2,204	2,204	2,204
Increase				(0.0)	-	(0.0)	-	0.0	(0.0)	0.0
Springrove dam	48.40	51.84	55.10	149.80	149.80	159.50	169.90	118.00		
Increase	5.7	7.1	6.3	171.9	171.9	6.5	6.5	(30.5)	(100.0)	-
Water Resource Management (WRM) Charge (based on registered volume)										
Tariff – existing	1.99	2.45	2.65	3.01	2.67	3.09	3.56	4.09	4.70	5.41
Increase	14.0	23.0	8.1	13.8	0.8	16.0	15.0	15.0	15.0	15.0
Total Raw Water Costs										
- Abstraction	170,607	184,184	216,833	238,328	247,637	258,763	290,548	325,589	368,893	417,956
- Abstraction - New Infrastructure	-	-		2,204	2,204	2,204	2,204	2,204	2,204	2,204
- Water Resource Mgmt charge	9,514	11,619	15,180	18,928	15,902	18,280	21,022	24,175	27,802	31,972
Total Raw Water Costs	180,122	195,803	232,013	259,460	265,744	279,248	313,775	351,969	398,899	452,132
Increase in cost	9.4	8.7	18.5	10.8	14.5	5.1	12.4	12.2	13.3	13.3
Effective unit cost	41.59	47.66	48.39	46.61	46.02	47.34	52.36	57.82	63.84	70.48
Increase in unit cost	14.6	14.6	1.5	(4.6)	(4.9)	2.9	10.6	10.4	10.4	10.4

the capital unit charge (C.U.C.) is an agency cost, rather than a direct cost of operation. As a result, both the revenue and cost associated with the C.U.C. will not be reflected in the Income Statement.

* From 2016 onward, Umgeni Water has agreed with DWS that the costs borne by Umgeni Water for the O&M of DWS owned dams will not be recovered from DWS. In turn, DWS will not charge Umgeni Water as part of its raw water charge that amount which is required to recover the O&M of DWS owned dams carried out by Umgeni Water.

21.3 Sales volumes

Table 21.6: Sales volumes projections (kl'ooo)

	ACTUAL			BUDGET	FORECAST					
	F'17	F'18	F'19	F'20	F'21	F'22	F'23	F'24	F'25	
Total Bulk Potable	409,887	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
- eThekweni Munic	299,045	314,523	335,724	338,020	349,437	352,903	357,510	362,176	367,608	373,123
- Siza	3,360	3,458	3,527	3,712	3,773	3,654	3,712	3,786	3,843	3,901
- uThukela DM			7,192	15,756	15,077	15,418	16,349	17,369	17,630	17,894
- other WSA's	107,483	116,587	125,358	152,373	133,287	140,199	145,298	149,816	152,064	154,345
- Increase	(5.9)	6.0	8.6	8.1	6.3	2.1	2.1	2.0	1.5	1.5
- Raw water	619	419	454	568	677	676	676	676	676	676
- Increase	(1.7)	(32.4)	8.6	14.6	48.9	(0.2)	-	-	-	-

Figure 21.1: Bulk water sales volumes (kl'm)

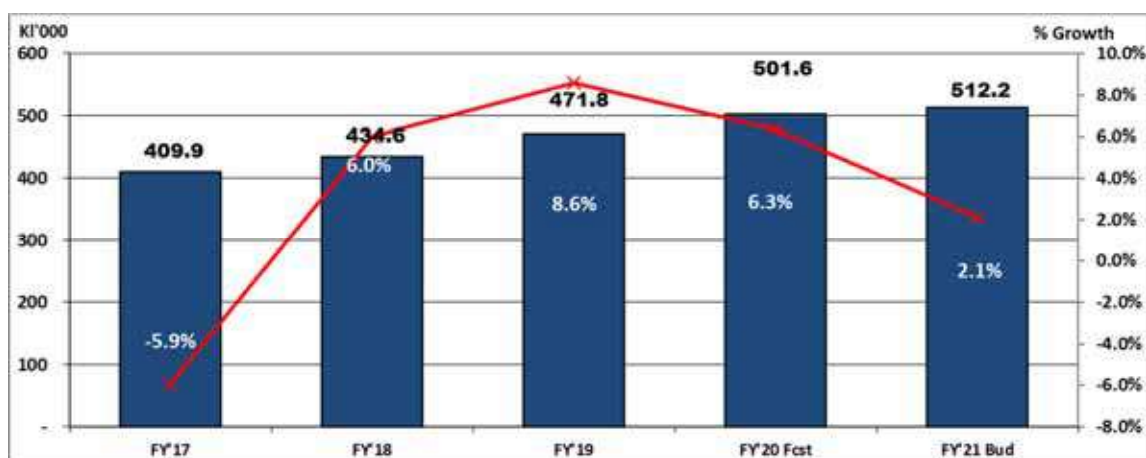


Table 21.7: Bulk water sales volume per customer

Customer	FY 2017	FY 2018	FY 2019		FY 2020				FY 2021	
	Actual	Actual	Actual		Budget		Forecast		Budget	
	Vol Kl'000	Vol Kl'000	Vol Kl'000	Growth %	Vol Kl'000	Growth %	Vol Kl'000	Growth %	Vol Kl'000	Growth %
eThekweni	299,045	314,523	335,724	6.7	338,020	0.7	349,437	4.1	352,903	1.0
Msunduzi	62,513	68,433	71,040	3.8	71,431	0.6	76,812	8.1	76,490	(0.4)
uMgungundlovu	18,475	18,797	20,426	8.7	21,268	4.1	22,244	8.9	23,053	3.6
Ugu	12,916	13,981	13,956	(0.2)	36,206	159.4	13,749	(1.5)	14,383	4.6
iLembe	12,716	14,182	18,646	31.5	17,998	(3.5)	19,246	3.2	19,560	1.6
Siza	3,360	3,458	3,527	2.0	3,712	5.2	3,773	7.0	3,654	(3.2)
Harry Gwala	743	1,066	1,156	8.5	5,471	373.2	1,236	6.9	6,714	443.2
Uthukela	-	-	7,192	100.0	15,756	100.0	15,077	100.0	15,418	2.3
Other - Retail	119	129	134	4.3	-	(100.0)	-	(100.0)	-	-
Total Bulk Potable	409,887	434,568	471,801	8.6	509,862	8.1	501,576	6.3	512,175	2.1
Raw Water	419	419	454	8.6	568	25.0	677	48.9	676	(0.2)
Total Bulk Water	410,305	434,987	472,255	8.6	510,430	8.1	502,253	6.4	512,850	2.1

Figure 21.2: Composition of customer base 2020

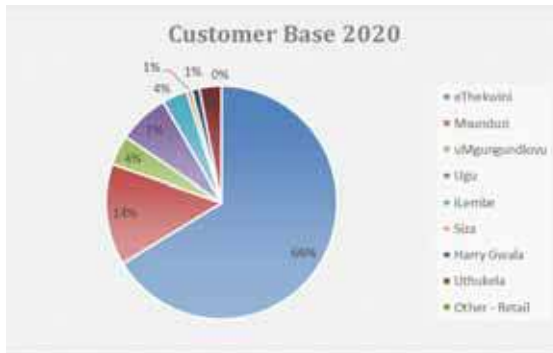
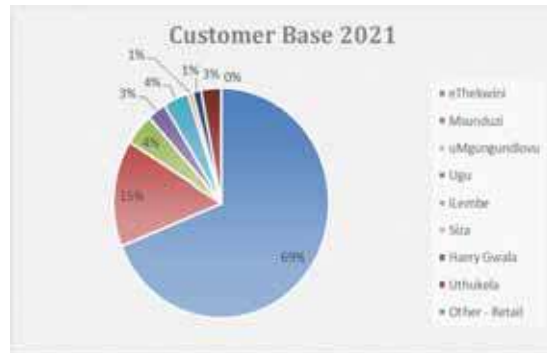


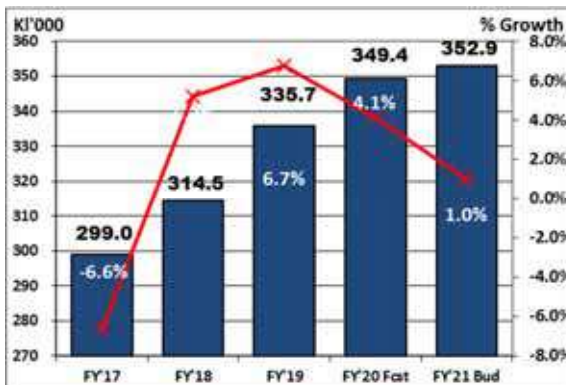
Figure 21.3: Composition of customer base 2021



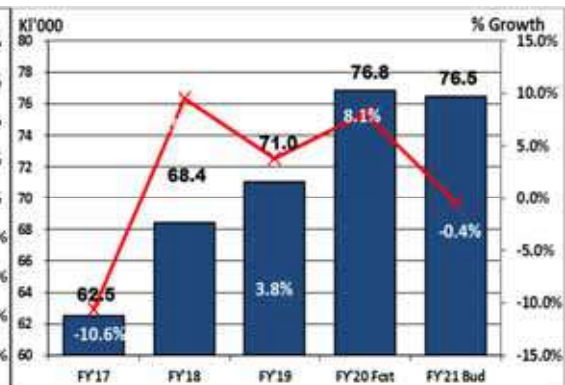
21.3.1 Volume Trends per customer

Figure 21.4 (a to h): Bulk sales per customer

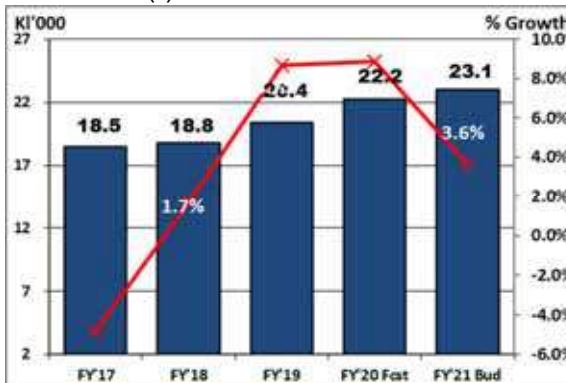
(a) Sales Volumes – eThekweni MM



(b) Sales Volumes – Msunduzi LM



(c) Sales Volumes – UMDM

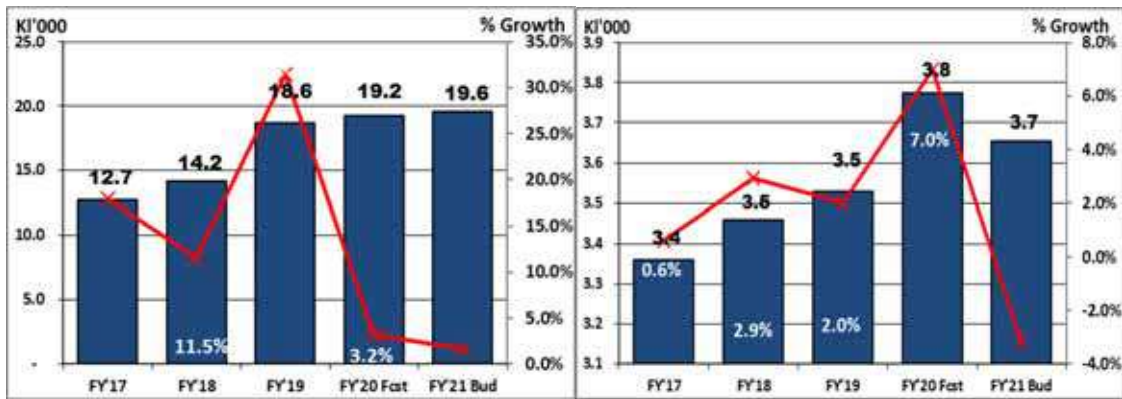


(d) Sales Volumes – UGU DM



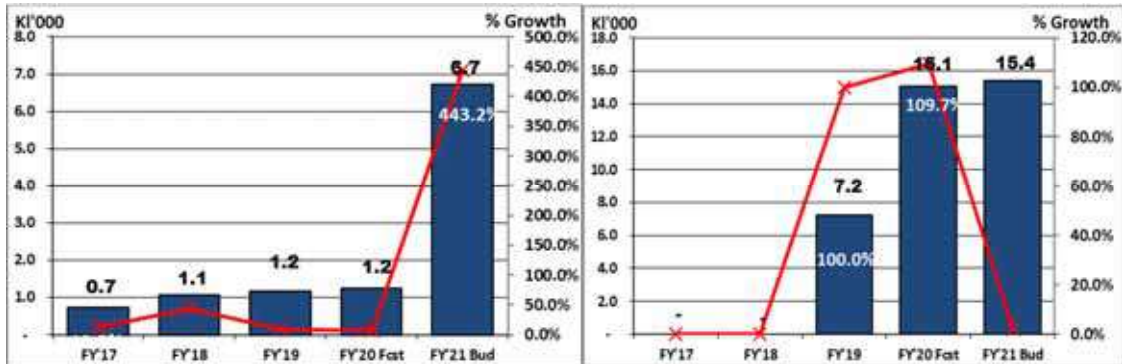
(e) Sales Volumes – iLembe DM

(f) Sales Volumes – Siza Water



(g) Sales Volumes – Harry Gwala DM

(h) Sales Volumes - uThukela DM



21.4 Tariff Projections

21.4.1 Bulk water tariff 2021: Consultation process

(i) Customers

The consultation meeting with the Municipalities as customers of Umgeni Water, in compliance with S42 of the Municipal Finance Management Act was held on 12 November 2019. Representatives of SALGA and National Treasury were also present.

TCTA consulted with the stakeholders on the financial year 2020/2021 increase for the capital unit charge for the Mooi-Mgeni System Phase 2(MMTS-2).

The contents of the presentation highlighted the operational risks facing Umgeni Water and the financial impact thereof. The legislative framework governing the tariff computation was highlighted and discussed with the customers and the infrastructure plan to be funded from 2021 was also presented.

The main issues raised by the customers (and responses thereto) were as follows:

Comment	Response
<p>1. eThekwini</p> <ul style="list-style-type: none"> Sales volume – up to 1000ML/day from the Durban Heights WW – How will UW sustain the demand. If the tariff increase was equal to CPI for 2021, what would that scenario look like and the impact on the Municipality? With a tariff increase above inflation, how is the municipality expected to afford sustaining its investment into its own infrastructure? Do not combine the MMTS₂ tariff with the uMkhomazi Tariff as this will blur the repayment of the debt associated with each initiative. The 25% grant funding for uMkhomazi Water Project (uMWP) must still be factored into the sources of funding, as there will be a great need for grant funding. If all the assumptions made are input into the long-term model used by eThekwini, the tariff increase could be lower than the 9.6% increase but maybe UW and eThekwini could meet soon to discuss the variables of tariff setting to foster greater understanding. 	<ul style="list-style-type: none"> UW is bringing forward a number of projects to ensure that the demands can be met. UW's planning team must ensure that demand projections are reflective of the current demand trends. However, it must be noted that in meetings with the customers, no customer has provided growth rates in excess of 3%. In terms of a tariff increase of CPI, this will be communicated in writing to give the team a chance to determine the impact holistically. However, one must also be pragmatic – a tariff increase of CPI can be affordable if cuts in expenditure (more specifically capex) is done but that would catch up with the Municipality in the latter years, for example, the removal of the Umlaas Road water reuse project The merging of the MMTS₂ tariff with the overall bulk water tariff has been discussed at all meetings where the tariff for uMWP is discussed. However, the project team (which includes eThekwini) will discuss how the merging of the tariff can be implemented by mutual acceptance. Overall though we need to ensure that there are no significant increases in the next MTEF. In terms of understanding the model inputs to the tariff, a meeting will be set up with the colleagues from eThekwini and Umgeni Water to understand the tariff setting dynamics. In addition it must be noted:

Comment	Response
	<ul style="list-style-type: none"> ○ The tariff increase must be viewed in context of the R17bn investment in capex over the 5-year period to 2025. ○ Operating cashflows are not sufficient to cover each year's expenditure but is still required to enable the servicing of debt which allows for the investment in infrastructure whereas other organisation which do not have a strong balance sheet are not able to raise and rely on the annual operating cashflow to guide the investment in infrastructure. ○ UW will also submit a pack to the MM's office at each municipality which will explain in detail the cost drivers for the tariff increase. <p>National Treasury responded on the concern for grant funding for the uMWP as follows:</p> <ul style="list-style-type: none"> ● Part of the reason why NT attends such forums as the consultation process as well as the project strategy meeting for the uMWP is to understand the funding requirements for the projects and the pressure on customers as well as UW. ● Whilst there is currently pressure on the fiscus, the Raw Water Pricing Strategy does make allowance for water resources infrastructure to be funded partly through grant funding and NT has not denied this. ● DWS will need to make a submission to NT to start the initiative to obtain grant funding formally.
<p>2. Msunduzi</p> <ul style="list-style-type: none"> ● Stephen Dlamini Dam BWS <ul style="list-style-type: none"> ○ Was that not part of the previous tariff capex? ○ Will it be ring-fenced? ○ Impact to customers for the implementation of this Dam? ● There may be more drought restriction's in the future – how will that impact on the UW revenue? 	<ul style="list-style-type: none"> ● UW is being proactive in addressing the need for the Stephen Dlamini Scheme (Bulwer BWSS) as the uMkhomazi will be implemented but the community residing close to the uMkhomazi Water project will not be able to get access to the water produced by this plant – this could be a serious impediment in construction of the uMWP ● In terms of the impact of the drought restrictions, if any, this will constrain revenues as water demand will be restricted. This will have an impact on the next year's tariff if the impact is significant.
<p>3. DWS (Regional Office)</p> <ul style="list-style-type: none"> ● Sales volume – capacity to ensure the growth projections of 3% per annum as well as capex to be implemented – will the yields 	<ul style="list-style-type: none"> ● A 3% increase in 2021 but the following years the growth is 1.5% per annum given the capacity and yield of the water resources.

Comment	Response
of the water resources be sufficient to feed these schemes.	

(ii) SALGA

SALGA notes the proposed tariff increase by the water board and does not support the application on the basis of affordability by municipalities in this current economic climate and taking the following factors into account;

- In the case of electricity, the water board has proposed as in other years an increase that is dependent on the final NERSA approval. The 14.6% increase is above the indicative tariff of 8,1% that Eskom is applying for in its Multi Year Price Determination (MYPD₄)
- The raw water costs proposed by Umgeni Water are matched by non-excessive TCTA cue charge as compared to the previous year's tariff application.
- Demand Management - The water board raises concern about sales projections from municipalities that are always below actual sales realised. There might be need for a water demand management campaign drive between the bulk water utility and its customers to create awareness and understanding on the impact of water losses across the value chain.

(iii) National Treasury

National Treasury comments are as follows:

- National Treasury is in support of the proposed tariff increase on the basis that the tariff makes sufficient provision for, inter alia:
 - Repaying and servicing of debt,
 - Recovering of capital costs and provision for future capital requirements, and
 - Provision for depreciation of assets.
- Despite its support, National Treasury is concerned that Water Boards, including Umgeni Water still do not generate sufficient revenue from tariffs in order to fund maintenance at the levels recommended in the National Infrastructure Maintenance Strategy. Deferring routine and regular maintenance will lead to much higher refurbishment and replacement costs later on which will come at a cost to the customer. At the same time, increasing tariffs to meet these requirements would mean further increases to tariffs when the broader trend in which administered prices set by state owned enterprises far exceed the CPI inflation target band despite a significant slowing of economy-wide inflation. Water Boards are therefore urged to strike a balance between these competing objectives.
- As highlighted previously, National Treasury continues to support Umgeni Water's need to augment its supply systems through the Mkhomazi Water Project. National Treasury also notes the concerns raised by Umgeni Water's customers during the tariff consultations regarding funding of the project and in particular, their concerns regarding the mix of funding for the project. These comments highlight the need for UW to engage with its customers as well as with the Department of Water and Sanitation (DWS) and TCTA in order to finalise funding of the project. It is important that a clear, sustainable and equitable funding model is developed for all the components of this project and that stakeholder buy-in is obtained early on.
- National Treasury notes that salaries represent 37% of Umgeni Water's cost components. Furthermore, staff costs are projected to increase by 13% in 2020/21. National Treasury notes that one of the drivers of this increase, as communicated at the tariff consultation with customers, is the rollout of Umgeni Water's R10.5 billion capital expenditure plan and the need to mobilise additional resources in order to ensure the successful implementation of the plan. At the same time, National Treasury however notes that Umgeni Water's executive salaries have grown significantly when

compared to the other eight water boards and executive salaries are the highest of the water boards. These costs need to be managed prudently in light of the need to limit increases in administered prices and to ensure that tariff increases remain affordable for and justifiable to end users. In this regard, National Treasury requests the measures that the water board intends putting in place in order to ensure efficiencies in staff costs.

- National Treasury commends the Water Board for consistently reporting back to its customers on actual performance particularly that relating to capital expenditure. This is important in order to ensure transparency and accountability in tariff setting.

21.4.2 Bulk water tariff 2021: approval by DWS

The proposed increase of 9.6% was tabled in Parliament. SALGA raised affordability concerns and given that the country was in the midst of the COVID 19 pandemic, the Minister requested that all WaterBoards revise the tariff increase for 2021/21 to 0%.

21.4.3 Bulk water tariff projections

Table 21.8: Tariffs for bulk water sales

	UNIT	ACTUAL			CORPORATE PLAN	FORECAST					
		F'17	F'18	F'19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
Tariff Increase (%)											
CPI		6.43%	4.90%	5.02%	5.44%	4.56%	4.58%	4.72%	4.83%	5.04%	5.04%
+ provision for internal inflation		2.58%	10.10%	8.68%	4.16%	5.04%	-4.58%	2.28%	4.17%	5.50%	5.50%
Total UW Tariff Increase		9.00%	15.00%	13.70%	9.60%	9.60%	0.00%	7.00%	9.00%	10.54%	10.54%
Capital Unit charge		6.60%	7.10%	6.30%	171.87%	171.87%	0.00%	13.42%	-30.55%	-100.00%	0.00%
Effective all in tariff increase		10.75%	14.37%	13.14%	21.35%	21.28%	0.01%	8.04%	2.31%	-2.15%	10.53%
Bulk Water Tariff											
- Bulk Tariff 1											
- Base Tariff	R.c/Kl	4.951	5.397	6.207	7.057	7.057	7.734	7.734	8.276	9.021	9.972
- Tariff Increase	R.c/Kl	0.446	0.810	0.850	0.677	0.677	0.00	0.542	0.745	0.951	1.051
- New Tariff - Umgeni Water	R.c/Kl	5.397	6.207	7.057	7.734	7.734	7.734	8.276	9.021	9.972	11.023
- % Increase - UW	%	9.0	15.0	13.7	9.6	9.6	0.0	7.0	9.0	10.5	10.5
Add Capital unit charge											
- Spring grove	R.c/Kl	0.484	0.518	0.551	1.498	1.498	1.595	1.699	1.180	0.00	0.00
- Mkomazi (Potable)	R.c/Kl	0.108	0.124	0.141	0.155	0.155	0.155	0.166	0.180	0.199	0.220
- Total Tariff	R.c/Kl	5.989	6.850	7.749	9.387	9.387	9.484	10.141	10.381	10.171	11.243
- % Increase -Total		10.7	14.4	13.1	21.1	21.1	1.0	6.9	2.4	(2.0)	10.5
- Bulk Tariff 2 - eThekweni											
- Base Tariff	R.c/Kl	4.853	5.290	6.084	6.918	6.918	7.582	7.582	8.113	8.843	9.775
- Tariff Increase	R.c/Kl	0.437	0.794	0.834	0.664	0.664	0.00	0.531	0.730	0.932	1.030
- New Tariff - Umgeni Water	R.c/Kl	5.290	6.084	6.918	7.582	7.582	7.582	8.113	8.843	9.775	10.805
- % Increase - UW	%	9.0	15.0	13.7	9.6	9.6	0.0	7.0	9.0	10.5	10.5
Add Capital unit charge											
- Spring grove	R.c/Kl	0.484	0.518	0.551	1.498	1.498	1.595	1.699	1.180	-	-
- Mkomazi (Potable)	R.c/Kl	0.106	0.122	0.138	0.152	0.152	0.152	0.162	0.177	0.196	0.216
- Total Tariff	R.c/Kl	5.880	6.724	7.607	9.232	9.232	9.329	9.974	10.200	9.971	11.021
- % Increase -Total		10.7	14.4	13.1	21.4	21.4	1.1	6.9	2.3	(2.2)	10.5
WEIGHTED AVERAGE TARIFF											
Excluding the capital unit charge		5.333	6.134	6.975	7.651	7.645	7.628	8.163	8.898	9.836	10.873
- % Increase -Total		9.0	15.0	13.7	9.7	9.6	(0.2)	7.0	9.0	10.5	10.5
Including the Capital unit charge		5.924	6.775	7.665	9.302	9.296	9.297	10.045	10.277	10.056	11.116
- % Increase -Total		10.7	14.4	13.1	21.4	21.3	0.0	8.0	2.3	(2.1)	10.5

Other commercial/management fee increases

Table 21.9: Other Revenue charges

	Actual	%	Actual	%	Actual	%	Actual	%	Budget	%
	F'17	change	F'18	change	F'19	change	F'20	Change	F'21	Change
Potable Water – Other (R/kl)										
Retail	5.701	15.7%	6.585	8.8%	7.487	13.7%	8.206	9.6%	8.206	0.0%
Bulk Raw Water(R/kl)										
Piped	3.329	10%	3.829	15%	4.353	14%	4.771	9.6%	4.771	0.0%
Dam	0.864	10%	0.994	15%	1.13	14%	1.238	9.6%	1.238	0.0%
Management Fee(R'000)										
Darvill Wastewater (incl Trade & effluent charge)	92035	20%	110,177	20%	131,923	20%	151,424	14,8%	173,835	14,8%
Lynnfield Park WWW	1391	15%	2,047	47%	1,913	-7%	2,104	10%	2,420	15%
Howick Wastewater	17622	3%	23,375	33%	23,045	-7%	24,498	6.3%	28,044	14.7%
UMDM WWWW	29,257	60%	30,526	4%	37,487	15%	40,281	7,5%	43,517	8.03%
Ixopo Wastewater	4403	7%	4,799	9%	5,322	11%	7,004	31,6%	7,354	5%
Water Research Levy(R/kl)	0.057	7%	0	7%	0.065	6%	0.070	7%	0.075	7%

Table 21.10: Tariff Cost Components

Components	2016/2017		2017/2018		2018/2019		2019/2020 Budget		2019/2020		2020/2021		2021/2022		2022/2023		2023/2024		2024/2025			
	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change	Tariff	Change		
	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%	R.c/kl	%		
Direct Costs																						
Chemicals	0.140	30%	0.137	-2%	0.142	4%	0.220	36%	0.170	19%	0.202	19%	0.218	8%	0.235	8%	0.255	8%	0.276	8%	0.276	8%
Depreciation	0.321	11%	0.378	18%	0.433	15%	0.458	4%	0.451	4%	0.511	13%	0.538	5%	0.586	9%	0.611	4%	0.638	4%	0.638	4%
Energy	0.508	22%	0.542	7%	0.564	4%	0.766	32%	0.613	9%	0.686	12%	0.759	11%	0.842	11%	0.937	11%	1.043	11%	1.043	11%
Maintenance	0.379	21%	0.392	3%	0.396	1%	0.603	33%	0.458	16%	0.623	36%	0.536	-14%	0.569	6%	0.607	7%	0.647	7%	0.647	7%
Raw Water	0.440	16%	0.481	9%	0.509	6%	0.509	0%	0.530	4%	0.545	3%	0.600	10%	0.660	10%	0.737	12%	0.823	12%	0.823	12%
Staff Costs	0.426	17%	0.430	1%	0.449	4%	0.574	19%	0.417	-7%	0.490	18%	0.514	5%	0.539	5%	0.568	5%	0.599	5%	0.599	5%
Other direct operating activities	0.075	-20%	0.059	-21%	0.047	-20%	0.077	8%	0.117	148%	0.125	7%	0.127	2%	0.133	5%	0.139	4%	0.145	5%	0.145	5%
Total Direct Costs	2.288	16%	2.420	6%	2.541	5%	3.207	19%	2.756	8%	3.183	15%	3.293	3%	3.564	8%	3.854	8%	4.172	8%	4.172	8%
Indirect Costs																						
Overheads	0.587	21%	0.641	9%	0.892	39%	1.038	-10%	1.804	102%	1.461	-19%	1.461	0%	1.473	1%	1.531	4%	1.621	6%	1.621	6%
staff costs	0.783	32%	0.776	-1%	0.824	6%	0.813	-6%	0.711	-14%	0.854	20%	0.895	5%	0.939	5%	0.990	5%	1.044	5%	1.044	5%
Depreciation	0.081	48%	0.156	92%	0.148	-5%	0.194	12%	0.102	-31%	0.130	28%	0.179	38%	0.166	-8%	0.173	4%	0.180	4%	0.180	4%
Amortisation	0.028	83%	0.072	0%	0.186	0%	0.066	0%	0.097	0%	0.146	0%	0.102	0%	0.025	0%	-	0%	-	0%	-	0%
Impairments	0.102	-66%	(0.180)	-276%	(0.129)	-28%	0.035	0%	(0.151)	0%	0.012	0%	0.229	0%	0.392	0%	0.579	0%	0.392	0%	0.582	0%
Retirement benefits	0.157	15%	0.147	-7%	0.119	-19%	0.242	-2%	0.194	63%	0.211	9%	0.251	19%	0.268	7%	0.287	7%	0.308	7%	0.308	7%
Total Indirect Costs	1.738	9%	1.611	-7%	2.039	27%	2.388	-8%	2.756	35%	2.813	2%	3.117	11%	3.263	5%	3.560	9%	3.735	5%	3.735	5%
Total direct & indirect cost	4.026	13%	4.032	0%	4.579	14%	5.595	6%	5.512	20%	5.996	9%	6.410	7%	6.827	7%	7.414	9%	7.907	7%	7.907	7%
Finance Costs	(0.361)	19%	(0.406)	12%	(0.457)	13%	(0.275)	-10%	(0.278)	-39%	(0.239)	-14%	(0.121)	-50%	0.005	-104%	0.127	2328%	0.218	72%	0.218	72%
Cost - Bulk Water	3.665	13%	3.626	-1%	4.122	14%	5.320	7%	5.234	27%	5.756	10%	6.289	9%	6.832	9%	7.541	10%	8.125	8%	8.125	8%
Less: Sundry income	0.063	-26%	0.020	-69%	0.075	280%	0.008	-9%	0.008	-89%	0.008	0%	0.009	5%	0.009	-2%	0.008	-1%	0.008	-1%	0.008	-1%
Net Cost - Bulk Water	3.602	14%	3.606	0%	4.047	12%	5.313	7%	5.226	29%	5.748	10%	6.280	9%	6.824	9%	7.532	10%	8.116	8%	8.116	8%
Contribution from Wastewater	0.096	33%	0.128	33%	0.060	-53%	0.069	-40%	(0.042)	-171%	(0.028)	-34%	(0.175)	531%	(0.004)	-98%	0.105	-2737%	0.231	120%	0.231	120%
Contribution from Section 30 activities	0.040	193%	0.013	-67%	0.010	-26%	0.012	9%	0.010	2%	0.011	9%	0.002	-82%	0.002	-2%	0.002	-1%	0.002	-1%	0.002	-1%
Total cost	3.466	13%	3.465	0%	3.978	15%	5.231	8%	5.259	32%	5.765	10%	6.454	12%	6.826	6%	7.426	9%	7.883	6%	7.883	6%
Total Average UW Tariff excluding CUC	5.333	9.0%	6.134	15.0%	6.975	13.7%	7.651	9.7%	7.645	9.6%	7.628	-0.2%	8.163	7.0%	8.898	9.0%	9.836	10.5%	10.873	10.5%	10.873	10.5%
Net profit Margin/(deficit)	1.867	3%	2.668	43%	2.997	12%	2.420	13%	2.386	-20%	1.863	-22%	1.709	-8%	2.072	21%	2.411	16%	2.989	24%	2.989	24%
Projected water sales (Ml)	409.89	-6%	434.57	6%	471.80	9%	509.86	10%	501.58	6%	512.17	2%	522.87	2%	533.15	2%	541.15	1%	549.26	2%	549.26	2%
Projected revenue (R m)	2531	5%	2901	15%	3561	23%	4169	21%	4102	15%	4204	2%	4591	9%	5098	11%	5712	12%	6403	12%	6403	12%
Projected costs (R m)	1780	10%	1741	-2%	2146	23%	2934	19%	2903	35%	3248	12%	3695	14%	3991	8%	4405	10%	4757	8%	4757	8%
Projected surplus (Rm)	845	12%	1243	47%	1465	18%	1235	25%	1199	-18%	956	-20%	896	-6%	1108	24%	1308	18%	1645	26%	1645	26%
Reserves (R m)	6470	9%	8027	24%	9493	18%	10276	14%	10693	13%	11649	9%	12545	8%	13653	9%	14960	10%	16606	11%	16606	11%
Projected surplus as a % of reserves	13%	3%	15%	19%	15%	0%	12%	10%	11%	-27%	8%	-27%	7%	-13%	8%	14%	9%	8%	10%	13%	10%	13%
Debt service cost (R m)	1	17%	1	1%	14	924%	19	-3%	19	37%	17	-13%	25	49%	51	108%	99	92%	148	50%	148	50%
Debt (Debt + Equity) ratio	0.243	8%	0.155	-36%	0.119	-23%	0.112	-15%	0.108	-9%	0.089	-18%	0.139	56%	0.204	47%	0.255	25%	0.295	16%	0.295	16%
Capex (R m)	1.815	-8%	988	-46%	1.204	22%	1.505	-9%	1.549	29%	1.411	-9%	2.387	69%	3.077	29%	3.630	18%	3.933	8%	3.933	8%

21.5 Surplus Policy

21.5.1 Introduction

The purpose of the policy is to guide the accrual and application of surpluses earned in any one year.

21.5.2 Policy

Surpluses are accrued for the following:

1. Maintain optimal capital structure
2. Repayment of debt during the current financial year.
3. Provision for repaying debt during a future year (for example, provision for a bullet payment).
4. Cash contribution toward the purchase of Plant and equipment during the current year.
5. Provision of cash contribution toward the purchase of plant and equipment during the future.
6. Refurbishment of plant and equipment during the current year.
7. Provision towards refurbishment of plant and equipment during a future year.
8. Provision for contingencies which could materialise in the form of either a reduction in revenue or increased unexpected costs or both.

21.5.3 Optimal Capital Structure

In terms of the optimal capital structure, the debt to equity ratio should not exceed 0.7 times. Thus retained surpluses contribute toward achievement of this target ratio and the optimal level of equity.

Amounts retained in excess of the optimal accumulated surplus are in terms of 1 to 8 in section 21.5.2 above.

21.6 Subsidy projections

Subsidy projections are based on the social component of developmental projects and are critical to Umgeni Water's financial viability and funding requirements. The overall Developmental Programme totals R9.4bn with a specific allocation for the period 2020-2025 of R4,66bn, representing 34% of Umgeni Water's planned capital expenditure for that same period. These projects have a social component which is calculated as the amount which cannot be recovered through an affordable tariff structure. The targeted funding mix is as follows:

- 48% funding by Umgeni Water.
- 52% funding required from DWA for the remaining social components.

The tables below reflect the projected subsidy projections to co-fund the social component of the developmental projects.

Table 21.11: Optimal funding mix for rural developmental projects (R'ooo)

Project in progress	Total Capital costs	Targeted funding mix			
		Grant funding R'000	%	Umgeni Water R'000	
Greater Mpofana Regional Scheme Phases 1	838,475	550,000	54%	288,475	34%
Greater Mpofana Regional Scheme Phases 2	173,421			173,421	100%
Impendle- Nzinga	292,414		0%	292,414	100%
Impendle- Stepmore	195,993		0%	195,993	100%
uMshwathi Bulk Water Supply Scheme (Wartburg Phase 1, 2 & 3)	974,258	857,316	88%	116,942	12%
uMshwathi Ph 4 - Southern Ndwedwe	677,528	292,692	43%	384,836	57%
uMshwathi Ph 6	301,250	85,993	29%	215,257	71%
Lower Thukela BWS - Phase 1	56,458		0%	56,458	100%
Lower Thukela BWS - Phase 2	774,377	774,377	100%	0	0%
Maphumulo Phase 3 : 6MI WW	245,611	195,620	80%	49,991	20%
Maphumulo Phase 4 : Weir on Hlimbitwe River	106,365		0%	106,365	100%
Mhlabatshane Sub-Regional Scheme Ph 2	570,201	291,662	51%	278,539	49%
Mkhambathini WWW	2,593		0%	2,593	100%
Trust Feeds WWTW	124,733		0%	124,733	100%
Umbumbulu Pump Station	91,020		0%	91,020	100%
Umbumbulu PL Augmentation	937,500		0%	937,500	100%
Table Mountain BWSS (PL, PS and 3MI Reservoir)	152,372		0%	152,372	100%
Vulindlela PS and Reservoir	408,208		0%	408,208	100%
Mpophomeni WWW	399,738	399,738	100%		0%
Mpophomeni Sewer Outfall	41,747	41,747	100%		0%
N3 Corridor WWTW	81,429		0%	81,429	100%
Cedara - Khanya Village WWTW	34,365		0%	34,365	100%
Mpofana WWW Upgrade	362,649		0%	362,649	100%
Weza Harding Abstraction and Pipeline	68,000		0%	68,000	100%
Stephen Dlamini Bulk Water Supply Scheme BWSS	1,220,000	1,220,000	100%		0%
Total	9,130,705	4,709,144	52%	4,421,561	48%

Note: the Yellow highlighted cells under the grant-funding column represents the confirmed grant funding. The remaining targeted grant funding still to be confirmed.

The developmental projects contain a social component, which is not adequately covered through the bulk water tariff, grant funding, and is therefore recognised as impairment by Umgeni Water. The impairment is because of the PV of future operating cashflow not being sufficient to repay debt and sustain the operating expenditure requirements. The projected impairments are as follows:

Table 21.12: Progressive Impairment Summary (R'ooo)

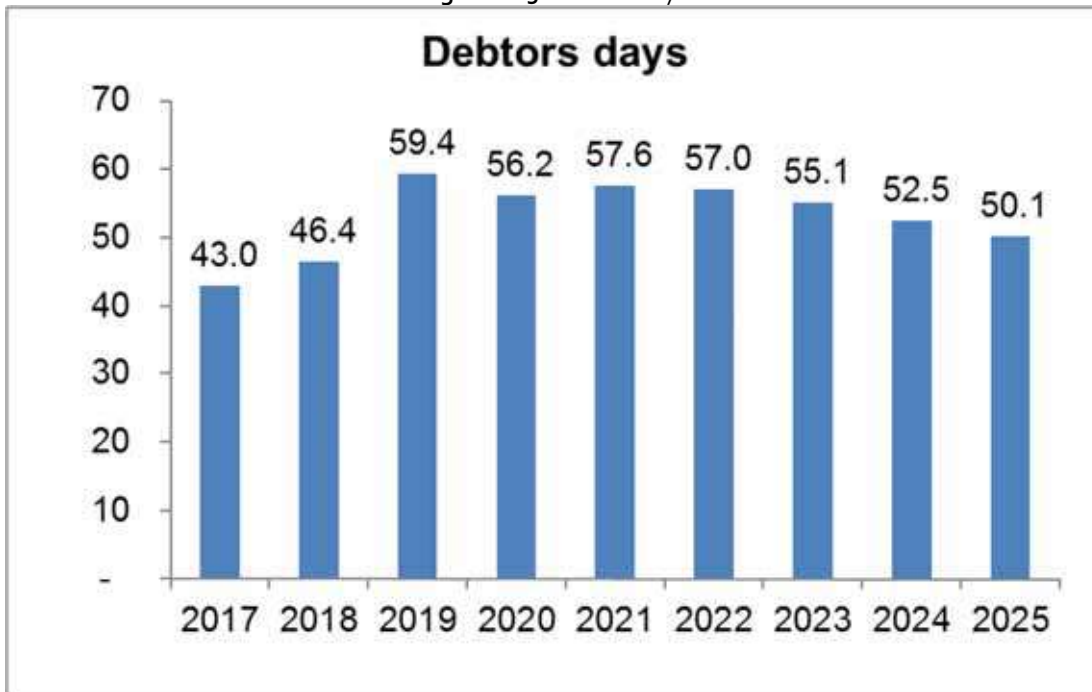
Project	% Impairment	TOTAL	to 2019 actual	2020	2021	2022	2023	2024	2025	2026 onward
Greater Mpofana	0%	0	73,502	-73,502	-	-	-	-	-	-
Mpophomeni	87%	347,772	16,352	21,498	57,850	131,821	78,263	41,988	0	0
Stephen Dlamini BWSS	100%	1,220,000		0	5,000	115,000	200,000	300,000	300,000	300,000
Mhlabatshane Sub-Regional Scheme Ph 2	15%	145,885	4,675	-2,393	1,337	4,754	9,038	13,293	19,902	95,279
Trust feeds	96%	119,743	47,913	44,065	9,728	18,037	0	0	0	0
TOTAL IMPAIRMENT CP 2021		1,833,400	142,442	-10,332	73,916	269,612	287,301	355,281	319,902	395,279

Unless there is certainty in terms of the timing of/and the receipt of grant funding, the assumption of grant funding is not made until the funding is received. Therefore, in most cases when the grant funding is received there is a reversal of impairment in that year.

21.7 Challenges in collection of debtors

There have been challenges in terms of collection of amounts due by some of the debtors. Furthermore, the COVID 19 pandemic could impact on the paying ability of debtors as payment holidays are granted to their consumers. It is therefore, not expected that the debtors days will recover to less than 50 days until the year 2024/25.

Figure 21.5: Debtors days



21.8 Subsidiaries and associates

21.8.1 Msinsi Holdings (Pty) Ltd

Msinsi Holdings (Pty) Ltd is a 100% owned subsidiary of Umgeni Water, which provides land and wildlife management of the land surrounding some of Umgeni Water's major dams and treatment works. The entity maintains a profit in its projected income statement, with positive operating cash flows.

21.8.2 Umgeni Water Services (Pty) Ltd

Umgeni Water Services (Pty) Ltd is a 100% owned subsidiary of Umgeni Water. Its main business is holding of an investment (18.5%) in an associate, namely, Durban Water Recycling and carrying out commercial activities. Thus the main source of income for Umgeni Water Services is the dividend distribution by the associate company Durban Water Recycling.

21.9 Financial Statement projections

The financial statement projections of Umgeni water, its subsidiaries and the Group are presented in this section.

The deviations in growth and decline in significant line items are explained in chapter 24, Self-evaluation on financial viability of Umgeni Water.

As the capital unit charge is an agency cost, rather than a direct cost of operation, both the revenue and cost associated with the C.U.C. have not been reflected in the Income Statement.

Table 21.13: Umgeni Water Income Statement Total (R'ooo)

Income Statement (in R'000) For the year ended June 30, TOTAL	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	Budget	Forecast					
Volume of Bulk treated water sold (in kl'000)	409,887	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
Revenue	2,496,605	2,888,951	3,524,469	4,164,860	4,097,359	4,199,608	4,586,169	5,093,861	5,707,690	6,398,061
Water Sales - Bulk	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
Water Sales - Raw Water	748	662	716	1,156	1,627	1,626	1,738	1,895	2,094	2,315
Wastewater O&M	52,673	61,586	67,869	73,887	76,020	80,954	89,859	96,150	102,880	117,283
Wastewater Management Fee	92,035	110,177	131,923	151,424	151,424	173,835	194,695	218,059	244,226	268,649
Section 30 activities	165,210	51,115	33,196	37,415	32,979	35,675	30,895	32,697	34,608	36,635
Cost of sales	1,178,925	1,191,532	1,328,620	1,797,593	1,555,103	1,819,982	1,923,948	2,117,603	2,320,005	2,543,813
Changes in water inventory	(823)	(438)	(459)							
Chemicals	62,516	65,453	71,995	120,886	90,096	109,491	120,440	132,484	145,733	160,306
Depreciation	133,698	166,858	209,123	245,176	255,949	292,196	313,526	346,133	366,555	388,182
Energy	226,894	257,361	290,799	422,373	336,502	385,040	435,096	491,658	555,574	627,798
Maintenance	174,586	192,480	207,878	331,208	256,439	349,971	313,169	338,223	365,280	394,503
Raw Water	180,160	209,126	240,000	259,460	265,744	279,248	313,775	351,969	398,899	452,132
Staff Costs	205,421	220,675	250,488	335,453	249,327	294,795	315,431	337,511	361,137	386,416
Section 30 activities	150,942	41,602	25,380	28,728	24,349	26,019	25,579	27,113	28,740	30,464
Other direct operating activities	45,530	38,415	33,417	54,310	76,697	83,222	86,932	92,512	98,088	104,012
Gross profit	1,317,680	1,697,419	2,195,849	2,367,267	2,542,257	2,379,626	2,662,221	2,976,257	3,387,684	3,854,248
	53%	59%	62%	57%	62%	57%	58%	58%	59%	60%
Other operating income	34,532	12,268	36,436	4,210	4,450	4,560	4,560	4,560	4,560	4,560
Administration Expenses	749,027	725,846	1,033,624	1,256,234	1,484,764	1,548,867	1,820,472	1,861,126	2,014,007	2,099,938
Staff Costs (excl Maintenance Payroll costs)	320,766	337,128	388,627	414,600	356,752	437,265	467,873	500,624	535,668	573,165
Energy	6,265	6,928	6,660	8,875	8,875	9,328	10,540	11,911	13,459	15,209
Depreciation	33,905	68,968	70,837	99,924	52,141	67,744	94,842	89,436	94,712	100,300
Amortization	11,558	31,170	87,601	33,691	48,571	74,534	53,073	13,379	-	-
Impairments	41,885	(78,033)	(61,061)	17,718	(10,332)	73,915	269,612	287,301	355,281	319,902
Maintenance	15,457	20,215	16,725	24,424	22,656	24,613	26,583	28,709	31,006	33,486
Retirement Benefits	65,600	64,902	57,292	124,605	98,637	109,613	131,359	142,902	155,476	169,175
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses (net of recoveries)	253,591	274,568	466,945	532,397	907,464	751,855	766,589	786,864	828,405	888,701
Operating income before interest	603,185	983,841	1,198,661	1,115,243	1,061,943	835,319	846,309	1,119,691	1,378,238	1,758,869
Net interest and finance charges	(148,076)	(176,718)	(216,541)	(119,646)	(137,363)	(121,032)	(49,869)	11,910	70,595	113,395
Interest Paid	1,355	1,363	13,955	19,310	19,147	16,614	24,689	51,414	98,894	148,435
Interest Received	(149,431)	(178,081)	(230,496)	(138,955)	(156,510)	(137,646)	(74,559)	(39,504)	(28,299)	(35,040)
Net Profit (Loss) for the year	751,261	1,160,559	1,415,202	1,234,888	1,199,305	956,351	896,178	1,107,781	1,307,642	1,645,475
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
- Retirement Benefit adjustment (IAS 19)	93,472	82,070	50,001	-	-	-	-	-	-	-
Other Comprehensive income for the year	93,472	82,070	50,001	-	-	-	-	-	-	-
Total comprehensive income for the year	844,733	1,242,629	1,465,203	1,234,888	1,199,305	956,351	896,178	1,107,781	1,307,642	1,645,475

Table 21.14: Umgeni Water Income Statement: S2g Activities (R'ooo)

Income Statement (in R'000) For the year ended June 30, PRIMARY (S2g)	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	BUDGET	FORECAST					
Volume of treated water sold (in k'l'000)	409,887	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
Revenue	2,331,395	2,837,836	3,491,273	4,127,445	4,064,380	4,163,933	4,555,273	5,061,164	5,673,082	6,361,426
Water Sales - Bulk	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
Water Sales - Raw Water	748	662	716	1,156	1,627	1,626	1,738	1,895	2,094	2,315
Wastewater Sales	52,673	61,586	67,869	73,887	76,020	80,954	89,859	96,150	102,880	117,283
Wastewater Management Fee	92,035	110,177	131,923	151,424	151,424	173,835	194,695	218,059	244,226	268,649
Cost of sales	1,025,186	1,147,875	1,301,953	1,767,468	1,529,201	1,792,185	1,896,489	2,088,489	2,289,135	2,511,080
Changes in water inventory	(823)	(438)	(459)	-	-	-	-	-	-	-
Chemicals	62,516	65,453	71,995	120,886	90,096	109,491	120,440	132,484	145,733	160,306
Depreciation	133,698	166,858	209,123	245,176	255,949	292,196	313,526	346,133	366,555	388,182
Energy	226,894	257,361	290,799	422,373	336,502	385,040	435,096	491,658	555,574	627,798
Maintenance	172,448	190,977	207,225	330,454	255,800	349,254	312,410	337,420	364,431	393,603
Raw Water	180,160	209,126	240,000	259,460	265,744	279,248	313,775	351,969	398,899	452,132
Staff Costs	204,969	220,180	249,911	334,872	248,490	293,885	314,457	336,469	360,022	385,224
Other direct operating activities	45,322	38,359	33,359	54,247	76,620	83,071	86,784	92,355	97,922	103,836
Gross margin/profit	1,306,209	1,689,961	2,189,321	2,359,977	2,535,179	2,371,748	2,658,785	2,972,675	3,383,947	3,850,346
	56%	60%	63%	57%	62%	57%	58%	59%	60%	61%
Other operating income	30,032	12,268	36,436	4,210	4,450	4,560	4,560	4,560	4,560	4,560
Administration Expenses	728,108	724,022	1,031,594	1,255,228	1,482,542	1,546,389	1,818,036	1,858,544	2,011,269	2,097,037
Staff Costs	320,766	337,128	388,627	414,600	356,752	437,265	467,873	500,624	535,668	573,165
Energy	6,265	6,928	6,660	8,875	8,875	9,328	10,540	11,911	13,459	15,209
Depreciation	33,905	68,968	70,837	99,924	52,141	67,744	94,842	89,436	94,712	100,300
Amortization	11,558	31,170	87,601	33,691	48,571	74,534	53,073	13,379	-	-
Impairments	41,885	(78,033)	(61,061)	17,718	(10,332)	73,915	269,612	287,301	355,281	319,902
Maintenance	15,457	20,215	16,725	24,424	22,656	24,613	26,583	28,709	31,006	33,486
Retirement Benefits	65,600	64,902	57,292	124,605	98,637	109,613	131,359	142,902	155,476	169,175
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	232,672	272,744	464,915	531,390	905,241	749,377	764,153	784,281	825,667	885,799
Operating income before interest	608,133	978,208	1,194,163	1,108,959	1,057,087	829,919	845,309	1,118,691	1,377,238	1,757,869
Net interest and finance charges	(148,076)	(176,718)	(216,541)	(119,646)	(137,363)	(121,032)	(49,869)	11,910	70,595	113,395
Interest Paid	1,355	1,363	13,955	19,310	19,147	16,614	24,689	51,414	98,894	148,435
Interest Received	(149,431)	(178,081)	(230,496)	(138,955)	(156,510)	(137,646)	(74,559)	(39,504)	(28,299)	(35,040)
Net Profit (Loss)	756,209	1,154,926	1,410,704	1,228,605	1,194,449	950,951	895,178	1,106,781	1,306,642	1,644,475

Table 21.15: Umgeni Water Income statement - Bulk water segment (R'ooo)

Income Statement (in R'000) For the year ended June 30, BULK WATER	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	BUDGET	Forecast					
Volume of treated water sold (in kl'000)	409,887	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
Revenue	2,186,687	2,666,074	3,291,481	3,902,134	3,836,936	3,909,143	4,270,718	4,746,956	5,325,976	5,975,494
Water Sales - Bulk	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
Water Sales - Raw Water	748	662	716	1,156	1,627	1,626	1,738	1,895	2,094	2,315
Cost of sales	937,002	1,051,351	1,198,180	1,635,009	1,382,196	1,630,000	1,721,710	1,900,096	2,085,741	2,291,336
Changes in water inventory	(823)	(438)	(459)	-	-	-	-	-	-	-
Chemicals	57,294	59,585	67,046	112,338	85,092	103,513	113,864	125,250	137,775	151,553
Depreciation	131,435	164,403	204,523	233,269	226,119	261,962	281,539	312,322	330,749	350,264
Energy	208,402	235,600	265,937	390,436	307,651	351,400	397,082	448,703	507,034	572,948
Maintenance	155,257	170,330	186,930	307,625	229,612	318,862	280,255	303,432	328,438	355,486
Raw Water	180,160	209,126	240,000	259,460	265,744	279,248	313,775	351,969	398,899	452,132
- Abstraction, O&M & WRM	180,160	209,126	240,000	259,460	265,744	279,248	313,775	351,969	398,899	452,132
- Capital Unit charge	-	-	-	-	-	-	-	-	-	-
Staff Costs	174,564	187,035	211,891	292,798	209,240	251,096	268,672	287,479	307,603	329,135
Other direct operating activities	30,713	25,711	22,312	39,083	58,739	63,921	66,523	70,939	75,242	79,818
Gross margin/profit	1,249,684	1,614,722	2,093,301	2,267,125	2,454,740	2,279,143	2,549,008	2,846,860	3,240,235	3,684,158
	57%	61%	64%	58%	64%	58%	60%	60%	61%	62%
Other operating income	25,975	8,573	35,381	3,900	4,150	4,250	4,560	4,560	4,560	4,560
Administration Expenses	712,565	700,280	961,918	1,217,709	1,382,541	1,440,831	1,629,816	1,739,732	1,926,341	2,051,563
Staff Costs	320,766	337,128	388,627	414,600	356,752	437,265	467,873	500,624	535,668	573,165
Energy	6,265	6,928	6,660	8,875	8,875	9,328	10,540	11,911	13,459	15,209
Depreciation	33,246	67,838	69,707	99,122	51,054	66,690	93,727	88,257	93,465	98,979
Amortization	11,558	31,170	87,601	33,691	48,571	74,534	53,073	13,379	-	-
Impairments	41,885	(78,033)	(61,061)	17,718	(75,895)	6,337	119,754	209,038	313,293	319,902
Maintenance	14,906	18,644	15,301	22,756	20,988	22,824	24,689	26,708	28,887	31,242
Retirement Benefits	64,447	63,702	56,147	123,363	97,129	107,892	131,359	142,902	155,476	169,175
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	219,492	252,902	398,937	497,583	875,066	715,961	728,800	746,913	786,094	843,891
Operating income before interest	563,094	923,016	1,166,764	1,053,316	1,076,350	842,562	923,752	1,111,688	1,318,454	1,637,155
Net interest and finance charges	(148,141)	(176,307)	(215,802)	(140,141)	(139,334)	(122,626)	(63,172)	2,784	68,612	119,633
Interest Paid	1,290	1,774	14,694	(1,185)	17,176	15,021	11,387	42,288	96,911	148,435
Interest Received	(149,431)	(178,081)	(230,496)	(138,955)	(156,510)	(137,646)	(74,559)	(39,504)	(28,299)	(28,801)
Net Profit (Loss)	711,236	1,099,323	1,382,567	1,193,457	1,215,683	965,188	986,924	1,108,903	1,249,842	1,517,522

Table 21.16: Umgeni Water Income statement Wastewater (R'000)

Income Statement (in R'000) For the year ended June 30,	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
WASTE WATER	Actual	Actual	Actual	BUDGET		FORECAST				
Volume of treated water sold (in kl'000)	-	-	-	-	-	-	-	-	-	-
Revenue	144,708	171,762	199,792	225,311	227,444	254,790	284,555	314,208	347,106	385,932
Wastewater O&M	52,673	61,586	67,869	73,887	76,020	80,954	89,859	96,150	102,880	117,283
Wastewater Management Fee	92,035	110,177	131,923	151,424	151,424	173,835	194,695	218,059	244,226	268,649
Cost of sales	88,183	96,524	103,773	132,459	147,005	162,185	174,778	188,394	203,394	219,744
Changes in water inventory	-	-	-	-	-	-	-	-	-	-
Chemicals	5,222	5,868	4,949	8,547	5,005	5,979	6,576	7,234	7,958	8,753
Depreciation	2,263	2,455	4,599	11,907	29,830	30,234	31,987	33,811	35,805	37,918
Energy	18,493	21,761	24,862	31,937	28,851	33,640	38,014	42,956	48,540	54,850
Maintenance	17,191	20,647	20,295	22,829	26,188	30,392	32,155	33,988	35,993	38,117
Staff Costs	30,405	33,145	38,020	42,074	39,250	42,790	45,785	48,990	52,419	56,088
Other direct operating activities	14,609	12,647	11,047	15,164	17,881	19,151	20,261	21,416	22,680	24,018
Gross margin/profit	56,525	75,239	96,019	92,852	80,439	92,605	109,777	125,815	143,712	166,188
	39%	44%	48%	41%	35%	36%	39%	40%	41%	43%
Other operating income	4,057	3,695	1,055	310	300	310	-	-	-	-
Administration Expenses	15,543	23,742	69,676	37,519	100,001	105,558	188,219	118,811	84,928	45,474
Staff Costs	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Depreciation	660	1,130	1,130	802	1,087	1,054	1,115	1,178	1,248	1,321
Amortization	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	65,563	67,578	149,858	78,263	41,988	-
Maintenance	551	1,570	1,424	1,668	1,668	1,789	1,893	2,001	2,119	2,244
Retirement Benefits	1,152	1,200	1,145	1,242	1,508	1,721	-	-	-	-
Other operating & administrative expenses	13,179	19,841	65,978	33,807	30,175	33,415	35,353	37,369	39,573	41,908
Operating income before interest	45,039	55,192	27,398	55,643	(19,263)	(12,643)	(78,443)	7,004	58,783	120,714
Net interest and finance charges	66	(411)	(739)	20,495	1,971	1,594	13,302	9,126	1,983	(6,239)
Interest Paid	66	(411)	(739)	20,495	1,971	1,594	13,302	9,126	1,983	-
Interest Received	-	-	-	-	-	-	-	-	-	(6,239)
Net Profit (Loss)	44,973	55,603	28,137	35,148	(21,234)	(14,237)	(91,745)	(2,122)	56,800	126,953

Table 21.17: Umgeni Water Income statement: S30 Activities (R'000)

Income Statement (in R'000) For the year ended June 30, OTHER (S30)	F17 Actual	F18 Actual	F19 Actual	F20 BUDGET	F20	F21	F22	F23	F24	F25
					FORECAST					
Volume of treated water sold (in kl'000)	-	-	-	-	-	-	-	-	-	-
Revenue	165,210	51,115	33,196	37,415	32,979	35,675	30,895	32,697	34,608	36,635
Other	165,210	51,115	33,196	37,415	32,979	35,675	30,895	32,697	34,608	36,635
Cost of sales	153,739	43,657	26,667	30,125	25,901	27,797	27,459	29,114	30,871	32,733
Chemicals	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Maintenance	2,138	1,503	653	753	639	718	759	802	850	900
Staff Costs	451	496	577	582	836	910	973	1,042	1,114	1,192
Projects/WIP costs	150,942	41,602	25,380	28,728	24,349	26,019	25,579	27,113	28,740	30,464
Other direct operating activities	208	57	58	63	77	151	148	157	166	176
Gross margin/profit	11,471	7,457	6,529	7,290	7,078	7,878	3,436	3,582	3,737	3,902
	7%	15%	20%	19%	21%	22%	11%	11%	11%	11%
Other operating income	4,500	-	-	-	-	-	-	-	-	-
Administration Expenses	20,920	1,825	2,030	1,007	2,222	2,478	2,436	2,582	2,737	2,902
Staff Costs	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	20,920	1,825	2,030	1,007	2,222	2,478	2,436	2,582	2,737	2,902
Operating income before interest	(4,949)	5,633	4,499	6,283	4,856	5,400	1,000	1,000	1,000	1,000
Net interest and finance charges	-	-	-	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	-	-	-	-	-	-
Net Profit (Loss)	(4,949)	5,633	4,499	6,283	4,856	5,400	1,000	1,000	1,000	1,000

Table 21.18: Umgeni Water Balance sheet (R'ooo)

Balance Sheet (in R'000) As at June 30,	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	BUDGET						FORECAST
ASSETS										
Non-current assets	8,251,638	8,938,961	9,906,871	11,548,264	11,040,990	11,628,811	13,380,627	15,931,475	19,456,343	23,501,678
Property, plant and equipment	7,752,927	8,305,810	9,180,249	11,015,135	10,310,647	11,434,810	13,239,700	15,796,322	19,002,073	22,716,880
Intangible assets	250,665	217,154	204,035	60,421	257,370	182,836	129,763	116,384	116,384	116,384
Other non-current assets	4,774	-	-	-	-	-	-	-	-	-
Investments	230,175	403,898	511,423	460,609	461,809	-	-	7,605	326,722	657,250
Investments in subsidiaries	13,096	12,099	11,164	12,099	11,164	11,164	11,164	11,164	11,164	11,164
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Current Assets	2,054,842	2,655,923	3,257,870	2,175,982	3,217,858	3,020,520	2,201,500	1,921,614	1,727,302	1,596,746
Other current assets		2,404								
Inventories	15,734	18,955	18,985	25,904	19,016	19,049	19,083	19,119	19,157	19,197
Accounts receivable	335,471	419,113	653,549	523,143	719,683	756,111	816,985	877,195	936,008	1,001,335
Sundry Debtors	84,986	84,986	84,986	84,986	84,986	84,986	84,986	84,986	84,986	84,986
Short-term investments	1,566,714	2,076,596	2,343,551	1,497,577	2,315,639	2,081,728	1,202,728	861,728	608,728	412,728
Interest Receivable	35,585	43,952	79,381	43,953	77,712	77,712	77,712	77,712	77,712	77,712
Bank balances and cash	16,352	9,918	77,418	419	823	934	7	874	712	790
Total assets	10,306,480	11,594,884	13,164,741	13,724,246	14,258,849	14,649,330	15,582,127	17,853,089	21,183,645	25,098,424
Reserves										
Accumulated reserves	6,784,625	8,027,254	9,493,216	10,276,059	10,692,521	11,648,872	12,545,050	13,652,831	14,960,473	16,605,948
Non-current liabilities	2,522,536	2,476,710	2,488,269	1,969,820	1,916,304	1,955,802	2,012,520	3,115,799	5,012,840	6,182,555
Interest bearing borrowings	1,870,902	1,791,890	1,762,668	1,133,226	1,133,226	1,108,388	1,083,549	2,098,710	3,900,538	4,967,366
Post employment medical benefit obligations	569,405	554,850	565,421	706,624	622,898	687,235	768,791	856,909	952,122	1,055,009
Long term provisions	39,120	34,102	1,078	34,102	1,078	1,078	1,078	1,078	1,078	1,078
Other non-current liabilities	43,110	95,868	159,102	95,868	159,102	159,102	159,102	159,102	159,102	159,102
Current liabilities	999,318	1,090,921	1,183,257	1,478,367	1,650,024	1,044,656	1,024,557	1,084,459	1,210,331	2,309,921
Accounts payable (including accruals)	782,672	868,238	968,861	677,337	833,861	854,608	834,608	814,608	794,608	774,608
Provisions	80,378	87,644	131,240	116,311	131,240	131,240	131,240	131,240	131,240	131,240
Current portion of interest bearing loans	78,810	79,011	29,222	629,442	629,442	24,839	24,839	104,839	251,505	1,370,839
Other payables/loans	57,458	56,028	53,934	55,277	55,481	33,970	33,871	33,772	32,978	33,234
Bank overdrafts										
Total reserves and liabilities	10,306,480	11,594,884	13,164,741	13,724,246	14,258,849	14,649,330	15,582,127	17,853,089	21,183,645	25,098,424

Table 21.19: Umgeni Water Statement of changes in equity (R'000)

Statement of Changes in Equity (in R'000) For the Year ended June 30,	Capital Contributions	OCI Reserve	Accumulated Profit (Loss)	Total
Balance at 30 June 2017	442,847	(11,350)	6,358,674	6,784,625
Profit for the year	-	-	1,160,559	1,160,559
Other comprehensive income	-	82,070	-	82,070
Balance at 30 June 2018	442,847	70,720	7,519,233	8,027,254
Profit for the year	-	-	1,415,202	1,415,202
Other comprehensive income	-	50,001	-	50,001
Balance at 30 June 2019	442,847	120,721	8,934,435	9,493,216
Profit for the year	-	-	1,199,305	1,199,305
Other comprehensive income	-	-	-	-
Balance at 30 June 2020	442,847	120,721	10,133,741	10,692,521
Profit for the year	-	-	956,351	956,351
Other comprehensive income	-	-	-	-
Balance at 30 June 2021	442,847	120,721	11,090,092	11,648,872
Profit for the year	-	-	896,178	896,178
Balance at 30 June 2022	442,847	120,721	11,648,872	12,545,050
Profit for the year	-	-	1,107,781	1,107,781
Balance at 30 June 2023	442,847	120,721	12,756,653	13,652,831
Profit for the year	-	-	1,307,642	1,307,642
Balance at 30 June 2024	442,847	120,721	14,064,295	14,960,473
Profit for the year	-	(120,721)	1,645,475	1,524,754
Balance at 30 June 2025	442,847	-	15,709,770	16,605,948

Table 21.20: Umgeni Water Cashflow Statement (R'ooo)

Cash Flow Statement (in R'000) For the year ended June 30,	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	BUDGET			FORECAST			
OPERATING ACTIVITIES										
Operating profit before working capital changes	1,037,429	1,336,887	1,760,894	1,590,428	1,469,657	1,410,401	1,662,216	1,947,169	2,293,293	2,673,628
Changes in working capital	(219,168)	(13,282)	(186,609)	(100,081)	(201,165)	(15,715)	(80,908)	(80,247)	(78,850)	(85,367)
Net cash from operating activities	818,261	1,323,605	1,574,285	1,490,348	1,268,492	1,394,686	1,581,308	1,866,922	2,214,443	2,588,262
INVESTING ACTIVITIES										
Additions to property, plant and equipment	(1,118,301)	(987,808)	(1,203,606)	(1,504,698)	(1,446,696)	(1,410,845)	(2,387,411)	(3,076,946)	(3,630,017)	(3,932,940)
Additions to intangible assets	(45,917)	-	-	-	(101,906)	-	-	-	-	-
Proceeds on disposal of Property, plant & equipment	1,845	-	-	-	-	-	-	-	-	-
Grant Funding	371,056	454,741	151,590	-	186,957	-	-	-	-	-
Payments of intercompany borrowings	1,730	997	935	-	-	-	-	-	-	-
Net cash used in investing activities	(789,587)	(532,070)	(1,051,081)	(1,504,698)	(1,361,646)	(1,410,845)	(2,387,411)	(3,076,946)	(3,630,017)	(3,932,940)
FINANCING ACTIVITIES										
Net change in long-term borrowings	(78,619)	(78,810)	(79,012)	(29,222)	(29,222)	(629,442)	(24,839)	(24,839)	(104,839)	(251,505)
New Debt proposed	-	-	-	-	-	-	-	1,120,000	2,053,333	2,426,667
Net Investments - LTI & RED	156,296	(641,317)	(326,281)	145,000	129,000	476,876	879,000	333,551	(58,847)	(105,381)
Proceeds on disposal of available for sale investments	-	-	-	-	-	-	-	-	-	11,000
Proceeds from (repaid to) short-term borrowings	-	-	-	-	-	-	-	-	-	-
Net interest (Paid) Received	(109,839)	(77,839)	(50,412)	(101,782)	(83,219)	168,836	(48,986)	(217,821)	(474,235)	(736,025)
Interest received	149,431	178,081	230,496	138,955	156,510	137,646	74,559	39,504	28,299	35,040
Deferred interest amortized	(257,915)	(254,557)	(266,953)	(221,428)	(220,582)	47,805	(98,855)	(205,911)	(403,640)	(622,630)
Interest paid	(1,355)	(1,363)	(13,955)	(19,310)	(19,147)	(16,614)	(24,689)	(51,414)	(98,894)	(148,435)
Net Repo & Market-making	-	-	-	-	-	-	-	-	-	-
Net cash used in financing activities	(32,162)	(797,967)	(455,704)	13,996	16,559	16,270	805,175	1,210,891	1,415,412	1,344,756
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	(3,487)	(6,431)	67,500	(354)	(76,595)	111	(927)	867	(162)	78
At beginning of year	19,836	16,349	9,918	773	77,418	823	934	7	874	712
At end of year	16,349	9,918	77,418	419	823	934	7	874	712	790

Table 21.21: Notes to Umgeni Water Cashflow Statement (R'ooo)

NOTES TO THE CASHFLOW STATEMENT	F17 Actual	F18 Actual	F19 Actual	F20 BUDGET	F20	F21	F22	F23 FORECAST	F24	F25
RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS										
Net profit	751,261	1,182,753	1,314,967	1,234,888	1,199,305	956,351	896,178	1,107,781	1,307,642	1,645,475
Adjust for:										
Amortisation of intangible asset	8,804	28,407	27,527	48,571	48,571	74,534	53,073	13,379	-	-
Amortisation of financial asset	2,754	2,763	2,533	(14,880)	-	-	-	-	-	-
Asset Impairments & write offs	57,053	(78,033)	36,992	17,718	(10,332)	73,915	269,612	287,301	355,281	319,902
Depreciation	173,150	242,694	286,083	311,998	311,998	362,296	411,666	438,679	464,561	491,970
Darvill liability amorisation	(3,572)	(3,572)								
Doubtful debts provision	37,350	13,411	51,705							
Fair value of biological assets										
Finance costs	1,355	1,363	13,955	19,310	19,147	16,614	24,689	51,414	98,894	148,435
Interest received	(149,431)	(178,081)	(230,496)	(138,955)	(156,510)	(137,646)	(74,559)	(39,504)	(28,299)	(35,040)
Investment Impairments	6,424	911								
Increase/(decrease) in Provisions and non-current liabilities	153,307	124,663	257,628	78,676	57,477	64,337	81,556	88,118	95,214	102,887
Profit (loss) on disposal of PPE	(1,026)	(392)								
Profit (loss) on disposal of non current asset held for sale										
Profit on disposal of shares										
Operating income before changes in working capital	1,037,429	1,336,887	1,760,894	1,557,326	1,469,657	1,410,401	1,662,216	1,947,169	2,293,293	2,673,628
Working capital changes:	(219,168)	(13,282)	(186,609)	(100,081)	(201,165)	(15,715)	(80,908)	(80,247)	(78,850)	(85,367)
(Increase)/decrease in inventories	(1,014)	(3,221)	(30)	(3,567)	(31)	(33)	(34)	(36)	(38)	(40)
(Increase) decrease in accounts receivable	(65,425)	(97,053)	(286,145)	(77,235)	(66,134)	(36,428)	(60,873)	(60,211)	(58,813)	(65,327)
Increase/(decrease) in accounts payable	(152,729)	86,992	99,566	(19,279)	(135,000)	20,746	(20,000)	(20,000)	(20,000)	(20,000)
Net Cash generated from operations	818,261	1,323,605	1,574,285	1,457,245	1,268,492	1,394,686	1,581,308	1,866,922	2,214,443	2,588,262

Table 21.22: Income Statement (Msinsi) (R'ooo)

MSINSI INCOME STATEMENT For the year ended June 30, TOTAL	F17	F18 Actual	F19	F20 Budget	F20	F21	F22 Forecast	F23	F24	F25
Revenue	49,915	53,608	56,177	80,238	75,139	96,602	105,801	115,939	127,064	137,903
Environmental Management Fee	37,000	40,180	42,189	54,244	54,244	74,030	79,952	86,349	93,256	100,717
NRM-DEA					646	1,311	1,398	1,472	1,472	0
Tourism & Other Revenue	12,915	13,428	13,988	25,994	20,249	21,261	24,451	28,118	32,336	37,186
Cost of sales	-	-	-	-	-	-	-	-	-	-
Gross profit	49,915	53,608	56,177	80,238	75,139	96,602	105,801	115,939	127,064	137,903
Other operating income	1,683	912	2,145	813	886	500	550	605	666	732
Administration Expenses	64,422	53,956	55,479	79,408	73,302	94,926	102,585	112,152	123,110	133,528
Staff Costs	33,987	34,582	35,407	48,157	43,206	56,163	60,656	66,722	73,394	80,734
Depreciation	3,417	3,708	3,347	3,850	3,850	3,250	3,250	2,950	3,135	3,175
Opex spend against equity contribution	6,300			0	0	0	0	0	0	0
NRM-DEA					646	1,311	1,398	1,472	1,472	0
Other operating & administrative expenses	20,718	15,666	16,725	27,401	25,600	34,202	37,280	41,008	45,109	49,620
Operating income before interest	-12,824	564	2,843	1,643	2,723	2,176	3,767	4,392	4,620	5,107
Net interest and finance charges	-233	-448	-328	-605	-605	-635	-764	-740	-651	-651
Interest Paid	975	840	847	955	955	985	914	840	751	751
Interest Received	742	393	519	350	350	350	150	100	100	100
Net Profit (Loss)	-13,057	117	2,515	1,038	2,118	1,541	3,002	3,652	3,969	4,456

Table 21.23: Balance Sheet (Msinsi) (R'ooo)

Msinsi Balance Sheet (in R'000) As at June 30,	F17	F18 Actual	F19	F20 Budget	F20	F21	F22	F23 Forecast	F24	F25
ASSETS										
Non-current assets	26,216	21,770	19,650	20,794	20,396	22,346	22,569	23,044	23,539	23,944
Property, plant and equipment	21,745	18,360	15,201	17,338	15,983	17,733	17,983	18,533	18,898	19,223
Biological Assets	4,244	3,224	4,358	3,300	4,350	4,500	4,450	4,350	4,450	4,500
Intangible Assets	227	186	91	156	63	113	136	161	191	221
Current Assets	12,063	13,722	18,161	13,798	17,565	15,828	18,218	21,054	23,849	26,926
Accounts receivable	2,349	2,441	1,337	1,452	1,146	1,452	1,465	1,500	1,236	1,321
Sundry Debtors	0	0	0	0	0	0	0	0	0	0
Net Intercompany receivable	6,333	5,558	7,477	7,100	8,644	7,100	7,300	7,450	7,550	7,650
Cash and cash equivalents	3,380	5,723	9,347	5,246	7,775	7,276	9,453	12,104	15,063	17,955
Total assets	38,278	35,492	37,811	34,593	37,961	38,174	40,787	44,098	47,388	50,869
Equity	14,303	13,608	16,123	16,035	18,241	19,782	22,785	26,436	30,405	34,862
Share Capital	0	0	0	0	0	0	0	0	0	0
Equity contribution from parent	2,035	173	0	0	0	0	0	0	0	0
Accumulated reserves	12,268	13,435	16,123	16,035	18,241	19,782	22,784	26,436	30,405	34,862
Non-current liabilities	13,041	12,099	11,164	9,607	9,607	8,372	7,252	6,317	4,957	3,407
Interest bearing borrowings	0	0	0	0	0	0	0	0	0	0
Non-Interest bearing Loan - UW	13,041	12,099	11,164	9,607	9,607	8,372	7,252	6,317	4,957	3,407
Current liabilities	10,934	9,784	10,524	8,951	10,113	10,020	10,750	11,345	12,026	12,600
Provisions	3,255	1,546	1,008	4,031	1,750	2,100	2,500	2,700	2,900	3,150
Accounts Payable	7,679	8,238	9,517	4,920	8,363	7,920	8,250	8,645	9,126	9,450
Total reserves and liabilities	38,278	35,492	37,811	34,593	37,961	38,174	40,787	44,098	47,388	50,869

Table 21.24: Cashflow Statement (Msinsi) (R'ooo)

Msinsi Cash Flow Statement For the year ended June 30,	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	Budget			Forecast			
OPERATING ACTIVITIES										
Operating profit before working capital changes	-8,652	5,731	5,036	5,511	5,712	5,426	7,254	7,632	7,845	8,422
Changes in working capital	2,868	-2,090	-923	900	-1,284	160	-396	-431	95	-361
Net cash from operating activities	-5,784	3,641	4,113	6,411	4,428	5,586	6,858	7,201	7,940	8,061
INVESTING ACTIVITIES										
Additions to property, plant and equipment	-8,357	-548	-191	-6,000	-4,632	-5,000	-3,500	-3,500	-3,500	-3,500
Additions to intangible assets	-323	-201	-94	-200	-161	-200	-210	-215	-220	-220
Acquisition of Biological Assets		0	210	0	0	0	0	0	0	0
Proceeds on disposal of biological assets	206			0	0	0	0	0	0	0
Net cash used in investing activities	-8,474	-749	-75	-6,200	-4,793	-5,200	-3,710	-3,715	-3,720	-3,720
FINANCING ACTIVITIES										
Net change in long-term borrowings	-1,730	-942	-935	-1,315	-1,557	-1,235	-1,120	-935	-1,360	-1,550
Interest received	742	393	519	350	350	350	150	100	100	100
Equity Contribution from parent	0	0	0	0	0	0	0	0	0	0
Interest paid	-975	0		-955						
Net cash used in financing activities	-1,963	-549	-416	-1,920	-1,207	-885	-970	-835	-1,260	-1,450
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	-16,221	2,342	3,622	-1,709	-1,572	-499	2,176	2,652	2,959	2,892
At beginning of year	19,602	3,380	5,723	6,955	9,347	7,775	7,276	9,453	12,104	15,063
At end of year	3,380	5,723	9,347	5,246	7,775	7,276	9,453	12,104	15,063	17,955

Table 21.25: Notes to the Cashflow statement (Msinsi) (R'ooo)

NOTES TO THE CASH FLOW STATEMENT	Actual 2017	Actual 2018	Actual 2019	Budget 2020	2020	2021	Forecast			
RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH GENERATED FROM OPERATING ACTIVITIES							2022	2023	2024	2025
Net Profit	(13,057)	117	2,515	1,038	2,118	1,541	3,002	3,652	3,969	4,456
Depreciation	3,417	3,708	3,347	3,850	3,850	3,250	3,250	2,950	3,135	3,175
Write off on biological Assets		87								
Write off on Moveable Assets		196	2							
Profit /Loss on sale of game	(327)									
Biological Assets - Disposal Shongweni		372								
Fair Value Adjustment	788	562	(1,345)	1,058	(1,050)	(150)	50	100	(100)	(50)
Amortisation	294	242	189	189	189	150	187	190	190	190
Interest received	(742)	(393)	(519)	(350)	(350)	(350)	(150)	(100)	(100)	(100)
Interest paid (net of interest capitalized)	975	840	847	955	955	985	914	840	751	751
Operating Profit before working capital changes	(8,652)	5,731	5,036	6,740	5,712	5,426	7,254	7,632	7,845	8,422
Working capital changes	2,868	(2,090)	(923)	1,664	(1,284)	160	(396)	(431)	95	(361)
Change in receivables	(792)	(92)	971	(115)	306	(306)	(13)	(35)	264	(85)
Change in accounts payable.	2,765	986	1,279	(4,597)	3,443	(443)	330	395	481	324
Allowance for Credit Losses		-	134							
Net Changes in the Intercompany receivable	1,101	(1,275)	(2,768)	3,353	(2,752)	559	(1,113)	(991)	(850)	(850)
Movement In Social Investment	(47)									
Change in provisions	(158)	(1,709)	(539)	3,023	(2,281)	350	400	200	200	250
Cash Generated from operations	(5,784)	3,641	4,113	8,404	4,428	5,586	6,858	7,201	7,940	8,061

Table 21.26: Income Statement (Umgeni Water Services) (R'000)

Income Statement (in R'000) For the year ended June 30, Umgeni Water Services	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	Budget	Forecast					
Revenue	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-
Gross margin/profit	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	-	-	-	-
Administration Expenses	50	43	89	61	96	102	110	117	126	134
Share of profit from associate	4,995	5,285	5,664	-	-	-	-	-	-	-
Operating income before interest	4,945	5,235	5,575	(61)	(96)	(102)	(110)	(117)	(126)	(134)
Net interest and finance charges	360	273	379	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-
Interest Received	360	273	273	-	-	-	-	-	-	-
Profit before tax	5,305	5,508	5,954	-	-	-	-	-	-	-
Taxation	101	76	106	-	-	-	-	-	-	-
Net Profit (Loss)	5,204	5,432	5,848	(61)	(96)	(102)	(110)	(117)	(126)	(134)

Table 21.27: Balance Sheet (Umgeni Water Services) (R'000)

Balance Sheet (in R'000) As at June 30,	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
	Actual	Actual	Actual	Budget	Forecast					
ASSETS										
Non-current assets	6,005	6,005	11,669	6,005	11,669	11,669	11,669	11,669	11,669	11,669
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	6,005	6,005	11,669	6,005	11,669	11,669	11,669	11,669	11,669	11,669
Current Assets	12,645	18,098	2,245	12,645	2,245	2,245	2,245	2,245	2,245	2,245
Total assets	18,650	24,103	13,915	18,650	13,915	13,915	13,915	13,915	13,915	13,915
Reserves	18,595	19,043	13,834	18,595	13,834	13,834	13,834	13,834	13,834	13,834
Accumulated reserves and Share capital	18,595	19,043	13,834	18,595	13,834	13,834	13,834	13,834	13,834	13,834
Non-current liabilities	55	-	-	55	-	-	-	-	-	-
Other non-current liabilities	55	-	-	55	-	-	-	-	-	-
Current liabilities	-	5,059	81	-	81	81	81	81	81	81
Accounts payable (including accruals and leases)	-	5,059	81	-	81	81	81	81	81	81
Total reserves and liabilities	18,650	24,103	13,915	18,650	13,915	13,915	13,915	13,915	13,915	13,915

Table 21.28: Group Income Statement (R'ooo)

Group Income Statement (in R'000) For the year ended June 30,	F17	F18	F19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
	Actual	Actual	Actual	Budget group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group
Volume of Bulk treated water sold (in kl'000)	410,506	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
Revenue	2,509,520	2,903,723	3,538,457	4,190,854	4,118,254	4,222,180	4,612,018	5,123,451	5,741,498	6,435,247
Water Sales - Bulk	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
Water Sales - Raw Water	748	662	716	1,156	1,627	1,626	1,738	1,895	2,094	2,315
Wastewater O&M	52,673	61,586	67,648	73,887	76,020	80,954	89,859	96,150	102,880	117,283
Wastewater Management Fee	92,035	110,177	132,144	151,424	151,424	173,835	194,695	218,059	244,226	268,649
Section 30 activities	178,125	65,887	47,184	63,410	53,874	58,247	56,744	62,287	68,416	73,821
Cost of sales	1,178,925	1,191,532	1,328,620	1,797,593	1,555,103	1,819,982	1,923,948	2,117,603	2,320,005	2,543,813
Changes in water inventory	(823)	(438)	(459)	-	-	-	-	-	-	-
Chemicals	62,516	65,453	71,995	120,886	90,096	109,491	120,440	132,484	145,733	160,306
Depreciation	133,698	166,858	209,123	245,176	255,949	292,196	313,526	346,133	366,555	388,182
Energy	226,894	257,361	290,799	422,373	336,502	385,040	435,096	491,658	555,574	627,798
Maintenance	174,586	192,480	207,878	331,208	256,439	349,971	313,169	338,223	365,280	394,503
Raw Water	180,160	209,126	240,000	259,460	265,744	279,248	313,775	351,969	398,899	452,132
Staff Costs	150,942	220,675	250,488	335,453	249,327	294,795	315,431	337,511	361,137	386,416
Section 30 activities	205,421	41,602	25,380	28,728	24,349	26,019	25,579	27,113	28,740	30,464
Other direct operating activities	45,531	38,415	33,416	54,310	76,697	83,222	86,932	92,512	98,088	104,012
Gross profit	1,330,595	1,712,191	2,209,837	2,393,261	2,563,152	2,402,198	2,688,070	3,005,847	3,421,492	3,891,434
<i>53%</i>	<i>59%</i>	<i>62%</i>	<i>57%</i>	<i>62%</i>	<i>57%</i>	<i>57%</i>	<i>57%</i>	<i>57%</i>	<i>57%</i>	<i>57%</i>
Other operating income	32,503	13,746	26,179	5,023	5,336	5,060	5,110	5,165	5,226	5,292
Administration Expenses	770,098	741,371	1,045,759	1,281,460	1,503,918	1,569,865	1,843,214	1,887,046	2,043,986	2,132,884
Staff Costs	354,753	371,710	423,832	462,757	399,958	493,428	528,529	567,346	609,062	653,899
Energy	6,265	6,928	6,660	8,875	8,875	9,328	10,540	11,911	13,459	15,209
Depreciation	37,356	72,738	74,263	103,774	55,991	70,994	98,092	92,386	97,847	103,475
Amortization	11,856	53,588	52,463	33,691	48,760	74,684	53,260	13,569	190	190
Impairments	57,872	(117,984)	(61,061)	17,718	(10,332)	73,915	269,612	287,301	355,281	319,902
Maintenance	15,457	20,215	16,723	24,424	22,656	24,613	26,583	28,709	31,006	33,486
Retirement Benefits	65,600	64,902	57,292	124,605	98,637	109,613	131,359	142,902	155,476	169,175
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	308,262	269,274	475,587	505,616	879,372	713,290	725,238	742,922	781,665	837,548
Operating income before interest	593,001	984,566	1,190,257	1,116,824	1,064,570	837,392	849,966	1,123,966	1,382,732	1,763,841
Net interest and finance charges	(148,202)	(176,189)	(216,592)	(119,041)	(136,758)	(120,397)	(49,105)	12,650	71,246	114,045
Interest Paid	1,399	1,718	13,955	19,310	19,147	16,614	24,689	51,414	98,894	148,435
Interest Received	(149,601)	(177,907)	(230,547)	(138,350)	(155,905)	(137,011)	(73,794)	(38,764)	(27,648)	(34,389)
Share of profit from associate	4,995	5,285	5,664	-	-	-	-	-	-	-
Profit before Taxation	746,198	1,166,040	1,412,513	1,235,865	1,201,328	957,789	899,071	1,111,316	1,311,486	1,649,796
Taxation	(101)	(76)	(106)	-	-	-	-	-	-	-
Net Profit (Loss)	746,097	1,165,964	1,412,407	1,235,865	1,201,328	957,789	899,071	1,111,316	1,311,486	1,649,796
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
- Retirement Benefit adjustment (IAS 19)	93,472	82,070	50,001	-	-	-	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	839,569	1,248,034	1,462,408	1,235,865	1,201,328	957,789	899,071	1,111,316	1,311,486	1,649,796

Table 21.29: Group Balance Sheet (R'ooo)

Group Balance Sheet (in R'000) As at June 30,	F17	F18	F19	F'20	F'20	F'21	F'22	F'23	F'24	F'25
	Actual	Actual	Actual	Budget group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group
ASSETS										
Non-current assets	8,270,237	8,954,735	9,927,863	11,565,457	11,063,448	11,654,454	13,407,613	15,959,871	19,486,594	23,533,884
Property, plant and equipment	7,774,146	8,324,248	9,195,452	11,032,473	10,326,630	11,452,543	13,257,683	15,814,855	19,020,971	22,736,103
Intangible assets	250,892	217,360	204,127	60,578	257,433	182,949	129,899	116,545	116,575	116,605
Other non-current assets	4,244	3,224	4,359	3,300	4,350	4,500	4,450	4,350	4,450	4,500
Investments - Financial Instruments	234,949	403,898	512,256	460,609	461,809	-	-	7,605	326,722	657,250
Investments in subsidiaries and associates	6,005	6,005	11,669	8,497	13,226	14,461	15,581	16,516	17,876	19,426
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Current Assets	2,070,839	2,679,861	3,266,587	2,201,227	3,226,853	3,029,321	2,212,494	1,935,293	1,743,676	1,616,096
Inventories	15,735	18,955	18,985	25,904	19,016	19,049	19,083	19,119	19,157	19,197
Accounts receivable	341,269	407,583	649,696	523,143	720,829	757,563	818,450	878,695	937,244	1,002,656
Sundry Debtors	86,618	106,683	90,188	94,610	85,100	85,100	85,100	85,100	85,100	85,100
Short-term investments	1,566,715	2,076,596	2,341,507	1,497,577	2,315,639	2,081,728	1,202,728	861,728	608,728	412,728
Interest Receivable	35,585	43,952	79,381	43,953	77,712	77,712	77,712	77,712	77,712	77,712
Bank balances and cash	24,917	26,092	86,830	16,040	8,557	8,169	9,421	12,938	15,735	18,704
Total assets	10,341,076	11,634,596	13,194,450	13,766,684	14,290,301	14,683,774	15,620,107	17,895,164	21,230,270	25,149,980
Reserves										
Accumulated reserves	6,817,778	8,060,765	9,523,174	10,311,136	10,724,596	11,682,488	12,581,670	13,693,102	15,004,714	16,654,645
Non-current liabilities	2,523,549	2,477,721	2,489,280	1,969,820	1,916,304	1,955,802	2,012,520	3,115,799	5,012,840	6,182,555
Interest bearing borrowings	1,871,914	1,792,901	1,763,679	1,133,226	1,133,226	1,108,388	1,083,549	2,098,710	3,900,538	4,967,366
Post retirement medical benefit obligations	569,405	554,850	565,421	706,624	622,898	687,235	768,791	856,909	952,122	1,055,009
Long term provisions	39,120	34,102	1,078	34,102	1,078	1,078	1,078	1,078	1,078	1,078
Other Non Current Liabilities	43,110	95,868	159,102	95,868	159,102	159,102	159,102	159,102	159,102	159,102
Current liabilities	999,748	1,096,111	1,181,996	1,485,728	1,649,401	1,045,485	1,025,916	1,086,262	1,212,716	2,312,779
Accounts payable (including accruals & leases)	781,802	871,882	966,799	680,666	831,489	853,336	833,466	813,711	794,092	774,316
Provisions	81,680	89,190	132,247	120,342	132,990	133,340	133,740	133,940	134,140	134,390
Current portion of interest bearing loans	78,810	79,011	29,221	629,442	629,442	24,839	24,839	104,839	251,505	1,370,839
Other payables/loans	57,456	56,028	53,729	55,277	55,481	33,970	33,871	33,772	32,978	33,234
Total reserves and liabilities	10,341,076	11,634,598	13,194,451	13,766,684	14,290,301	14,683,775	15,620,105	17,895,164	21,230,270	25,149,979

Table 21.30: Group Cashflow Statement (R'ooo)

Group Cash Flow Statement (in R'000) For the year ended June 30,	F'17	F'18	F'19	F'20 Budget group	F'20	F'21	F'22	F'23	F'24	F'25
	Actual	Actual	Actual		Forecast group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group
OPERATING ACTIVITIES										
Operating profit before working capital changes	1,024,081	1,344,648	1,753,557	1,595,878	1,475,358	1,415,724	1,669,360	1,954,683	2,301,012	2,681,916
Changes in working capital	(211,856)	(10,525)	(190,153)	(99,120)	(202,545)	(15,452)	(81,194)	(80,561)	(78,630)	(85,593)
Net cash from operating activities	812,225	1,334,123	1,563,404	1,496,758	1,272,813	1,400,272	1,588,166	1,874,122	2,222,382	2,596,323
INVESTING ACTIVITIES										
Additions to property, plant and equipment	(1,126,025)	(972,292)	(1,161,682)	(1,510,698)	(1,451,328)	(1,415,845)	(2,390,911)	(3,080,446)	(3,633,517)	(3,936,440)
Additions to intangible assets	(46,240)	(17,290)	(42,209)	(200)	(102,067)	(200)	(210)	(215)	(220)	(220)
Additions to biological assets	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of Property, plant & equipment	1,845	392	-	-	-	-	-	-	-	-
Proceeds on disposal of Biological Assets	206	-	-	-	-	-	-	-	-	-
Grant Funding	371,056	454,741	151,590	-	186,957	-	-	-	-	-
Increase of intercompany borrowings/divident received	-	-	5,285	-	-	-	-	-	-	-
Net cash used in investing activities	(799,158)	(534,449)	(1,047,016)	(1,510,898)	(1,366,439)	(1,416,045)	(2,391,121)	(3,080,661)	(3,633,737)	(3,936,660)
FINANCING ACTIVITIES										
Net change in long-term borrowings	(78,619)	(78,810)	(79,011)	(30,537)	(30,779)	(630,677)	(25,959)	(25,774)	(106,199)	(253,055)
New Debt proposed	-	-	-	-	-	-	-	1,120,000	2,053,333	2,426,667
Net Investments - LTI & RED	156,296	(641,317)	(326,886)	145,000	129,000	476,876	879,000	333,551	(58,847)	(105,381)
Proceeds from (repaid to) short-term borrowings	-	-	-	-	-	-	-	-	-	11,000
Equity Contribution from parent	-	-	-	-	-	-	-	-	-	-
Net interest (Paid) received	(109,713)	(78,372)	(49,754)	(102,387)	(82,869)	169,186	(48,836)	(217,721)	(474,135)	(735,925)
Interest received	103,989	126,860	148,601	139,305	156,860	137,996	74,709	39,604	28,399	35,140
Deferred interest amortized	-	-	-	(221,428)	(220,582)	47,805	(98,855)	(205,911)	(403,640)	(622,630)
Interest paid	(213,702)	(205,232)	(198,355)	(20,265)	(19,147)	(16,614)	(24,689)	(51,414)	(98,894)	(148,435)
Net Repo & Market-making	-	-	-	-	-	-	-	-	-	-
Net cash used in financing activities	(32,036)	(798,499)	(455,651)	12,076	15,352	15,385	804,205	1,210,056	1,414,152	1,343,306
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	(18,969)	1,175	60,738	(2,064)	(78,273)	(388)	1,250	3,517	2,797	2,968
At beginning of year	43,886	24,917	26,092	18,103	86,830	8,557	8,169	9,419	12,937	15,734
At end of year	24,917	26,092	86,830	16,040	8,557	8,169	9,419	12,937	15,734	18,702

Table 21.31: Group Notes to the Cashflow Statements (R'ooo)

NOTES TO THE CASHFLOW STATEMENT	F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS	Actual	Actual	Actual	Budget			Forecast			
NET PROFIT	746,097	1,165,963	1,412,407	1,235,865	1,201,413	957,790	899,071	1,111,316	1,311,486	1,649,797
Adjust for:										
Amortisation of intangible asset	9,103	50,822	49,930	33,909	48,760	74,684	53,260	13,569	190	190
Amortisation of financial asset	2,754	2,762	2,533	0	0	0	0	0	0	0
Asset Impairments	57,053	-77,122	31,162	17,718	-10,332	73,915	269,612	287,301	355,281	319,902
Depreciation	176,601	246,464	289,509	348,950	315,848	365,546	414,916	441,629	467,696	495,145
Darville liability amortisation				0	0	0	0	0	0	0
Doubtful debts provision	37,350	13,411	51,839							
Fair value adjustment of biological assets	788	562	-1,345	0	0	0	0	0	0	0
Finance costs	1,399	1,719	13,955	20,265	20,102	17,599	25,604	52,254	99,645	149,185
Interest received	-149,601	-177,907	-230,547	-139,305	-156,860	-137,996	-74,709	-39,604	-28,399	-35,140
Profit from associate	-4,995	-5,285	-5,664							
Increase/(decrease) in Provisions and non-current liabilities	153,149	126,623	133,709	78,676	57,477	64,337	81,556	88,118	95,214	102,887
Profit (loss) on disposal of PPE	-1,026	-200	318	0	0	0	0	0	0	0
Profit (loss) on sale of biological assets	-1,013			0	0	0	0	0	0	0
(Profit) loss on disposal of Non current asset held for sale				0	0	0	0	0	0	0
tax paid/income tax expense	-4	-64	30		101					
Other adjustment	-3,572	-3,100	5,721	-200	-1,151	-150	50	100	-100	-50
Operating income before changes in working capital	1,024,081	1,344,648	1,753,557	1,595,878	1,475,358	1,415,724	1,669,360	1,954,683	2,301,012	2,681,916
Working capital changes:	-211,856	-10,525	-190,153	-99,120	-202,545	-15,452	-81,194	-80,561	-78,630	-85,593
(Increase)/decrease in inventories	-1,014	-3,220	-30	-3,567	-31	-33	-34	-36	-38	-40
(Increase) decrease in accounts receivable	-67,804	-97,386	-294,285	-76,476	-68,580	-36,175	-61,999	-61,237	-59,399	-66,262
Increase/(decrease) in accounts payable	-143,039	102,069	96,967	-19,077	-133,934	20,756	-19,160	-19,288	-19,193	-19,292
Increase/(decrease) in intercompany loan (UWS)		-11,988	7,195							
Net Cash generated from operations	812,225	1,334,123	1,563,404	1,496,758	1,272,813	1,400,272	1,588,166	1,874,122	2,222,382	2,596,323

Table 21.32: Segmental Report (R'ooo)

Segmental Report (in R'000) For the year ended June 30,	F'18				F'19				F'20				F'21			
	Primary				Primary				Primary				Primary			
	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total
Volume sold	434,568			434,568	471,801			471,801	501,576			501,576	512,575			512,575
Revenue	2,666,074	171,762	65,887	2,903,723	3,291,481	199,792	47,184	3,538,457	3,836,936	227,444	53,874	4,118,254	3,909,143	254,790	58,247	4,222,180
Cost of sales	-1,050,913	-96,524	-44,095	-1,191,532	-1,197,721	-103,773	-27,126	-1,328,620	-1,382,196	-147,005	-25,901	-1,555,103	-1,630,000	-162,185	-27,797	-1,819,982
Changes in water inventory	438	0	0	438	459	0	0	459	0	0	0	0	0	0	0	0
Chemicals	-59,585	-5,868	0	-65,453	-67,046	-4,949	0	-71,995	-85,092	-5,005	0	-90,096	-103,513	-5,979	0	-109,491
Depreciation	-164,403	-2,455	0	-166,858	-204,523	-4,599	0	-209,123	-226,119	-29,830	0	-255,949	-261,962	-30,234	0	-292,196
Energy	-235,600	-21,761	0	-257,361	-265,937	-24,862	0	-290,799	-307,651	-28,851	0	-336,502	-351,400	-33,640	0	-385,040
Maintenance	-170,330	-20,647	-1,503	-192,480	-186,930	-20,295	-653	-207,878	-229,612	-26,188	-639	-256,439	-318,862	-30,392	-718	-349,971
Raw water	-209,126	0	0	-209,126	-240,000	0	0	-240,000	-265,744	0	0	-265,744	-279,248	0	0	-279,248
Section 30 activities	0	0	-41,602	-41,602	0	0	-25,380	-25,380	0	0	-24,349	-24,349	0	0	-26,019	-26,019
Staff costs	-187,035	-33,145	-496	-220,675	-211,891	-38,020	-577	-250,488	-209,240	-39,250	-836	-249,327	-251,096	-42,790	-910	-294,795
Other direct operating expenses	-25,273	-12,647	-494	-38,415	-21,853	-11,047	-516	-33,416	-58,739	-17,881	-77	-76,697	-63,921	-19,151	-151	-83,222
Gross profit	1,615,160	75,239	21,792	1,712,191	2,093,760	96,019	20,058	2,209,837	2,454,740	80,439	27,973	2,563,152	2,279,143	92,605	30,450	2,402,198
Other income	8,573	3,695	1,478	13,746	35,381	1,055	-10,257	26,179	4,150	300	886	5,336	4,250	310	500	5,060
Other operating and administration expenses	-700,280	-23,742	-17,349	-741,371	-961,918	-69,676	-14,165	-1,045,759	-1,382,541	-100,001	-21,376	-1,503,918	-1,440,831	-105,558	-23,477	-1,569,865
Amortisation	-31,170	0	-22,418	-53,588	-87,601	0	35,138	-52,463	-48,571	0	-189	-48,760	-74,534	0	-150	-74,684
Impairments and write-offs	78,033	0	39,951	117,984	61,061	0	0	61,061	75,895	-65,563	0	10,332	-6,337	-67,578	0	-73,915
Depreciation	-67,838	-1,130	-3,770	-72,738	-69,707	-1,130	-3,426	-74,263	-51,054	-1,087	-3,850	-55,991	-66,690	-1,054	-3,250	-70,994
Other expenses	-679,304	-22,612	-31,113	-733,029	-865,671	-68,547	-45,876	-980,094	-1,358,810	-33,351	-17,337	-1,409,498	-1,293,270	-36,926	-20,077	-1,350,273
Profit from operations	923,454	55,192	5,920	984,566	1,167,223	27,398	-4,364	1,190,257	1,076,350	-19,263	7,483	1,064,570	842,562	-12,643	7,474	837,392
Interest income	178,081	0	-174	177,907	230,496	0	51	230,547	156,510	0	-605	155,905	137,646	0	-635	137,011
Finance costs	-1,774	411	-355	-1,718	-14,694	739	0	-13,955	-17,176	-1,971	0	-19,147	-15,021	-1,594	0	-16,614
Share of profit from associate	0	0	5,285	5,285	0	0	5,664	5,664	0	0	0	0	0	0	0	0
Profit before tax	1,099,761	55,603	10,676	1,166,040	1,383,026	28,137	1,351	1,412,513	1,215,683	-21,234	6,878	1,201,328	965,188	-14,237	6,839	957,789
Taxation			-76	-76			-106	-106				0				0
Profit for the year	1,099,761	55,603	10,600	1,165,964	1,383,026	28,137	1,245	1,412,407	1,215,683	-21,234	6,878	1,201,328	965,188	-14,237	6,839	957,789
Capital expenditure	800,588	187,612	1,382	989,582	1,015,994	187,612	285	1,203,891	1,404,778	143,663	4,793	1,553,234	1,184,053	226,792	5,200	1,416,045
Segment assets	8,714,300	132,499	111,112	8,957,911	9,894,439	180,884	64,140	10,139,463	10,225,350	293,630	65,083	10,584,063	11,079,325	489,135	67,033	11,635,493
Interest in associate	0	0	6,005	6,005	0	0	11,669	11,669	0	0	13,226	13,226	0	0	14,461	14,461
Investments	2,336,923	0	143,571	2,480,494	2,724,214	0	129,549	2,853,763	2,777,448	0	0	2,777,448	2,081,728	0	0	2,081,728
Unallocated				190,186				189,555				915,564				952,093
Consolidated total assets				11,634,596				13,194,450				14,290,301				14,683,774
Segment liabilities	1,871,912	0	122,354	1,994,266	1,663,351	0	129,549	1,792,900	2,173,328	1,393,000	19,801	3,586,129	1,422,287	1,579,000	18,473	3,019,760
Unallocated				1,579,566				1,878,376				-20,423				-18,473
Consolidated total liabilities				3,573,832				3,671,276				3,565,705				3,001,287

21.10 Capital Expenditure Programme

The capital expenditure programme is integral to the execution of Umgeni Water's growth and water services delivery strategy and is thus a significant component of Umgeni Water's Business Plan. The capital infrastructure programme is based on Umgeni Water's Infrastructure Master Plan which is aligned to the KZN Bulk water supply plan. Umgeni water's Infrastructure Master Plan is updated annually and outlines the organisation's future bulk infrastructure requirements to meet the regional demands. The capital infrastructure programme is drawn from this Master Plan and structured according to the provincial and local strategic priorities.

In drafting this Infrastructure Master Plan Umgeni Water takes into consideration customer Intergrated Development Plans & Water Services Development Plans whilst aligning development with government's Provincial Growth and Development Strategy (PGDS). In addition, Umgeni Water meets regularly with its customers to ensure that this alignment is current.

Table 21.33: Summary of Capex Cashflow to 2025 (R'000)

CASHFLOWS UNESCALATED								
CAPEX CATEGORY	Actual F'19	Total 2020 - 2025	Forecast					
			F20	F21	F22	F23	F24	F25
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
AUGMENTATION	93,047	3,803,257	141,427	167,060	462,875	910,945	1,020,950	1,100,000
EXPANSION	23,652	392,324	8,594	21,010	75,960	73,872	85,629	127,259
UPGRADE	435,719	1,746,659	504,789	247,579	326,547	204,212	204,578	258,954
REHABILITATION	173,988	2,541,278	332,026	477,505	563,182	561,494	477,071	130,000
DEVELOPMENT PROJECTS	383,418	4,661,646	323,494	336,641	774,584	875,645	1,083,505	1,267,777
IMMOVABLE	1,109,824	13,145,163	1,310,330	1,249,795	2,203,147	2,626,169	2,871,733	2,883,990
CP 2020		11,743,550	1,664,469	1,808,197	1,786,795	1,796,173	1,994,563	2,693,353
% Increase / (Decrease)		12%	-21%	-31%	23%	46%	44%	7%
EQUIPMENT & VEHICLES	33,832	144,773	81,576	28,725	6,541	5,970	10,461	11,500
ICT	103,063	255,545	131,045	124,500	-	-	-	-
LABORATORY & PROCESS SERVICES	3,741	64,770	25,651	7,825	7,035	10,739	7,450	6,070
MOVABLE	140,637	465,088	238,272	161,050	13,576	16,709	17,911	17,570
CP 2020		274,368	250,496	14,898	6,974	-	-	2,000
% Increase / (Decrease)		70%	-5%	981%	95%	100%	100%	779%
TOTAL CAPITAL BUDGET	1,250,461	13,610,252	1,548,602	1,410,845	2,216,723	2,642,878	2,889,644	2,901,560
CP 2020		12,017,919	1,914,965	1,823,095	1,793,769	1,796,173	1,994,563	2,695,353
Increase / (Decrease)		1,592,333	-366,363	-412,250	422,954	846,705	895,080	206,206
% Increase / (Decrease)		13%	-19%	-23%	24%	47%	45%	8%
CASHFLOWS ESCALATED								
SUMMARY OF ESCALATED BUDGET		Total 2020 - 2025	F20	F21	F22	F23	F24	F25
IMMOVABLE BUDGET		15,507,049	1,310,330	1,249,795	2,372,789	3,057,493	3,607,517	3,909,124
MOVABLE BUDGET		479,098	238,272	161,050	14,006	19,453	22,500	23,815
TOTAL CAPITAL BUDGET		15,986,146	1,548,602	1,410,845	2,386,796	3,076,946	3,630,017	3,932,940
ESCALATION %		17%	0%	0%	8%	16%	26%	36%

21.10.1. Major movements from the 2020 Corporate Plan

Table 21.34: Analysis of change in project total and 5 year cashflow investment

CAPEX CATEGORY	COMPARISON OF PROJECT TOTAL	COMPARISON OF 5 YR CASHFLOW
	CP 2021 vs CP2020 Increase / (Decrease)	CP 2021 vs CP 2020 Increase / (Decrease)
	R'000	R'000
Augmentation	1,637,904	-1,587,838
Expansion	26,605	30,590
Upgrade	175,507	127,661
Rehabilitation	1,529,520	1,526,763
Development Projects	2,917,687	1,304,437
Equipment & Vehicles	46,892	45,974
Information Communication & Technology	120,384	115,500
Laboratory & Process Services	29,247	29,247
INCREASE	6,483,745	1,592,333

Table 21.35: Major movements between project totals (2020 CP vs 2021 CP)

The following projects have led to an increase in the project totals since the 2020 CP

CAPEX CATEGORY	CP 2021 vs CP 2020 Increase / (Decrease)	New Project	Scope Changes	Revision of Estimate based on stage of Project	Cancellation /Commissioned
	R'000	R'000	R'000	R'000	R'000
uMkhomazi Water Project	836,627			836,627	
Lower Mkomazi Bulk Water Scheme	717,705			717,705	
Mpofana Hydropower Unit	129,000		129,000		
Greater Mpofana Regional Scheme Phases 2	98,369			98,369	
Impendle- Stepmore	87,337			87,337	
uMshwati Ph 6	150,250			150,250	
Wartburg to Bruyns Hill Pipeline	-122,636				-122,636
Stephen Dlamini Bulk Water Supply Scheme BWSS	1,220,000	1,220,000			
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	95,209		95,209		
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	1,115,461		1,115,461		
Msuznduzi to Darvill sewer outfall	121,555	121,555			
Darvill WWW: Plant Capacity Increase (85ML/d) (MBR - 10ML/d in 3-5yrs)	124,541			124,541	
Honolulu to Stanger Pipeline	105,000			105,000	
Wiggins: HLPs Pumps Refurbishment	-30,000				-30,000
Ndwedwe Pumpstation 1 & 2	-60,000				-60,000
Greater Mpofana Regional Scheme Phases 1	81,132		81,132		
Impendle- Stepmore	87,337			87,337	
Vulindlela PS and Reservoir	59,222			59,222	
Weza Harding Abstraction and Pipeline	68,000	68,000			
Inland Renewals	61,300		61,300		
Refurbishment of Pineside Regional Offices	71,332		71,332		
Ncwabeni Off-channel storage dam	1,051,000	1,051,000			
Hazelmere Pumps (Capacity Upgrade)	48,000			48,000	
Other Projects	368,004	69,200		298,804	
TOTAL CAPEX	6,483,745	2,529,755	1,553,435	2,613,191	-212,636

Table 21.36: Major movements between five year cashflows (2020 CP vs CP 2021)

The decrease in the 5 year cashflows since the 2020 CP is due to the following projects:

CAPEX CATEGORY	CP 2021 vs CP 2020 Increase / (Decrease) R'000	New Project R'000	Scope Changes R'000	Revision of Estimate based on stage of Project R'000	Project Acceleration /Delay R'000	Cancellation/Commissioned R'000
uMkhomazi Water Project	-2,732,411				-2,732,411	
Lower Mkomazi Bulk Water Scheme	984,270				984,270	
Mpofana Hydropower Unit	129,000	129,000				
Greater Mpofana Regional Scheme Phases 1	81,132			81,132		
Greater Mpofana Regional Scheme Phases 2	65,158				65,158	
Impendle- Nzinga	-221,919				-221,919	
Impendle- Stepmore	85,337				85,337	
uMshwathi Ph 4 - Southern Ndwedwe	-85,721				-85,721	
uMshwathi Ph 6	103,000				103,000	
Lower Thukela BWS - Phase 2	357,278				357,278	
Maphumulo Phase 3 : 6MI WW	60,898				60,898	
Vulindlela PS and Reservoir	79,222				79,222	
Mpofana WWW Upgrade	-312,485				-312,485	
Weza Harding Abstraction and Pipeline	68,000	68,000				
Stephen Dlamini Bulk Water Supply Scheme BWSS	620,000	620,000				
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	95,209		95,209			
Inland Renewals	61,063		61,063			
Refurbishment of Pineside Regional Offices	71,332		71,332			
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	1,115,461		1,115,461			
Msunduzi to Darvill sewer outfall	121,555	121,555				
Darvill WWW: Plant Capacity Increase (85MI/d) (MBR - 10MI/d in 3-5yrs)	97,132			97,132		
Honululu to Stanger Pipeline	64,028			64,028		
Richmond WWW Upgrade	-116,100				-116,100	
Wiggins High Lift Pump Station	-96,152					-96,152
Midmar WW Upgrade Ph 2 (250 to 375MI/d) & Midmar Dam RWPS	-7,247			-7,247		
Trust Feeds WWTW	31,430				31,430	
N3 Corridor WWTW	27,977				27,977	
Ncwabeni Off-channel storage dam	320,000	320,000				
Ezakheni WTP Raw Water Abstraction Refurbishment	45,000	45,000				
Ilovu River Raw Water Transfer Pump Station	21,084				21,084	
Hazelmere Pumps (Capacity Upgrade)	48,000			48,000		
Telemetry for Ezakheni WTP, Olifantskop WTP and Tugela Estates WTP	22,000	22,000				
Research & Development Equipment	18,000	18,000				
Central- Critical Tools and Equipment	20,000	20,000				
Access Control & CCTV	30,000	30,000				
SAP S/4 HANA	30,000	30,000				
Other	291,801	204,200		250,226	250,226	-412,850
TOTAL CAPEX	1,592,334	1,627,755	1,343,065	533,272	-1,402,756	-509,002

Whilst the capex plan is pursuant to the KZN Bulk water supply plan, it is also prioritised and balanced in terms of projects that will provide the necessary return to ensure the continued financial viability. These are the investments in Augmentation, Expansion and Upgrade projects. Over the next 5 years, there will be increased focus on the following key projects:

Table 21.37: Major Projects

Project description	Project Total	F'20 to F'25	F'21 Cashflows	Stage of completion based on gate review
	R'000	R'000	R'000	
uMkhomazi Water Project	6,968,869	478,312	1,000	Gate 4 – Feasibility
Lower Mkomazi Bulk Water Scheme	4,927,403	3,093,446	150,000	Gate 5 - Design Development
Greater Mpofana Regional Scheme Phases 1	838,475	212,987		Gate 7 - In construction
Impendle- Stepmore	195,993	184,417	3,000	Gate 5 - Design Development
uMshwathi Ph 4 - Southern Ndwedwe	677,528	520,445	18,950	Gate 5 - Design Development
uMshwathi Ph 6	301,250	254,000	200	Gate 6 - Design Development
Lower Thukela BWS - Phase 2	774,377	478,900	980	Gate 3 - Pre-Feasibility
Maphumulo Phase 3 : 6MI WW	245,611	205,612	20,132	Gate 7 - In construction

Project description	Project Total	F'20 to F'25	F'21 Cashflows	Stage of completion based on gate review
	R'000	R'000	R'000	
Mhlabatshane Sub-Regional Scheme Ph 2	570,201	231,864	3,640	Gate 5 - Design Development
Vulindlela PS and Reservoir	408,208	401,334	56,690	Gate 5 - Design Development
Mpophomeni WWW	399,738	380,943	66,495	Gate 6 - Design Development
Mpofana WWW Upgrade	362,649	16,909	700	Gate 5 - Design Development
Stephen Dlamini Bulk Water Supply Scheme BWSS Note1	1,220,000	620,000	700	Gate 5 - Design Development
South Coast Ph. 3	599,184	247,009	1,300	Gate 3 - Pre-Feasibility
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	1,936,911	1,841,295	206,491	Tender stage

Note 1: The implementation of the Stephen Dlamini BWSS and Ncwabeni Off-channel storage dam is dependent on the directive from DWS for Umgeni Water to fund the building and operations of the Scheme.

21.10.2. Costing for Developmental Mandates

In response to customer water demands and the need to eliminate water service delivery backlogs, a capital expenditure programme of approximately R9.4bn has been planned for rural development. The value of Developmental projects is R4.66bn for 5 years and represents 34% of the 2019/20 to 2024/25 capex programme.

Due to their developmental nature, there is a need for government support via subsidy or grant funding to support part of the social component of these projects which cannot be recovered through the existing tariff structure. The social component carried by Umgeni Water is reflected in the statement of profit and loss as impairments. These impairments are recognized during the construction period and reflected in work in progress on a progressive basis.

Projected funding mix for rural developmental projects

The following table illustrates the required funding mix for the Rural Development (Excl. Vat and Interest).

Table 21.38: Projected Funding mix for development projects (R'000)

Project in progress	Total Capital costs	Targeted funding mix			
		Grant funding		Umgeni Water	
		R'000	%	R'000	
Greater Mpofana Regional Scheme Phases 1	838,475	550,000	54%	288,475	34%
Greater Mpofana Regional Scheme Phases 2	173,421			173,421	100%
Impendle- Nzinga	292,414		0%	292,414	100%
Impendle- Stepmore	195,993		0%	195,993	100%
uMshwathi Bulk Water Supply Scheme (Wartburg Phase 1, 2 & 3)	974,258	857,316	88%	116,942	12%
uMshwathi Ph 4 - Southern Ndwedwe	677,528	292,692	43%	384,836	57%
uMshwathi Ph 6	301,250	85,993	29%	215,257	71%
Lower Thukela BWS - Phase 1	56,458		0%	56,458	100%
Lower Thukela BWS - Phase 2	774,377	774,377	100%	0	0%
Maphumulo Phase 3 : 6MI WW	245,611	195,620	80%	49,991	20%
Maphumulo Phase 4 : Weir on Hlimbitwe River	106,365		0%	106,365	100%
Mhlabatshane Sub-Regional Scheme Ph 2	570,201	291,662	51%	278,539	49%
Mkhambathini WWW	2,593		0%	2,593	100%
Trust Feeds WWTW	124,733		0%	124,733	100%
Umbumbulu Pump Station	91,020		0%	91,020	100%
Umbumbulu PL Augmentation	937,500		0%	937,500	100%
Table Mountain BWSS (PL, PS and 3MI Reservoir)	152,372		0%	152,372	100%
Vulindlela PS and Reservoir	408,208		0%	408,208	100%
Mpophomeni WWW	399,738	399,738	100%		0%
Mpophomeni Sewer Outfall	41,747	41,747	100%		0%
N3 Corridor WWTW	81,429		0%	81,429	100%
Cedara - Khanya Village WWTW	34,365		0%	34,365	100%
Mpofana WWW Upgrade	362,649		0%	362,649	100%
Weza Harding Abstraction and Pipeline	68,000		0%	68,000	100%
Stephen Dlamini Bulk Water Supply Scheme BWSS	1,220,000	1,220,000	100%		0%
Total	9,130,705	4,709,144	52%	4,421,561	48%

Note: the Yellow highlighted cells under the grant-funding column represents the confirmed grant funding. The remaining targeted grant funding still to be confirmed.

Impairment of development projects – Umgeni Water’s investment in the social component of developmental projects

In accordance with IAS 36, the carrying amounts of non-financial assets should be reviewed to determine whether there is any indication that the carrying value may not be recoverable and whether those assets should be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. In Terms of International Financial Reporting Standards: (IFRS) IAS 36 Impairment of Assets - An item of property, plant, or equipment shall not be carried at more than recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The impairment reflects the social component funded by Umgeni Water

Table 21.39: Progressive Impairments (R'000)

Project	% Impairment	TOTAL	to 2019 actual	2020	2021	2022	2023	2024	2025	2026 onward
Greater Mpofana	0%	0	73,502	-73,502	-	-	-	-	-	-
Mpophomeni	87%	347,772	16,352	21,498	57,850	131,821	78,263	41,988	0	0
Stephen Dlamini BWSS	100%	1,220,000		0	5,000	115,000	200,000	300,000	300,000	300,000
Mhlabatshane Sub-Regional Scheme Ph 2	15%	145,885	4,675	-2,393	1,337	4,754	9,038	13,293	19,902	95,279
Trust feeds	96%	119,743	47,913	44,065	9,728	18,037	0	0	0	0
TOTAL IMPAIRMENT CP 2021		1,833,400	142,442	-10,332	73,916	269,612	287,301	355,281	319,902	395,279

The reversal in 2019/20 is due to the receipt of grant funding for the Greater Mpofana project.

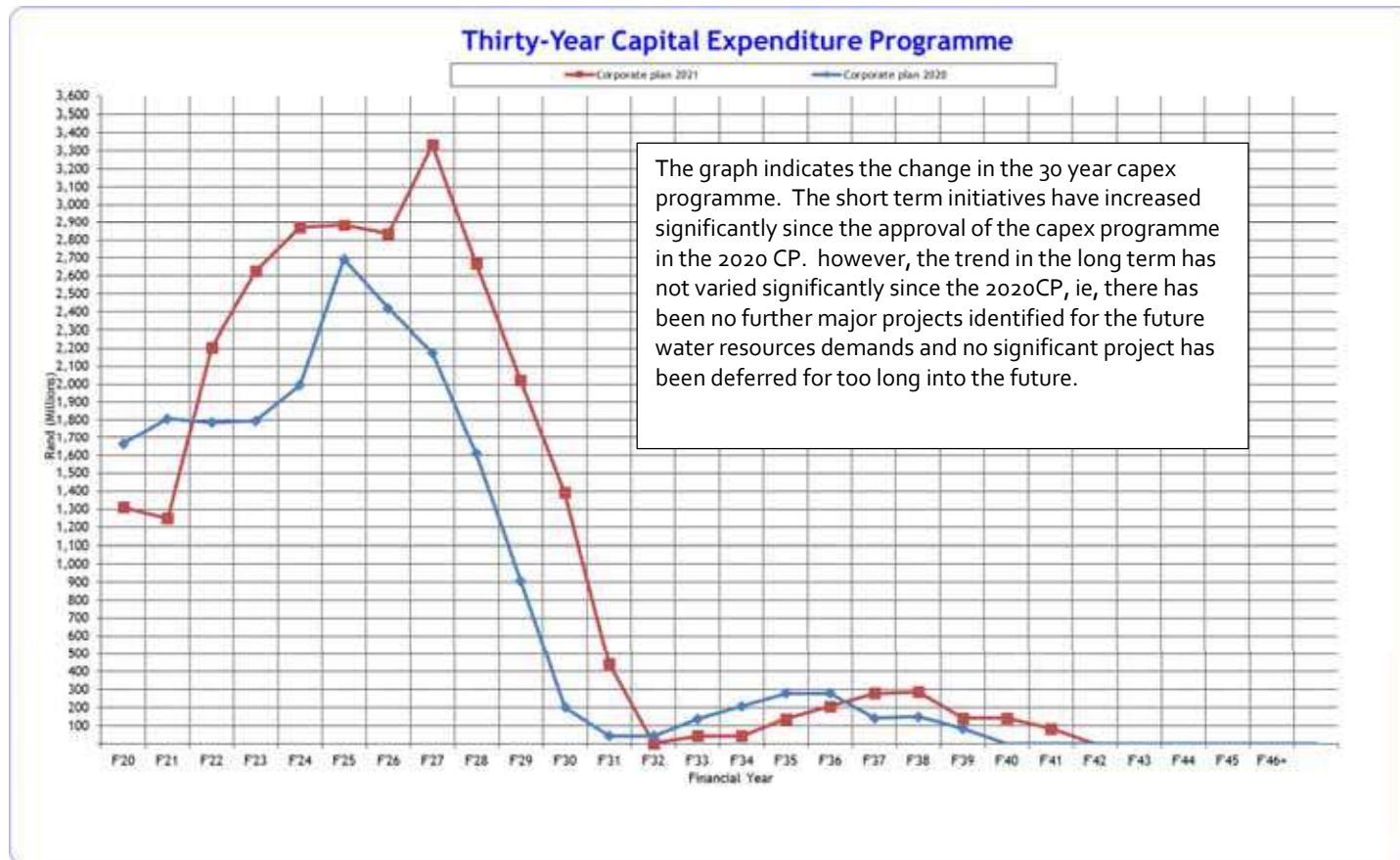
21.10.3. Summary of major capital investments 2020 to 2025

Table 21.40: Major projects

Project Description	Detail Capital Expenditure Programme Corporate Plan 2021										Cashflows Beyond 5 Years F'26 - F'48
	CP 2021	Work in progress 30 June 2019	2020-2025 Cashflows	CP 2021 Cashflows 2020 – 2025						R'000	
				F'20	F'21	F'22	F'23	F'24	F'25		
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
AUGMENTATION	13,535,499	112,757	3,803,257	141,427	167,060	462,875	910,945	1,020,950	1,100,000	9,619,486	
EXPANSION	781,800	37,301	392,324	8,594	21,010	75,960	73,872	85,629	127,259	352,175	
UPGRADE	3,366,298	1,320,618	1,746,659	504,789	247,579	326,547	204,212	204,578	258,954	299,022	
REHABILITATION	2,861,988	320,709	2,541,278	332,026	477,505	563,182	561,494	477,071	130,000		
DEVELOPMENT PROJECTS	9,358,836	899,324	4,661,646	323,494	336,641	774,584	875,645	1,083,505	1,267,777	3,797,866	
IMMOVABLE	29,904,421	2,690,710	13,145,163	1,310,330	1,249,795	2,203,147	2,626,169	2,871,733	2,883,990	14,068,548	
EQUIPMENT & VEHICLES	194,523	34,750	144,773	81,576	28,725	6,541	5,970	10,461	11,500	15,000	
INFORMATION COMMUNICATION TECHNOLOGY	381,724	126,180	255,545	131,045	124,500						
LABORATORY SERVICES	69,478	4,708	64,770	25,651	7,825	7,035	10,739	7,450	6,070		
MOVABLE	645,726	165,638	465,088	238,272	161,050	13,576	16,709	17,911	17,570	15,000	
TOTAL CAPITAL BUDGET	30,550,147	2,856,347	13,610,252	1,548,602	1,410,845	2,216,723	2,642,878	2,889,644	2,901,560	14,083,548	
AUGMENTATION PROJECTS											
Howick West Reservoir Upgrade (16Ml)	85,656	30,422	55,234	35,234	11,070	8,930					
uMkhomazi Water Project	6,968,869	10,396	478,312	18,473	1,000	45,945	45,945	166,950	200,000	6,480,160	
Lower Mkomazi Bulk Water Scheme	4,927,404	71,837	3,093,446	43,446	150,000	400,000	800,000	800,000	900,000	1,762,120	
Fawsley Park BWS	1,377,206									1,377,206	
Mpofana Hydropower Unit	129,000		129,000	1,000	1,000	8,000	65,000	54,000			
Other augmentation projects	47,365	102	47,264	43,274	3,990						
Sub Total - Augmentation	13,535,499	112,757	3,803,257	141,427	167,060	462,875	910,945	1,020,950	1,100,000	9,619,486	
DEVELOPMENT											
Greater Mpofana Regional Scheme Phases 1	838,475	625,488	212,987	66,462	81,758	64,767					
Greater Mpofana Regional Scheme Phases 2	173,421		140,210	1,000	900	5,000	47,000	47,000	39,310	33,211	
Impendle- Nzinga	292,414	3,901	66,385	803	1,000	4,418	5,241	7,541	47,381	222,128	
Impendle- Stepmore	195,993	5,577	184,417	1,732	3,000	39,597	75,446	39,793	24,848	6,000	
uMshwathi Bulk Water Supply Scheme (Wartburg Phase 1, 2 & 3)	146,409	74,428	71,981	71,981							
uMshwathi Ph 4 - Southern Ndwedwe	677,528	6,334	520,445	1,063	18,950	50,000	150,000	200,000	100,432	150,750	
uMshwathi Ph 6	301,250		254,000	1,000	200	21,000	63,000	84,000	84,800	47,250	
Lower Thukela BWS - Phase 1	56,458	46,858	9,600	9,600							
Lower Thukela BWS - Phase 2	774,377	3,714	478,900	3,745	980	5,000	5,000	184,983	279,192	291,763	
Maphumulo Phase 3 : 6MI WW	245,611	39,999	205,612	3,357	20,132	116,066	66,057				
Maphumulo Phase 4 : Weir on Hlimbitwe River	106,365	787	105,578	272		22,731	52,235	30,340			
Mhlabatshane Sub-Regional Scheme Ph 2 - Mzimkhulu River abstraction	570,201	8,179	231,864	3,636	3,640	26,708	47,131	62,135	88,614	330,158	
Trust Feeds WWTW	124,733	49,909	74,824	45,901	8,973	19,950					
Umbumbulu Pump Station	91,020	3,024	87,996	913	9,600	39,083	38,399				
Umbumbulu PL Augmentation	937,500		14,500	2,000				2,500	10,000	923,000	
Table Mountain BWSS (PL, PS and 3MI Reservoir)	152,372		34,600				3,500	5,000	26,100	117,772	
Vulindlela PS and Reservoir	408,208	6,874	401,334	29,466	56,690	102,150	81,978	66,050	65,000		
Mpophomeni WWW	399,738	18,795	380,943	24,710	66,495	151,518	89,957	48,262			
Mpophomeni Sewer Outfall	41,747	1,319	40,429	4,074	26,556	9,799					
N3 Corridor WWTW	81,429	636	80,792	479	25,067	55,246					
Mpofana WWW Upgrade	362,649	906	16,909	7,909	700	3,000	5,300			344,834	
Weza Harding Abstraction and Pipeline	68,000		68,000	38,410	10,000	19,590					
Stephen Dlamini Bulk Water Supply Scheme BWSS	1,220,000		620,000	700	3,000	115,000	200,000	301,300	600,000		
Ncwabeni Off-channel Storage Dam	1,051,000		320,000	1,200	3,000	15,000	100,000	200,800	731,000		
Other Developmental Projects	41,938	2,596	39,342	4,980	100	12,961	15,401	5,900			
Sub Total - Development	9,358,836	899,324	4,661,646	323,494	336,641	774,584	875,645	1,083,505	1,267,777	3,797,866	
EXPANSION											
South Coast Ph. 2b (Kelo to Umdoni)	175,616	37,301	138,315	1,133	12,710	54,720	69,752				
South Coast Ph. 3	599,184		247,009	7,461	1,300	21,240	4,120	85,629	127,259	352,175	

Detail Capital Expenditure Programme Corporate Plan 2021											
Project Description	CP 2021		Work in progress 30 June 2019	2020-2025 Cashflows		CP 2021 Cashflows 2020 – 2025					Cashflows Beyond 5 Years F'26 - F'48
	R'000	R'000	R'000	F'20	F'21	F'22	F'23	F'24	F'25		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
AUGMENTATION	13,535,499		112,757	3,803,257	141,427	167,060	462,875	910,945	1,020,950	1,100,000	9,619,486
Ladysmith Building	7,000			7,000		7,000					
Sub Total - Expansion	781,800		37,301	392,324	8,594	21,010	75,960	73,872	85,629	127,259	352,175
REHABILITATION											
Dbn Hqts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	159,396		6,603	152,793	60,358	76,195	16,240				
Coastal Renewals	101,984		53,377	48,607	22,138			26,469			
Inland Renewals	136,988		12,411	124,578	27,554	79,274	17,750				
Refurbishment of Pineside Regional Offices	82,332		68	82,265	30	300	28,300	23,830	29,805		
Nunqwane Raw Water Aqueduct (450dia x 18km)	157,907		137,165	20,743	19,523	761	459				
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	1,936,911		95,616	1,841,295	179,343	206,491	370,000	508,195	447,266	130,000	
Msuznduzi to Darvill sewer outfall	121,555			121,555		1,000	120,555				
Ezakheni WTP Raw Water Abstraction Refurbishment	45,000			45,000		45,000					
Other rehabilitation projects	119,913		15,470	104,443	23,082	68,484	9,877	3,000			
Sub Total - Rehabilitation	2,861,988		320,709	2,541,278	332,026	477,505	563,182	561,494	477,071	130,000	
UPGRADE											
Darvill Sludge Handling Facility incl Road	88,244		18,943	69,301	23,234	4,899	41,168				
Darvill WWW: Plant Capacity Increase (85M/d) (MBR - 10M/d in 3-5yrs)	1,101,857		936,534	165,323	17,380	47,691	100,252				
Dbn Hqts Shaft Pumps (4 New Pumps - dependant on existing pump test)	124,060		20,192	103,869				10,219	12,520	81,130	
Dbn Hqts WW: Shaft Pump Lifts	46,802		29,279	17,524	17,524						
Dbn Hqts: Pump Stations	126,036		88,289	37,747	37,747						
Hazelmere WW - Sludge Treatment Plant Upgrade	53,332		1,232	52,101	141	500	31,146	20,314			
Hazelmere WW - Upgrade of Reservoir No.2	52,460		578	51,882	9,266	8,266	26,101	8,249			
Honolulu to Stanger Pipeline	133,000			92,028		1,500	7,510	15,718	21,022	46,278	40,972
Inanda Dam Pump Station (Pumps & Valves)	49,420			49,420		1,000		10,000	38,420		
Nagle Dam: Upgrade Ring Main unit at Turbines	51,000			51,000						51,000	
Ndwedwe Pumps (Plant and outstations)	127,331		58,431	68,900	68,900						
Richmond WWW Upgrade	161,069		3,210	30,125	125	750	10,000	19,250			127,734
Umzinto Water Works	75,997		57,783	18,215	18,215						
Wiggins High Lift Pump Station	113,307		1,769	387	387						111,152
Ilovu River Raw Water Transfer Pump Station	70,284			70,284	7	36,367	33,910				
Ultrafiltration Full Scale Evaluation	104,142		3,866	100,276	124		10,000	2,000	52,891	35,261	
Sludge Dewatering Technology Evaluation	51,686		3,738	47,948	588	280	28,160	18,919			
DBN HGTS sludge plant upgrade	88,810		814	87,996	453	490	400	34,532	28,836	23,285	
Hazelmere Pumps (Capacity Upgrade)	98,100			98,100	10,100	10,100	11,900	22,000	22,000	22,000	
North: Hazelmere WTP La Mercy Old PS rehabilitation	45,000			45,000	45,000						
Other Upgrade Projects	604,360		95,962	489,235	255,598	135,735	26,000	43,013	28,889		19,164
Sub Total - Upgrade	3,366,298		1,320,618	1,746,659	504,789	247,579	326,547	204,212	204,578	258,954	299,022
TOTAL IMMOVABLES	29,904,421		2,690,710	13,145,163	1,310,330	1,249,795	2,203,147	2,626,169	2,871,733	2,883,990	14,068,548
MOVABLES											
EQUIPMENT & VEHICLES											
Total Equipment & Vehicles	194,523		34,750	144,773	81,576	28,725	6,541	5,970	10,461	11,500	15,000
ICT											
Hardware (Statistical)	54,039		35,212	18,827	8,827	10,000					
Hardware (Projects)	41,694		7,883	33,811	18,311	15,500					
Software	68,664		21,615	47,049	47,049						
SAP BI Software	69,122		15,264	53,857	53,857						
SAP BI Hardware	46,206		46,206								
Other ICT projects	102,000			102,000	3,000	99,000					
Total ICT	381,724		126,180	255,545	131,045	124,500					
LABORATORY SERVICES											
Total LAB	69,478		4,708	64,770	25,651	7,825	7,035	10,739	7,450	6,070	
TOTAL MOVABLES	645,726		165,638	465,088	238,272	161,050	13,576	16,709	17,911	17,570	15,000

Figure 21.6: 30 year capex programme





Chapter 22: Debt Management Plan



Think Water, Think Umgeni Water.

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Introduction

Umgeni Water's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure. The liability curve and debt redemption is then actively managed through the following principals:

1. Capital structure

A key principle to managing the outstanding debt is to target the optimum capital structure of 70 % fixed and 30 % floating interest rate so as to minimise volatility of both the tariff and income statement.

2. Asset/liability matching

A further key principle to managing Umgeni Water's debt is to match the maturity dates and quantum of debt outstanding in any year to the free cash generated by operations after servicing interest and operational expenditure. This is a pro-actively managed / on-going process.

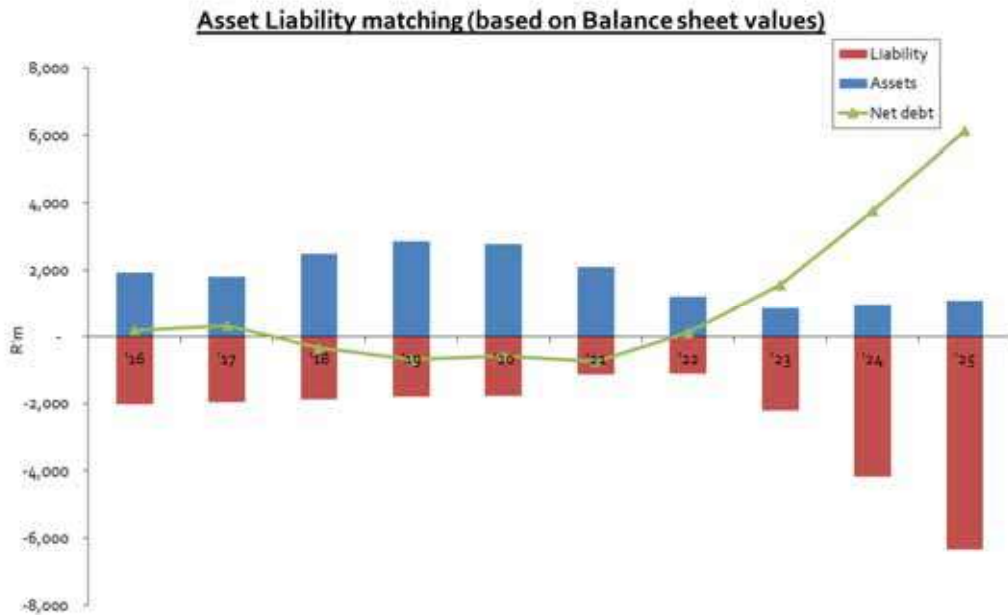
3. Optimal Debt Level

The key driver in determining the optimal level of debt for Umgeni Water is the ability to service debt given the cashflows generated after capital expenditure.

4. Redemption portfolio

Having debt with large bullet repayments, such as the UG21 and the UG26 bond, exposes Umgeni Water to forward starting interest rate and refinancing risk. These risks are eliminated through redemption portfolio management.

Figure 22.1: Asset liability matching (based on Balance Sheet)



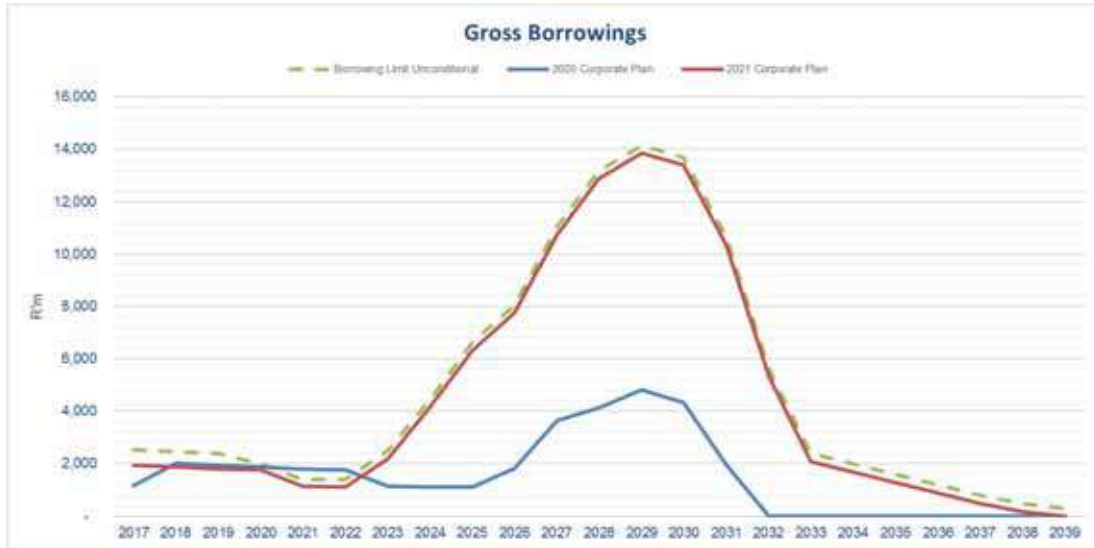
The ensuing paragraphs indicate the long term cashflow projections and outstanding debt projections which are taken into account in managing Umgeni Water's ability to raise funding and serve outstanding debt.

22.1 Long-term cashflow and outstanding debt projections

22.1.1 Debt Curve

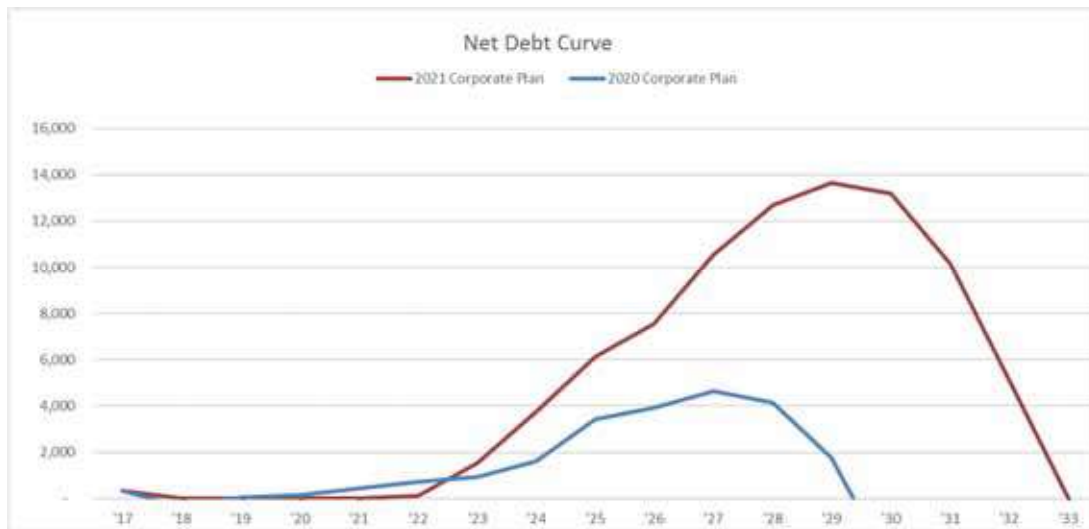
The 2020 Business Plan indicated that gross borrowings will peak at R4 830m in 2027. The gross borrowings curve has increased since then due to the planned implementations of major projects to ensure continued assurance of water resources for UW’s customers. Therefore the peak in gross borrowings is expected to occur in 2029 at R13 854m.

Figure 22.2: Gross borrowings (R’m)



From 2020 onward, operating cashflows generated are projected not to be sufficient to fund both operating and capital expenditure thus the available investments will be utilised to meet funding requirements and will decrease thereby placing Umgeni Water in a net debt position.

Figure 22.3: Net debt curve (R'm)



Net debt increase anticipated in line with the increase in gross debt above. Refer to section 22.3 on the funding strategy.

22.1.2 Funding Strategy

22.1.2.1 Introduction

The funding strategy recommends that the entity obtain long term funding in the years 2022/23 to 2024/25 to meet the funding requirements onward. This is due to the fact that the funding requirements are mainly driven by the capex requirements, the return on this investment being more long term than short term. If the funding requirements were driven through the working capital requirements then short term funding would have been more appropriate.

Table 22.1: Funding requirements 2020 to 2025 (R'm)

FUNDING REQUIREMENTS Financial Year (R'm)	Short term		Medium Term			L/Term
	F20	F21	F22	F23	F24	F25
Operational Cash flows	1,268	1,395	1,581	1,867	2,214	2,588
Capex - Gross (Escalated)	(1,549)	(1,411)	(2,387)	(3,077)	(3,630)	(3,933)
Net Operating and Capex cash flow	(280)	(16)	(806)	(1,210)	(1,416)	(1,345)
Capex - Grants: Confirmed	187	-	-	-	-	-
Financing activities - capital						
Existing Debt	(29)	(29)	(25)	(25)	(25)	(25)
UG26 issued March 2016						
UG21 repayment	-	(600)	-			
New Debt	-	-	-	1,120	1,973	2,200
Financing activities - Net Finance costs						
Existing financial instruments	(83)	(85)	(49)	(82)	(99)	(110)
New Debt	-	-	-	(136)	(375)	(626)
Funding Requirements	(206)	(731)	(880)	(333)	59	94
Redemption Portfolio		363	-	(7)	(312)	(301)
Redemption Portfolio - Interest earned		254				
Net Incremental Funding Requirement p.a.	(206)	(114)	(880)	(340)	(253)	(207)
Net (Funding) Investing requirements						
Opening Balance Available investments	2,045	1,840	1,726	846	506	253
Closing Balance	1,840	1,726	846	506	253	46

22.1.2.2 Short-term funding strategy

- No funding requirement to 2021. Investments to be invested in credit worthy investments
- Secure borrowing facilities with DFI's to enable draw downs in the medium to long term.

22.1.2.3 Medium-term (F22 to F24) funding strategy

- Draw down on available facilities to meet funding requirements.
 - R1200m by 01 July 2022 (15 year loan)
 - R2200m by 01 July 2023 (15 year loan)
 - R2600m by 01 July 2024 (15 year loan)
- Motivate for new borrowing limits from National Treasury and DWS
- Take into consideration:
 - Funds received so far from the uMkomazi Water Project tariff, which could reduce the borrowing requirement by at least R500m
 - the guideline fixed to floating interest rate ratio of 70% fixed to 30% floating

22.1.2.4 Long-term funding strategy (F25 onward)

Refer to Table 22.2

Table 22.2: Funding requirements 2025 to 2031 (R'm)

FUNDING REQUIREMENTS	L/Term	L/Term	L/Term	L/Term	L/Term	L/Term	L/Term
Financial Year (R'm)	F25	F26	F27	F28	F29	F30	F31
Operational Cash flows	2,588	2,917	3,286	3,700	4,158	4,668	5,233
Capex - Gross (Escalated)	(3,933)	(4,161)	(5,265)	(4,547)	(3,715)	(2,759)	(946)
Net Operating and Capex cash flow	(1,345)	(1,245)	(1,979)	(847)	443	1,908	4,287
Capex - Grants: Confirmed	-	-	-	-	-	-	-
Financing activities - capital							
Existing Debt	(25)	(25)	(25)	(25)	(18)	(6)	-
UG26 issued March 2016		(935)					
UG21 repayment							
New Debt	2,200	(400)	(400)	(400)	(400)	(400)	(400)
Financing activities - Net Finance costs							
Existing financial instruments	(110)	(272)	(485)	(784)	(977)	(1,039)	(894)
New Debt	(626)	(582)	(537)	(493)	(447)	(402)	(357)
Funding Requirements	94	(3,458)	(3,425)	(2,549)	(1,399)	61	2,636
Redemption Portfolio	(301)	621	-	-	-	-	-
Redemption Portfolio - Interest earned		67					
Net Incremental Funding Requirement p.a.	(207)	(2,771)	(3,425)	(2,549)	(1,399)	61	2,636
Net (Funding) Investing requirements							
Opening Balance Available investments	253	46	(2,725)	(6,151)	(8,700)	(10,099)	(10,038)
Closing Balance	46	(2,725)	(6,151)	(8,700)	(10,099)	(10,038)	(7,402)

The long term funding requirements indicate that the peak funding requirement will be R10.1bn before being repaid by 2033. This funding requirement is over and above the R6 bn that is to be raised between 2022/23 and 2024/25. However, the table above assumes that short term debt will be used and given that capex is the main contributor to the funding requirements, long term funding will be sought. The funding strategy will be confirmed closer to the time.

22.2 Sources of funding: terms and conditions on which money is borrowed

The terms and conditions on which money is borrowed differ according to loan agreements and bond issues. Bank committed facilities offered can be for a full twelve months or for a specified seasonal period. This committed facility would attract a facility fee on any unutilised balances during the agreed period only.

A summary of the various funding facilities that Umgeni Water currently has and major conditions relating to those facilities are as follows:

22.2.1 Bank Funding

Umgeni Water's bank facilities are shown in Table 22.3. The banks are currently in the process of reviewing these facilities.

Table 22.3: Sources of liquidity

SOURCES OF LIQUIDITY	LIMIT	TYPE OF FACILITY	UTILISATION	AVAILABLE	COMMITTED FACILITIES	UNCOMMITTED FACILITIES
General banking facilities	R'm		R'm	R'm	R'm	R'm
Nedbank facility	50	General banking	0	50	0	50

Nedbank

Instruments available under the general credit facility are:

- Overnight loans;
- Electronic banking facilities.

22.2.2 Annuity Loans

Terms, conditions and maturity are specific to each loan agreement. The most significant loan is the EIB loans which are annuity loans and is forecast to be at R110m (variable interest rate) and R111m (fixed interest rate) by 30 June 2020.

The European Investment Bank provided EUR 35 million (R385 million) long-term funding facility to Umgeni Water for new investment and upgrading of existing pipelines, water treatment works, pumping and service reservoirs that will contribute to improved supply of bulk potable water in the Umgeni Water operational area. The granting of the loan to Umgeni Water is the first loan to be made to a South African water board by the European Investment Bank. The loan is unsecured.

22.2.3 Capital Market Bonds

Domestic Medium Term Note (DMTN) Programme

The DMTN Programme was established in 2009 (updated in 2015) to fund long term capital expenditure requirements and to fund short term working capital requirements. Under this DMTN Programme, Umgeni Water may from time to time issue unsecured or secured registered notes of any kind, in an aggregate outstanding nominal amount which will not exceed R 4 billion.

- **Notes may comprise without limitation:**
Fixed rate, floating rate, mixed rate, zero coupon notes or a combination of such foregoing notes or any other type of notes determined by Umgeni Water and the relevant dealers.
- **Interest rate**
The interest rate will be determined at the time of issuance of notes and will be specified in the Applicable Pricing Supplement.
- **Maturity**
The Notes are not subject to any minimum or maximum maturity.
- **Issuance of bonds under the DMTN Programme**
The UG21 falls due on 02 March 2021 and interest payments are due on 02 March and 02 September each year. The coupon rate is 10.7%. The UG21 was oversubscribed at the time of issuance. The UG26 is the latest issuance under the DMTN programme. A total of R935m was issued and like its predecessor, was oversubscribed at the time of issuance. The coupon rate is 11.31%.

The programme is a useful funding tool in terms of the following:

- Refining the duration of the stock of debt.
- Refining the fixed to floating ratio of the debt book.
- Meeting short-term liquidity requirements.
- Filling gaps in the debt maturity profile.

Commercial paper and other short term notes can be issued through this programme

22.3 Compliance with Loan covenants

The financial covenants, per the EIB loan agreement, are:

- Consolidated EBIT to Borrowing Costs (Interest Cover) of not less than 2.5 : 1
- Consolidated Gross Borrowings to Consolidated Equity (Debt: Equity) not greater than 0.7 : 1

In approving the borrowing authority for 2019/20 to 2021/22, and as part of improving monitoring of risk exposure, the National Treasury included the following covenants:

- a) A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- b) A minimum cash interest cover (CIC) ratio of three (3) times,
- c) A minimum debt service cover ratio (DSCR) of one (1) time.

Table 22.4: Loan covenants

Ratio	F'17	F'18	F'19	F'20	F'21	F'22	F'23	F'24	F'25
Debt: Equity	0.287	0.233	0.189	0.165	0.097	0.088	0.161	0.278	0.382
Interest Cover	2.847	4.836	6.114	5.546	5.028	6.856	4.356	2.787	2.592
Cash Interest cover ratio	4.938	6.539	8.887	7.738	7.516	13.454	7.572	4.630	3.604
Debt Service Cover Ratio	3.070	3.994	4.892	5.464	2.358	11.202	6.901	3.776	2.615

22.4 Debt guaranteed by government

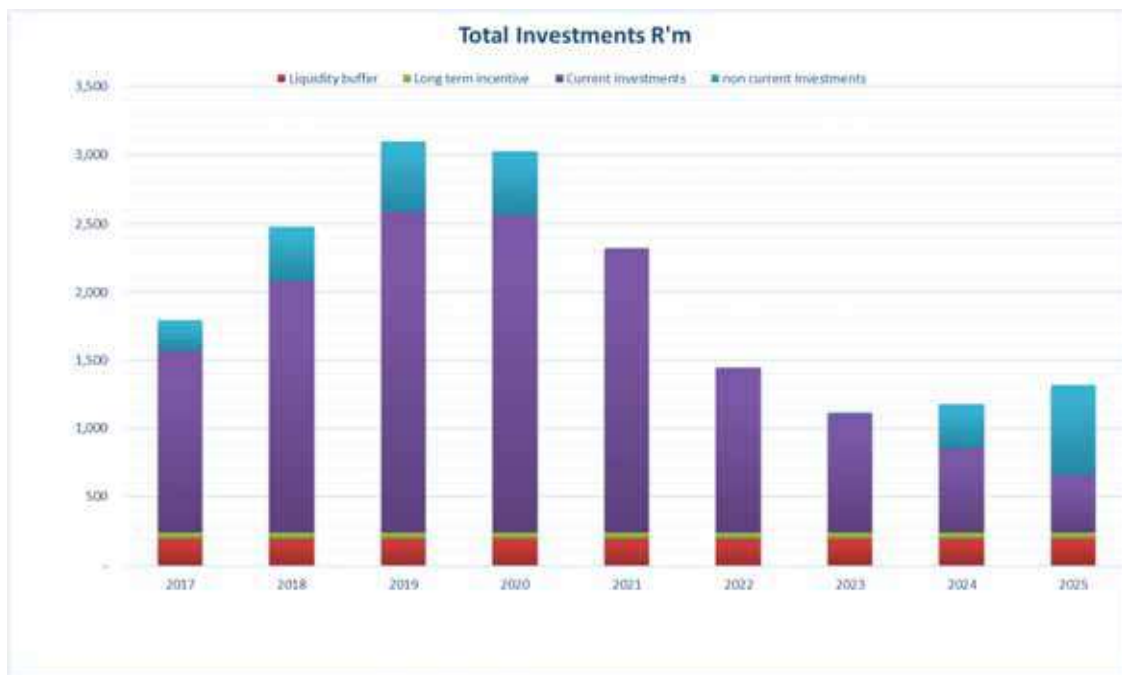
Umgeni water does not have any government guaranteed debt.

22.5 Maturity profile of debt and investments

Table 22.5: Maturity profile of investments (R'm)

Investment maturity structure (R'm)	F'17	F'18	F'19	F'20	F'21	F'22	F'23	F'24	F'25
< 1year	1567	2077	2344	2316	2082	1203	862	609	413
	87%	84%	82%	83%	100%	100%	99%	65%	39%
1-5 years	230	404	511	462	0	0	8	327	657
Total Investments	1797	2481	2855	2777	2082	1203	870	935	1070

Figure 22.4: Analysis of Investments (R'm)



To ensure sufficient liquidity, Umgeni Water will maintain a liquidity buffer of R200m. Non-current investment represents the first redemption asset toward the redemption of the UG21 and UG26. Current investments are held for the funding of operating and capital expenditure requirements.

Table 22.6: Debt maturity structure (R'm)

Debt Maturity Structure	F'19	F'20	F'21	F'22	F'23	F'24	F'25
< 1 year	29	629	25	25	105	252	1,371
	2%	36%	2%	2%	5%	6%	22%
1-5 years	729	1,059	1,059	1,059	1,453	2,167	2,074
	41%	60%	93%	96%	66%	52%	33%
5-10 years	1,034	74	49	24	406	1,133	2,000
	58%	4%	4%	2%	18%	27%	32%
+10 Years	-	-	-	-	240	600	893
	0%	0%	0%	0%	11%	14%	14%
Total Borrowings	1,792	1,763	1,133	1,108	2,204	4,152	6,338

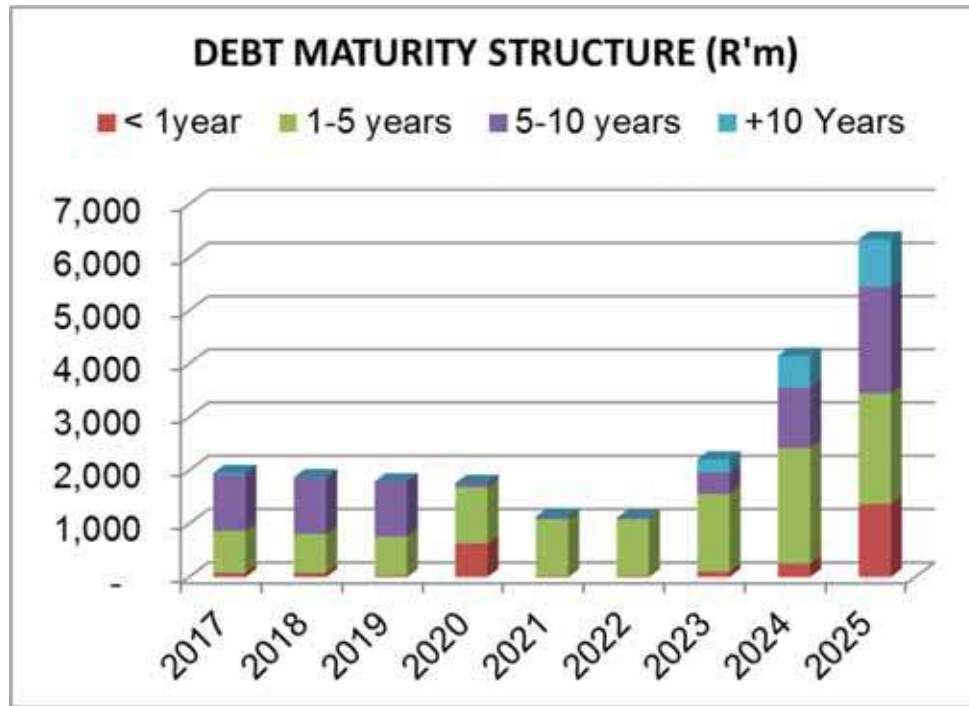
Table 22.7: Ratio of Fixed to floating rate debt

Ratio of Fixed to floating interest rate debt	F20	F21	F22	F23	F24	F25
Fixed Interest Rate Debt	93.8%	91.5%	92.4%	96.8%	98.6%	99.3%
Floating Interest Rate Debt	6.2%	8.5%	7.6%	3.2%	1.4%	0.7%

Table 22.8: Profiles of existing & proposed loans (R'ooo)

Capital balances	Lender	Maturity date	F17	F18	F19	F20	F21	F22	F23	F24	F25
LN71A (Floating)	DBSA	2019/03/31	100 000	50 000	0	0	0	0	0	0	0
LN72	DBSA	2021/03/31	17 131	13 159	8 987	4 603	0	0	0	0	0
UG21	Capital market		600 000	600 000	600 000	600 000	0	0	0	0	0
EIB1 (Floating)	EIB	2028/12/18	148 387	135 484	122 581	109 677	96 774	83 871	70 968	58 065	45 161
EIB 2	EIB	2019/03/31	149 194	137 258	125 323	113 387	101 452	89 516	77 581	65 645	53 709
UG26	Capital market	2026/06/30	935 000	935 000	935 000	935 000	935 000	935 000	935 000	935 000	935 000
Proposed funding	Bank loan/Capital market	2037/06/30							1120 000	1040 000	960 000
Proposed funding	Bank loan/Capital market	2038/06/30								2 053 333	1 906 667
Proposed funding	Bank loan/Capital market	2039/06/30									2 426 667
Short Term funding	Bank loan/Capital market	2026/06/30									11 000
Total debt capital			1 949 712	1 870 901	1 791 891	1 762 667	1 133 226	1 108 387	2 203 549	4 152 043	6 338 205

Figure 22.5: Debt maturity structure



The increase in the amounts maturing in 5 to 10 years' time from 2017 onwards is due to the UG21 which will be redeemed in 2021 and there is proposed funding to be obtained in the following years:

- Year 2023 – R1,200m
- Year 2024 – R2,200m
- Year 2025 – R2,600m

22.6 Analysis of funding against approved borrowing limits

In preparing the funding strategy, cognisance was taken of the level of gross debt against the unconditional borrowing limit set by the Department of Water and Sanitation and National Treasury which is based on:

- F'20 – R2 000m
- F'21 – R1 400m
- F'22 – R1 400m

Figure 22.6: Debt curve against funding limits (R'm)

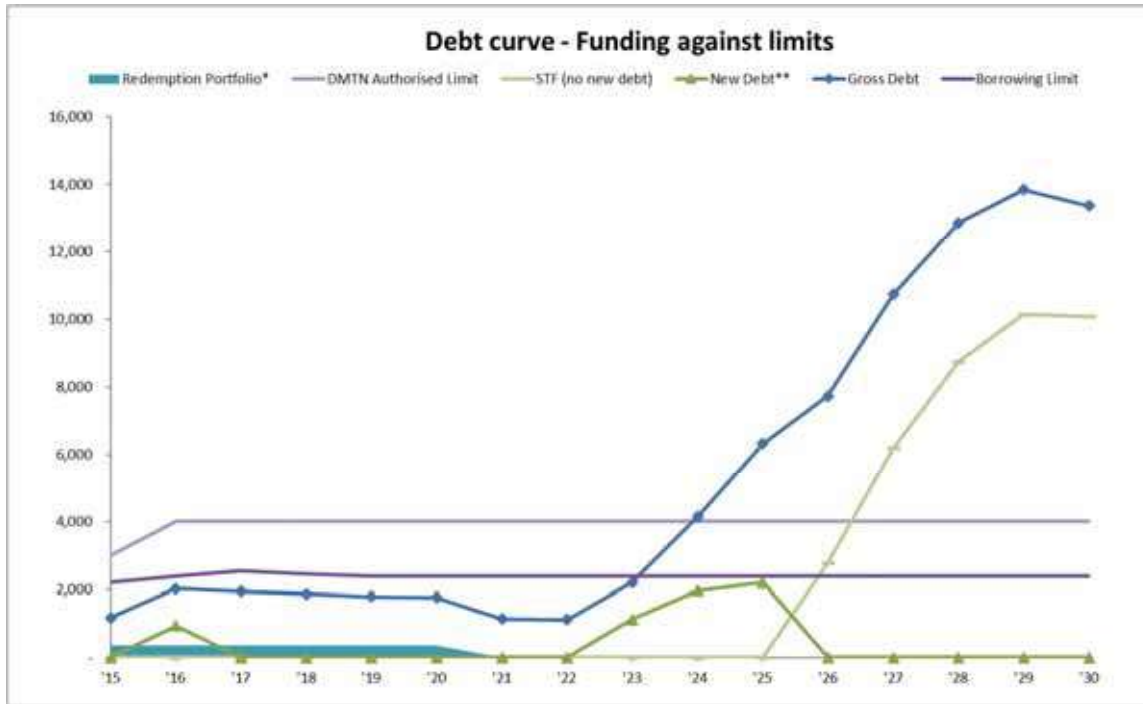


Table 22.9: Gross borrowings (R'm)

Borrowing Limit	F20	F21	F22	F23	F24	F25
TOTAL GROSS BORROWINGS	1,763	1,133	1,108	2,204	4,152	6,331
Approved borrowing Limit	2,000	1,400	1,400	2,500	4,500	6,500
- Confirmed	2,000	1,400	1,400			
- Application				2,500	4,500	6,500
(Over) Under utilisation	237	267	292	296	348	169

22.7 Proposed Borrowings

Table 22.10: Total borrowings (R'ooo)

DATE OF	TOTAL GROSS	TOTAL PORTION					
BORROWING	BORROWING	LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2016/2017	1,949,712	1,870,902	0	1,870,902	78,810	78,810	0
2017/2018	1,870,901	1,791,890	0	1,791,890	79,011	79,011	0
2018/2019	1,791,890	1,762,668	0	1,762,668	29,222	29,222	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2019/2020	1,762,668	1,133,226	0	1,133,226	629,442	629,442	0
2020/2021	1,133,226	1,108,388	0	1,108,388	24,839	24,839	0
2021/2022	1,108,388	1,083,549	0	1,083,549	24,839	24,839	0
2022/2023	2,203,549	898,710	1,200,000	2,098,710	104,839	104,839	0
2023/2024	4,152,044	1,700,538	2,200,000	3,900,538	251,505	251,505	0
2024/2025	6,338,205	2,367,366	2,600,000	4,967,366	1,370,839	1,370,839	0

Table 22.11: Foreign borrowings (EIB) (R'ooo)

DATE OF	TOTAL GROSS	FOREIGN PORTION					
BORROWING	BORROWING	LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2016/2017	297,581	272,742	0	272,742	24,839	24,839	0
2017/2018	272,742	247,903	0	247,903	24,839	24,839	0
2018/2019	247,903	223,065	0	223,065	24,839	24,839	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2019/2020	223,065	198,226	0	198,226	24,839	24,839	0
2020/2021	198,226	173,387	0	173,387	24,839	24,839	0
2021/2022	173,387	148,548	0	148,548	24,839	24,839	0
2022/2023	148,548	123,710	0	123,710	24,839	24,839	0
2023/2024	123,710	98,871	0	98,871	24,839	24,839	0
2024/2025	98,871	74,032	0	74,032	24,839	24,839	0

Table 22.12: Domestic borrowing programme (R'ooo)

DATE OF	TOTAL GROSS	DOMESTIC PORTION					
BORROWING	BORROWING	LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2016/2017	1,652,132	1,598,160	0	1,598,160	53,972	53,972	0
2017/2018	1,598,159	1,543,987	0	1,543,987	54,172	54,172	0
2018/2019	1,543,987	1,539,604	0	1,539,604	4,383	4,383	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2019/2020	1,539,604	935,001	0	935,001	604,603	604,603	0
2020/2021	935,001	935,001	0	935,001	0	0	0
2021/2022	935,001	935,001	0	935,001	0	0	0
2022/2023	2,055,001	775,001	1,200,000	1,975,001	80,000	80,000	0
2023/2024	4,028,334	1,601,667	2,200,000	3,801,667	226,667	226,667	0
2024/2025	6,239,334	2,293,334	2,600,000	4,893,334	1,346,000	1,346,000	0

22.8 Hedging Policies

22.8.1 Interest rate derivatives

- Purpose**
- To improve the ability to raise long term finance
 - To reduce the cost of long term finance
 - To provide instruments to assist in the management of the interest rate and liquidity risk on long term finance.
- Approved instruments**
- Table 22.13 shows the derivative instruments approved for the purpose stated.
 - The writing of options is only permitted for approved non-Umgeni Water bond issues where the issuer makes a market in the underlying issues.
 - Both options written and purchased may have a maximum expiry of 12 months from transaction date.
 - Options include caps, floor, collar, rate swaps.

Table 22.13: Approved derivative instruments

	Funding	Risk management
Written Over the counter (OTC) interest rate options on Umgeni Water bonds	X	X
Written OTC interest rate options on non-Umgeni Water bonds which are on the approved list		X
Purchased OTC interest rate options on Umgeni Water bonds	X	X
Purchased OTC interest rate options on Non-Umgeni Water bonds		X

- Delegation of Authority**
- The Board of Umgeni Water is responsible for approving the following:
- Approve instruments and combinations thereof for utilisation in funding, investment and hedging activities
 - Select instruments and techniques from the approved list
 - Appoint dealers to deal in the Options Market
 - Approve special transactions entered into with market participants
 - Determine which underlying bonds can be utilised for buying and writing options

22.8.2 Derivatives for management of foreign currency risk

- Purpose**
- To reduce the cashflow risk associated with transactions concluded in foreign currency.
- Policy**
- Umgeni Water's risk profile requires that all funding transactions be South African Rand denominated, and thus the only foreign currency transactions permitted are those required to hedge transactions arising from the operating environment.
 - Depending on the business and economic environment prevailing, minimum hedging level for foreign exchange risk should be 30% to 40% of the underlying risk.
 - Any prepayments in terms of foreign currency transactions should not exceed 30% as determined by the South African Reserve Bank.
 - There must be a bona fide business basis for all foreign exchange transactions.
- Approved instruments**
- Natural hedging
 - Forward market hedging
- Delegation of Authority**
- All forward cover transactions to be approved by the General Manager: Finance as delegated by the Board from time to time.



Chapter 23: Materiality and Significance Framework



Think Water, Think Umgeni Water.

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23.1 Quantitative aspects: Materiality level

The framework is applied under two main categories: quantitative aspects and qualitative aspects. With respect to quantitative aspects, Umgeni Water assesses the level of a materiality as being ½ % of its gross revenue.

It is recognised that different levels of materiality can be set for different classes of transactions. Umgeni Water has, however, taken the approach of setting a more conservative materiality level that will be used for all classes of transactions.

23.2 Factors considered:

- Nature of Umgeni Water's business: Revenue for Umgeni Water primarily comprises sales of water, fees for management of water and wastewater treatment works' and revenue from S30 activities.
- Statutory requirements applicable to Umgeni Water:
 - Umgeni Water is listed as a PFMA Schedule 3B public entity.
 - The Board of Umgeni Water is required to execute its mandate in terms of the PFMA.
 - Umgeni Water accordingly elects to give preference to a stricter level of materiality as the entity is closely governed by legislation and has public accountability.
- The control and inherent risks associated with Umgeni Water: In assessing the control risk, Umgeni Water concluded that the level of materiality of ½ % of gross revenue is appropriate and prudent.

This assessment is based on the fact that a sound control environment is being maintained. In this regard cognisance was given to amongst other matters:

- Proper and appropriate governance structures are established which include a Board of Directors (Accounting Authority), CE and Executive Management,
- A Risk Management Committee with specific risk management responsibilities,
- An audit committee that closely monitors the control environment of Umgeni Water,
- The function of internal audit is outsourced to professional independent internal auditors, and
- A three year Internal Audit Coverage Plan, based on annual risk assessments.

23.3 Qualitative Aspects

Materiality is not confined to the size of the entity and the elements of its financial statements.

- Umgeni Water recognises that misstatements that are large either individually or aggregate may affect a "reasonable" user's judgement. Further, misstatements may also be material on qualitative grounds. These qualitative grounds include amongst other:
 - New ventures that Umgeni Water may enter into,
 - Unusual transactions entered into that are not of a repetitive nature and are required to be disclosed purely due to the nature thereof due to knowledge thereof affecting the decision making of the user of the financial statements,
 - Transactions entered into that could result in reputational risk to Umgeni Water,
 - Any fraudulent or dishonest behaviour of an officer or staff of Umgeni Water,

- Any suspected corruption, irregularities or fraud,
- Any infringement of Umgeni Water's agreed performance levels,
- Procedures/processes required by legislation or regulation (e.g. PFMA and Treasury Regulations),
- Unauthorised, irregular or fruitless and wasteful expenditure, and
- Items of a non-financial nature, which would impact on the continued operation and deliverables of Umgeni Water.

The policy contained in this framework will be appropriately presented in the Annual Report of Umgeni Water.



Chapter 24: Financial Ratios



Think Water, Think Umgeni Water.

The financial ratios reflected in the following tables are defined wherever applicable in the footnotes that follow table 24.2.

Table 24.1: Umgeni Water financial indicators and ratios

Financial Indicators and Ratios		F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
		Actual	Actual	Actual	Budget	Forecast					
A	Performance criteria/indicators										
1	Volume of water sold (k'000)	409,887	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
	eThekweni Municipality(k'000)	299,045	314,523	335,724	339,931	352,903	357,510	362,176	367,608	373,123	378,719
	Siza Water	3,360	3,458	3,527	3,830	3,654	3,712	3,786	3,843	3,901	3,959
	Other WSA's(k'000)	107,483	116,587	132,549	166,100	145,018	150,954	156,906	161,696	164,122	166,584
2	Total gross revenue (R'000)	2,496,605	2,888,951	3,524,469	4,164,860	4,097,359	4,199,608	4,586,169	5,093,861	5,707,690	6,398,061
3	Total Bulk Revenue (R'000)	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
	eThekweni Municipality(R'000)	1,581,946	1,913,513	2,322,537	2,562,870	2,649,433	2,675,711	2,900,475	3,202,721	3,593,373	4,031,590
	Siza Water	23,870	28,257	32,768	37,798	38,422	28,261	30,717	34,158	38,325	43,000
	Other WSA's(R'000)	580,123	723,642	935,460	1,300,310	1,147,454	1,203,545	1,337,788	1,508,182	1,692,183	1,898,589
4	Total Bulk Revenue (R'000) (excl Capital Unit charge)	2,185,939	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
5	Bulk Revenue Growth (excl Cap Unit Charge)	2.57%	16.46%	23.46%	21.13%	16.55%	1.88%	9.25%	11.15%	12.20%	12.20%
6	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol)	5.333	6.134	6.975	7.651	7.645	7.628	8.163	8.898	9.836	10.873
	eThekweni Municipality	5.29	6.084	6.918	7.582	7.582	7.582	8.113	8.843	9.775	10.805
	Siza Water	7.105	8.171	9.29	10.182	10.182	7.734	8.276	9.021	9.972	11.023
	Other WSA's	5.397	6.207	7.057	7.734	7.734	7.734	8.276	9.021	9.972	11.023
7	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol) incl CUC	5.924	6.775	7.665	9.302	9.296	9.297	10.045	10.277	10.056	11.116
	eThekweni Municipality	5.880	6.724	7.607	9.232	9.232	9.232	9.974	10.200	9.971	11.021
	Siza Water	7.731	8.853	10.027	11.884	11.884	11.884	12.812	13.294	13.391	14.802
	Other WSA's	5.989	6.850	7.749	9.387	9.387	9.387	10.141	10.381	10.171	11.243
8	Net profit (loss) for the year	751,261	1,160,559	1,415,202	1,234,888	1,199,305	956,351	896,178	1,107,781	1,307,642	1,645,475
9	Profit from Operations/Revenue	0.242	0.341	0.340	0.268	0.259	0.199	0.185	0.220	0.241	0.275
10	Total expenditure/Revenue	0.713	0.603	0.609	0.705	0.708	0.773	0.806	0.783	0.772	0.744
11	Cost of sales/Revenue	0.472	0.412	0.377	0.432	0.380	0.433	0.420	0.416	0.406	0.398
12	Total cost/volume (Rand/kl) (Bulk only)	3.663	3.625	4.121	5.320	5.234	5.756	6.289	6.832	7.541	8.125
13	Net Finance costs (Rand/kl)	(0.328)	(0.407)	(0.459)	(0.235)	(0.274)	(0.236)	(0.095)	0.022	0.130	0.206
14	Personnel cost ratio (Total Personnel costs/Total Costs excl finance costs)	0.273	0.291	0.271	0.246	0.199	0.217	0.209	0.211	0.207	0.207
15	Personnel cost per kilolitre (Personnel costs/Annual volume)	1.284	1.284	1.355	1.471	1.208	1.429	1.498	1.572	1.657	1.747
16	Personnel cost per kilolitre (Personnel costs/Annual volume) (Primary only)	1.283	1.282	1.353	1.470	1.207	1.428	1.496	1.570	1.655	1.745
17	Personnel cost per kilolitre (Personnel costs/Annual volume) (Bulk only)	1.208	1.206	1.273	1.387	1.128	1.344	1.409	1.478	1.558	1.643
B	Operating Risks										
18	Working ratio (total expenses excluding depreciation, amortisation and finance costs divided by Total revenue)	0.700	0.571	0.566	0.642	0.655	0.699	0.716	0.693	0.679	0.649
19	Operating Ratio (Total Costs excluding depreciation & amortisation/Total Revenue)	0.641	0.510	0.505	0.614	0.621	0.670	0.705	0.695	0.691	0.667
20	Controllable working ratio (total expenses exclud.raw water, deprec, amort & inter. divided by total. rev.)	0.628	0.499	0.498	0.580	0.590	0.632	0.647	0.624	0.609	0.579
21	Return on assets (income before interest & taxes divided by total assets excluding investments)	7.09%	10.79%	11.63%	9.48%	9.25%	6.65%	5.89%	6.59%	6.81%	7.32%
22	Asset turnover (revenue divided by total assets excluding investments)	0.293	0.317	0.342	0.354	0.357	0.334	0.319	0.300	0.282	0.266

Financial Indicators and Ratios		F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
		Actual	Actual	Actual	Budget		Forecast				
23	Gross margin %	52.78%	58.76%	62.30%	56.84%	62.05%	56.66%	58.05%	58.43%	59.35%	60.24%
24	Current asset turnover (revenue divided by current assets excl investments)	5.115	4.987	3.855	6.139	4.541	4.473	4.592	4.806	5.103	5.404
25	Fixed asset turnover (revenue divided by fixed assets)	0.322	0.348	0.384	0.378	0.397	0.367	0.346	0.322	0.300	0.282
26	Debtors collection period (debtors divided by revenue times 365) (Excl. VAT) *	43.022	46.449	59.371	40.217	56.237	57.645	57.036	55.136	52.506	50.109
27	Accounts receivable turnover (revenue divided by accounts receivable) (Excl. VAT)	7.442	6.893	5.393	7.961	5.693	5.554	5.614	5.807	6.098	6.390
	* Accounts receivable is made up as follows:										
	Trade Debtors	335,471	419,113	653,549	523,143	719,683	756,111	816,985	877,195	936,008	1,001,335
	Provision for Doubtful debts	-	-	-	-	-	-	-	-	-	-
		<u>335,471</u>	<u>419,113</u>	<u>653,549</u>	<u>523,143</u>	<u>719,683</u>	<u>756,111</u>	<u>816,985</u>	<u>877,195</u>	<u>936,008</u>	<u>1,001,335</u>
C	Financial Risks										
28	Current ratio (current assets divided by current liabilities)	2.056	2.435	2.753	1.472	1.950	2.891	2.149	1.772	1.427	0.691
29	Debt ratio (total debt divided by total assets)	0.189	0.161	0.136	0.128	0.124	0.077	0.071	0.123	0.196	0.253
30	Gross Debt-equity ratio (total liabilities divided by total accumulated reserves)	0.287	0.233	0.189	0.172	0.165	0.097	0.088	0.161	0.278	0.382
31	Net Debt-equity ratio (Net liabilities divided by total accumulated reserves)	0.023	(0.076)	(0.112)	(0.019)	(0.095)	(0.081)	(0.008)	0.098	0.215	0.317
32	Weighted Average Cost of Capital (WACC) (Per AFS)	10.61%	10.61%	10.64%	10.86%	10.75%	11.30%	11.52%	11.57%	11.35%	11.35%
34	Financial Leverage (D/(D+E)) (Net of redemption assets)	0.202	0.155	0.119	0.112	0.108	0.089	0.081	0.139	0.204	0.255
C	Debt Management										
	Net Debt										
	Total Borrowings (as per Balance sheet)	1,949,712	1,870,901	1,791,890	1,762,668	1,762,668	1,133,226	1,108,388	2,203,549	4,152,044	6,338,205
	Total Investment (as per Balance sheet)	1,796,890	2,480,494	2,854,974	1,958,185	2,777,448	2,081,728	1,202,728	869,333	935,449	1,069,978
	Net Borrowings (Total Borrowings - Total Investment)	<u>152,823</u>	<u>(609,594)</u>	<u>(1,063,084)</u>	<u>(195,517)</u>	<u>(1,014,780)</u>	<u>(948,501)</u>	<u>(94,340)</u>	<u>1,334,216</u>	<u>3,216,594</u>	<u>5,268,227</u>
D	Business Credit Risk										
35	Interest Cover ratio (<i>EBIT/int paid</i>)	2.847	4.836	6.114	5.776	5.546	5.028	6.856	4.356	2.787	2.592
36	EBITDA interest coverage (EBITDA/int paid)	3.69	917.655	112.235	77.372	74.090	76.427	52.969	30.510	18.601	15.140
37	Cash from operations/average total debt	0.420	0.707	0.879	0.846	0.720	1.231	1.427	0.847	0.533	0.408
38	Return on average total capital	0.089	0.123	0.126	0.109	0.099	0.072	0.092	0.082	0.092	0.106
39	EBITDA/Sales	0.313	0.433	0.444	0.359	0.346	0.302	0.285	0.308	0.322	0.351
40	Funds flow net debt pay back (<i>cash from op before WC adj/total int bearing debt</i>)	0.532	0.715	0.983	0.902	0.834	1.245	1.500	0.884	0.552	0.422
41	Cash Interest cover ratio (CFFO before WC changes)/Finance costs	4.938	6.539	8.887	6.606	7.738	7.516	13.454	7.572	4.630	3.604
42	Debt Service Cover Ratio (CFFO before WC changes)/Debt/Capital repayments and Finance costs	3.070	3.994	4.892	5.891	5.464	2.358	11.202	6.901	3.776	2.615
E	Surplus Ratios										
41	Accounting Surplus (NP)/Fixed Assets (PPE)	0.097	0.140	0.154	0.112	0.116	0.084	0.068	0.070	0.069	0.072
42	Return on turnover (NP)/Revenue (Total org)	0.301	0.402	0.402	0.297	0.293	0.228	0.195	0.217	0.229	0.257
43	Return on turnover (NP)/Revenue (S29)	0.324	0.407	0.404	0.298	0.294	0.228	0.197	0.219	0.230	0.259
44	Return on turnover (NP)/Revenue (S30)	(0.030)	0.110	0.136	0.168	0.147	0.151	0.032	0.031	0.029	0.027
45	EBITDA	782,346	1,250,838	1,566,222	1,494,034	1,418,604	1,269,793	1,307,750	1,568,639	1,839,505	2,247,351
46	Debt/EBIDAR	2.492	1.496	1.144	1.180	1.243	0.892	0.848	1.405	2.257	2.820

Table 24.2: Umgeni Water Group financial indicators and ratios

Financial Indicators and Ratios		F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
		Actual	Actual	Actual	Budget	Forecast					
A	Performance criteria/indicators										
1	Total gross revenue (R'000)	2,377,323	2,903,723	3,538,457	4,190,854	4,118,254	4,222,180	4,612,018	5,123,451	5,741,498	6,435,247
2	Bulk Water Business segment										
2.1	Volume of water sold (kl'000)	464,490	434,568	471,801	509,862	501,576	512,175	522,868	533,148	541,145	549,262
2.2	Total Bulk Revenue (R'000)	2,131,170	2,665,412	3,290,765	3,900,979	3,835,309	3,907,518	4,268,980	4,745,061	5,323,881	5,973,179
2.3	Average increase in revenue	5.4%	25.1%	23.5%	21.1%	-1.7%	1.9%	9.3%	11.2%	12.2%	12.2%
2.4	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol)	5.333	6.134	6.975	7.651	7.645	7.628	8.163	8.898	9.836	10.873
2.5	Total cost per kl sold	3.663	3.625	4.121	5.320	5.234	5.756	6.289	6.832	7.541	8.125
3	Net profit (loss) for the year	781,190	1,188,159	1,412,407	1,235,865	1,201,328	957,789	899,071	1,111,316	1,311,486	1,649,796
4	Profit from Operations/Revenue	0.271	0.347	0.336	0.266	0.259	0.198	0.184	0.219	0.241	0.274
5	Total expenditure/Revenue	0.689	0.597	0.610	0.706	0.710	0.774	0.806	0.784	0.772	0.744
6	Cost of sales/Revenue	0.438	0.410	0.375	0.429	0.378	0.431	0.417	0.413	0.404	0.395
7	Total cost/volume (Rand/kl) (Consolidated)	3.525	3.991	4.574	5.806	5.826	6.383	7.111	7.535	8.196	8.722
8	Net Finance costs (Rand/kl)	(0.285)	(0.405)	(0.459)	(0.233)	(0.273)	(0.235)	(0.094)	0.024	0.132	0.208
9	Personnel cost ratio (Total Personnel costs/Total Costs excl finance costs)	0.267	0.310	0.284	0.259	0.212	0.233	0.224	0.226	0.222	0.222
10	Personnel cost per kilolitre (Personnel costs/Annual volume)	1.018	1.363	1.429	1.566	1.294	1.539	1.614	1.697	1.793	1.894
B	Operating Risks										
11	Working ratio (total expenses excluding depreciation, amortisation and finance costs divided by Total revenue)	0.676	0.565	0.576	0.643	0.655	0.699	0.716	0.693	0.679	0.650
12	Operating Ratio (Total Costs excluding depreciation & amortisation/Total Revenue)	0.620	0.504	0.515	0.615	0.622	0.671	0.705	0.696	0.692	0.668
13	Controllable working ratio (total expenses excl. raw water, deprec, amort & inter. divided by total rev.)	0.607	0.493	0.508	0.581	0.591	0.633	0.648	0.625	0.610	0.580
14	Return on assets (income before interest & taxes divided by total assets excluding investments)	8.43%	11.11%	11.51%	9.46%	9.25%	6.64%	5.90%	6.60%	6.81%	7.32%
15	Asset turnover (revenue divided by total assets excluding investments)	0.311	0.321	0.342	0.355	0.358	0.335	0.320	0.301	0.283	0.267
16	Gross margin %	56.22%	58.97%	62.45%	57.11%	62.24%	56.89%	58.28%	58.67%	59.59%	60.47%
17	Current asset turnover (revenue divided by current assets excl investments)	4.894	4.813	3.825	5.956	4.520	4.456	4.296	4.772	5.059	5.348
18	Fixed asset turnover (revenue divided by fixed assets)	0.338	0.349	0.385	0.380	0.399	0.369	0.348	0.324	0.302	0.283
19	Debtors collection period (debtors divided by revenue times 365) (Excl. VAT) *	40.753	44.942	58.787	39.967	56.041	57.447	56.818	54.912	52.266	49.886
20	Accounts receivable turnover (revenue divided by accounts receivable) (Excl. VAT)	7.857	7.124	5.446	8.011	5.713	5.573	5.635	5.831	6.126	6.418
	* Accounts receivable is made up as follows:										
	Trade Debtors	302,593	-	1,146	523,143	720,829	757,563	818,450	878,695	937,244	1,002,656
	Provision for Doubtful debts	-	-	-	-	-	-	-	-	-	-
		<u>302,593</u>	<u>-</u>	<u>1,146</u>	<u>523,143</u>	<u>720,829</u>	<u>757,563</u>	<u>818,450</u>	<u>878,695</u>	<u>937,244</u>	<u>1,002,656</u>
C	Financial Risks										
21	Current ratio (current assets divided by current liabilities)	2.100	2.755	2.764	1.482	1.956	2.898	2.157	1.782	1.438	0.699
22	Debt ratio (total debt divided by total assets)	0.212	0.162	0.136	0.128	0.123	0.077	0.071	0.123	0.196	0.252
23	Gross Debt-equity ratio (total liabilities divided by total accumulated reserves)	0.339	0.231	0.188	0.171	0.164	0.097	0.088	0.161	0.277	0.381
24	Net Debt-equity ratio (Net liabilities divided by total accumulated reserves)	0.019	(0.075)	(0.111)	(0.019)	(0.095)	(0.081)	(0.007)	0.097	0.214	0.316
25	Weighted Average Cost of Capital (WACC) (Per AFS)	10.61%	10.61%	10.64%	10.86%	10.75%	11.30%	11.52%	11.57%	11.35%	11.35%
26	Weighted Average Cost of Capital (WACC) (Finance costs/Gross borrowings)	0.06%	0.09%	0.78%	1.10%	1.09%	1.47%	2.23%	2.33%	2.38%	2.34%
28	Financial Leverage (D/(D+E)) (Net of redemption assets)	0.225	0.154	0.119	0.112	0.108	0.088	0.081	0.138	0.203	0.254

Financial Indicators and Ratios		F17	F18	F19	F20	F20	F21	F22	F23	F24	F25
		Actual	Actual	Actual	Budget	Forecast					
C Debt Management											
Net Debt											
29	Total Borrowings (as per Balance sheet)	2,029,388	1,871,912	1,792,900	1,762,668	1,762,668	1,133,226	1,108,388	2,203,549	4,152,044	6,338,205
30	Total Investment (as per Balance sheet)	1,915,042	2,480,494	2,853,763	1,958,185	2,777,448	2,081,728	1,202,728	869,333	935,449	1,069,978
31	Net Borrowings (Total Borrowings - Total Investment)	114,346	(608,582)	(1,060,863)	(195,517)	(1,014,780)	(948,501)	(94,340)	1,334,216	3,216,594	5,268,227
D Business Credit Risk											
32	Interest Cover (<i>EBIT/int paid</i>)	6.996	4.743	6.071	5.784	5.560	5.040	6.885	4.372	2.796	2.377
33	EBITDA interest coverage (EBITDA/int paid)	743.708	743.708	109.359	77.654	74.438	76.757	53.256	30.654	18.680	15.197
34	Cash from operations/average total debt	0.575	0.713	0.872	0.849	0.722	1.236	1.433	0.851	0.535	0.410
35	Return on average total capital	0.138	0.124	0.125	0.108	0.099	0.072	0.068	0.082	0.092	0.106
36	EBITDA/Sales	0.440	0.440	0.431	0.358	0.346	0.302	0.285	0.308	0.322	0.351
37	Funds flow net debt pay back (<i>cash from op before WC adj/total int bearing debt</i>)	1.215	1.507	0.978	0.905	0.837	1.249	1.506	0.887	0.554	0.423
38	Cash Interest cover ratio (CFFO before WC changes)/Finance costs	4.852	6.550	8.812	8.265	7.729	7.505	13.413	7.576	4.639	3.611
39	Debt Service Cover Ratio (CFFO before WC changes)/Debt/Capital repayments and Finance costs	3.503	4.734	6.322	5.862	5.454	2.362	11.166	6.905	3.780	2.619
E Surplus Ratios											
40	Accounting Surplus (NP)/Fixed Assets (PPE)	0.130	0.143	0.154	0.112	0.116	0.084	0.068	0.070	0.069	0.073
41	Return on turnover (NP)/Revenue	0.409	0.409	0.399	0.295	0.292	0.227	0.195	0.217	0.228	0.256
42	EBITDA	1,277,750	1,277,750	1,526,106	1,499,466	1,425,271	1,275,266	1,314,844	1,576,054	1,847,324	2,255,688
43	Debt/EBIDAR	1.588	1.465	1.175	1.176	1.237	0.889	0.843	1.398	2.248	2.810

Definition of ratios

- ✓ Weighted average Water tariff (R/kl): Total bulk revenue/total bulk volumes
- ✓ Personnel cost ratio: Total Personnel costs/Total Costs excluding finance costs
- ✓ Personnel cost per kilolitre: Personnel costs/Annual volume
- ✓ Working ratio: Total expenses excluding depreciation, amortisation & finance costs/ Total revenue
- ✓ Operating Ratio: Total Costs excluding depreciation & amortisation/Total Revenue
- ✓ Controllable working ratio: Total expenses excluding raw water, depreciation, amortisation/ Total revenue
- ✓ Return on assets: Income before interest & taxes/ Total assets excluding investments
- ✓ Asset turnover: Revenue / Total assets excluding investments
- ✓ Current asset turnover: Revenue/Current assets excluding investments
- ✓ Fixed asset turnover: Revenue/Fixed assets
- ✓ Trade debtors collection period: Trade Debtors/ Revenue times 365 (Excl. VAT)
- ✓ Accounts receivable turnover: Revenue/Accounts receivable (Excl. VAT)
- ✓ Current ratio: Current assets/ Current liabilities
- ✓ Debt ratio: Total debt /Total assets
- ✓ Gross Debt-equity ratio: Total borrowings/Total accumulated reserves
- ✓ Net Debt-equity ratio: Net borrowings/ Total accumulated reserves
- ✓ Weighted Average Cost of Capital (WACC): Finance costs/Gross borrowings
- ✓ Financial Leverage: Debt/(Debt+Equity) (Net of redemption assets)
- ✓ Net Borrowings: Total Borrowings - Total Investment
- ✓ Interest Cover ratio: EBIT/Interest paid
- ✓ EBITDA interest coverage: EBITDA/Interest paid
- ✓ Funds flow net debt pay back: Cash generated from operations before working capital adjustments/Total interest bearing debt
- ✓ Accounting Surplus: Net Profit/Fixed Assets (PPE)
- ✓ Return on turnover: Net Profit/Revenue



Chapter 25: Self-Evaluation Statement on Financial Viability



Think Water, Think Umgeni Water.

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25.1 Introduction

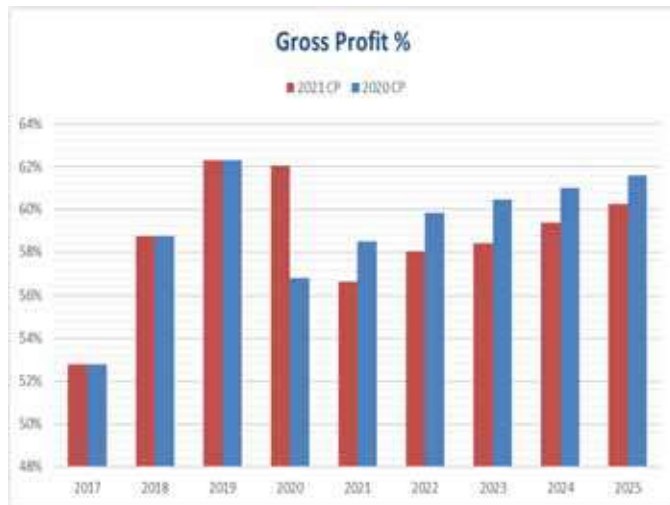
The Self evaluation Statement on Financial Viability chapter provides an assessment of the change in the financial plan as approved by the Board in the last financial year (2020CP) and the new financial plan (2021CP) which will supercede the prior year plan. The financial plan presented in the preceding chapters indicate that Umgeni Water has not deterred from its strategic objectives and whilst there are variances to last years plans each variance can be substantiated. This is testament to the financial plan modelling - all results can be substantiated in terms of past trends and current assumptions in terms of the operating environment.

25.2 Operating performance Analysis

25.2.1 Key indicators of operating performance

Umgeni Water's operating performance can be measured in terms of the key indicators: Gross Profit, Operating Profit, Net Profit, Return on Asset and Interest Cover. Each of these is illustrated and discussed below.

Figure 25.1: Gross Profit



The 2021 CP trend is lower than the 2020 CP. The decrease in GP% is mainly due to the change in the tariff increases for 2021 to 2024. In terms of direct costs, the CP 2021 forecast is more favourable than the CP 2020 due to the additional schemes no longer in the financial forecasts (Ugu DM schemes and uThukela DM plants) that were included in the CP 2020. The direct costs of the new schemes were higher than those of existing Umgeni Water schemes, whilst the revenues projected for those schemes were not sufficient to cover the direct costs.

Figure 25.2: Operating Profit



The operating profit trend is lower than the 2020 CP trend mainly due to lower sales volumes than the 2020CP and higher operating costs such as impairments and depreciation. The lower trend is also impacted by tariff increases which have been adjusted to take into account the affordability concerns raised by the customers which may span more than one year. Refer to section 24.1.2 for an analysis of the change in operating costs.

Figure 25.3: Net Profit



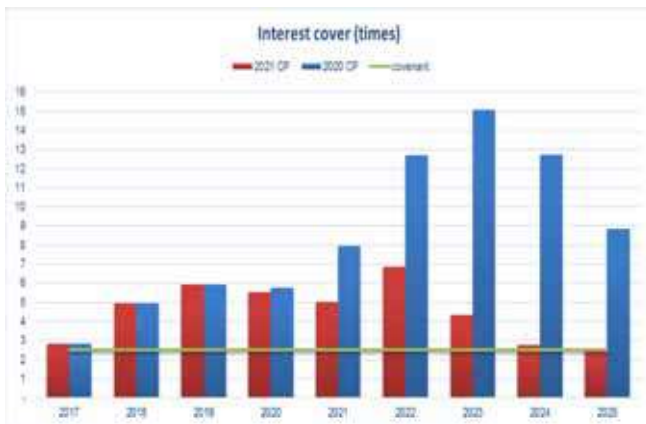
The 2021 CP trend is lower than the 2020 CP. The lower trend due to the lower tariff increases than the CP2020, higher operating costs such as impairments and depreciation as well as higher borrowing costs expected to be incurred through new loans to be raised. The average NP% over the 5 year period is 23% which is required to fund the R13.6bn investment in capex over the next 5 years.

Figure 25.4: Return on assets



ROA is projected to be significantly lower than the 2020 CP due to lower operating profits in CP 2021. Furthermore, there has been a delay in the completion of infrastructure projects due to various reasons including appeals on tenders and contractors being placed under business rescue during the 2019/2020 financial year. Further delays have been experienced as a result of the lockdown.

Figure 25.5: Interest cover

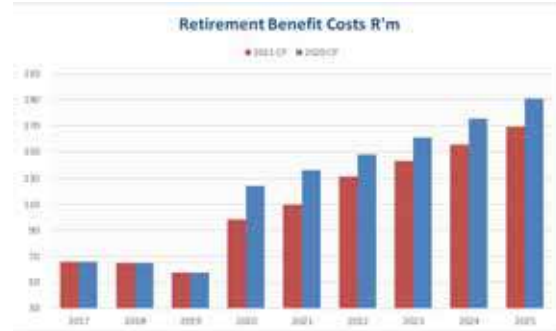
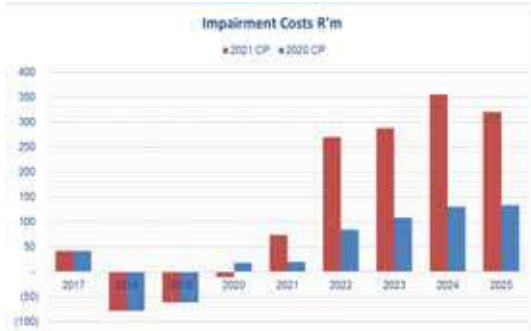


No breach of the required ratio of greater than 2.5 times is expected over the 5-year period to 2025. The ratio is less favourable when compared with the 2020 CP. This is attributable to higher budgeted operating costs and an expected increase in borrowings resulting in higher finance costs.

25.2.2 Factors impacting on operating performance

The operating performance of Umgeni Water is being negatively impacted by:

1. Impairment of assets and retirement benefit costs:

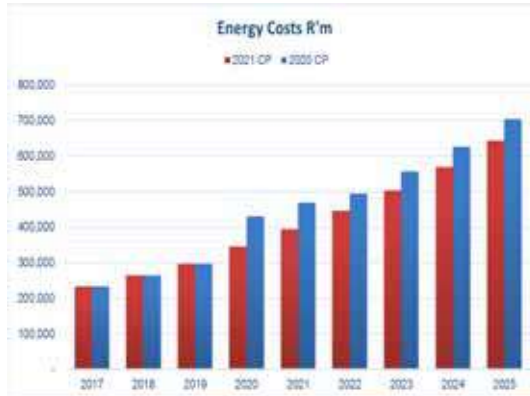
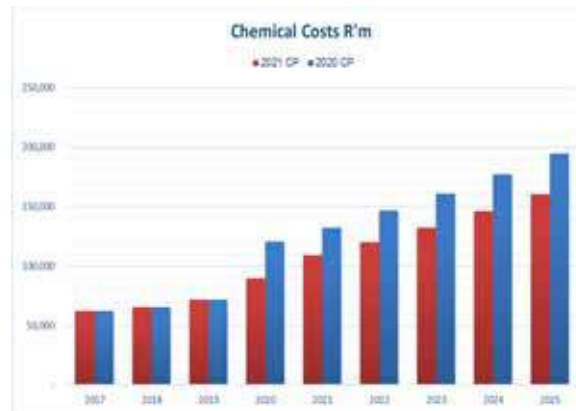
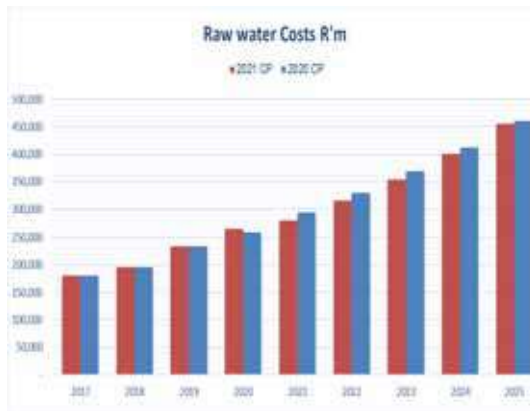


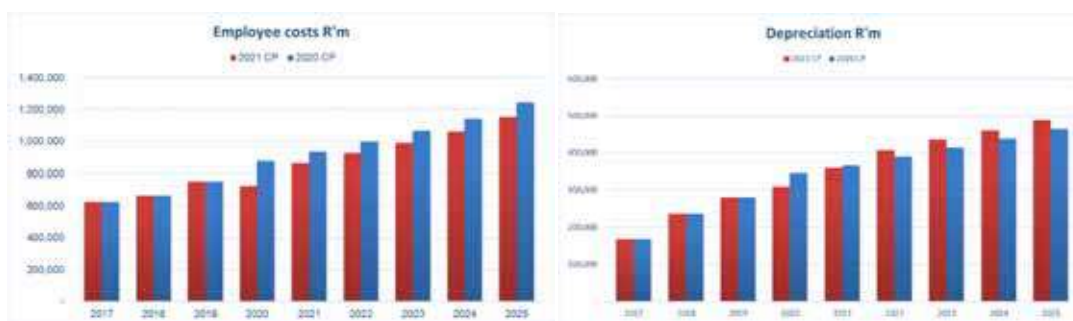
In 2020, asset write off and impairment costs are forecasted to be lower than the 2020 CP due to the receipt of grant funding for the Greater Mpofana project. From year 2021, the impairment cost trend is higher than the 2020 CP due to impairment costs to be potentially recognised for the following projects: Mpophomeni WWW, Trustfeeds WWW, Stephen Dlamini BWSS and Mhlabatshane Sub-Regional Scheme Ph 2.

Retirement benefit costs are projected to be lower than the 2020 and 2021 year thereafter the trend is line with the CP 2020.

2. Higher than inflationary increases in the main operating cost drivers

The main operating cost drivers are as follows:



**Raw Water:**

1. Raw water costs in 2020/21 is 7% of revenue and 8% of Total operating costs
2. The expenditure trend for raw water is in line with CP2020. The cost of Raw water in 2021 is expected to increase by 10% for the Mgeni system, Mdloti system and 15% for the uThukela system and the Lower Thukela system as well as the water resource charges.
3. These increases have been projected to remain the same in the 5 year and beyond projections. The cost of raising the Hazelmere dam wall has also been factored into the cost of Raw water at R2m per annum. Therefore, the average increase per annum is 13.4% from 2022 onward.

Chemicals:

1. Chemical costs in 2020/21 are projected to be 3% of revenue and 3% of Total operating costs
2. Lower trend than the assumptions made in the 2020 CP due to the additional schemes no longer in the financial forecasts of 2021CP (Ugu schemes and not all 13 uThukela plants).
3. Price increase assumption from 2022 onward is 10% per annum. Higher usage of chemicals assumed to remain at the 2021 levels for the next 5 years (increase in lime dosage at major plants).

Energy costs:

1. Energy costs in 2020/21 projected to be 9% of revenue and 11% of Total operating costs
2. Lower trend than the assumptions made in the 2020 CP due to the additional schemes no longer in the financial forecasts (Ugu schemes and not all 13 uThukela plants)
3. Price increase assumption from 2022 onward is 12.5% and 0.5% additional usage factored in for new schemes. Operating rules for existing plants assumed to remain the same (all pumps run for 12 months)

Maintenance costs:

1. Maintenance costs for 2020/21 is 9% of revenue and 11% of Total operating costs
2. More than 50% of maintenance costs are renewals and external repairs. The significant spend being in the uThukela area. It is assumed that this level of expenditure will be required on new plants taken over in terms of targeted WW owned by municipalities.
3. Over the 5 year period, maintenance costs escalates by 8% year on year.

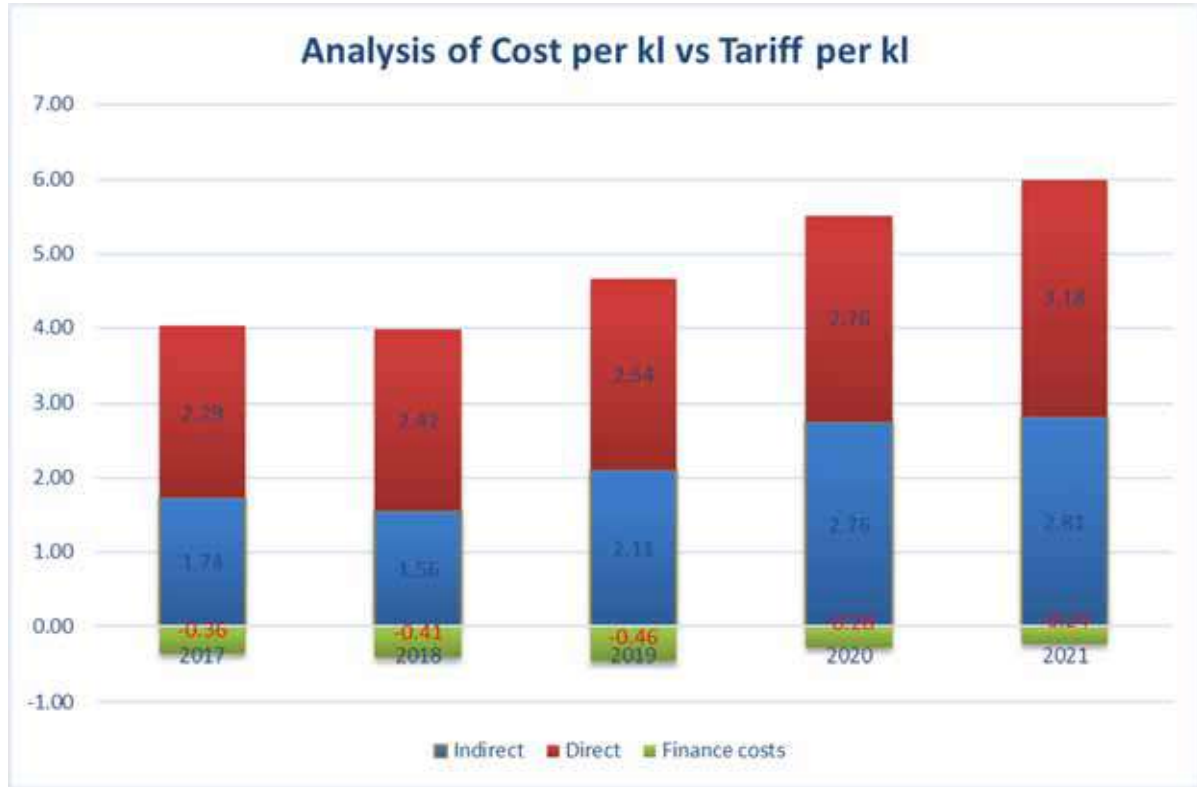
Employee costs:

1. In 2020/21, employee costs are projected to be the most significant cost driver at 21% of revenue and 22% of Total operating costs.
2. Lower trend than the assumptions made in the 2020 CP due to the additional schemes no longer in the financial forecasts (Ugu schemes and not all 13 uThukela plants).
3. Basic wage rate increases at 7% per annum. Headcount is projected to decrease from 1349 to 1321 in 2021.
4. For the 5 year the head count is assumed to remain the same until better information available in terms of the organisational design being undertaken by HR.

Depreciation Costs

1. Depreciation costs for 2020/21 is 9% of revenue and 11% of Total operating costs
2. Trend in line with the 2020 CP. In 2020 lower depreciation expected due to the delay in the commissioning of the Darvill Upgrade as well as the Greater Mpofana project.
3. From 2021 onward, it is assumed that these projects will be commissioned hence the catch up in 2021.

A combined view of the impact of the main cost drivers relative to total costs is shown below.



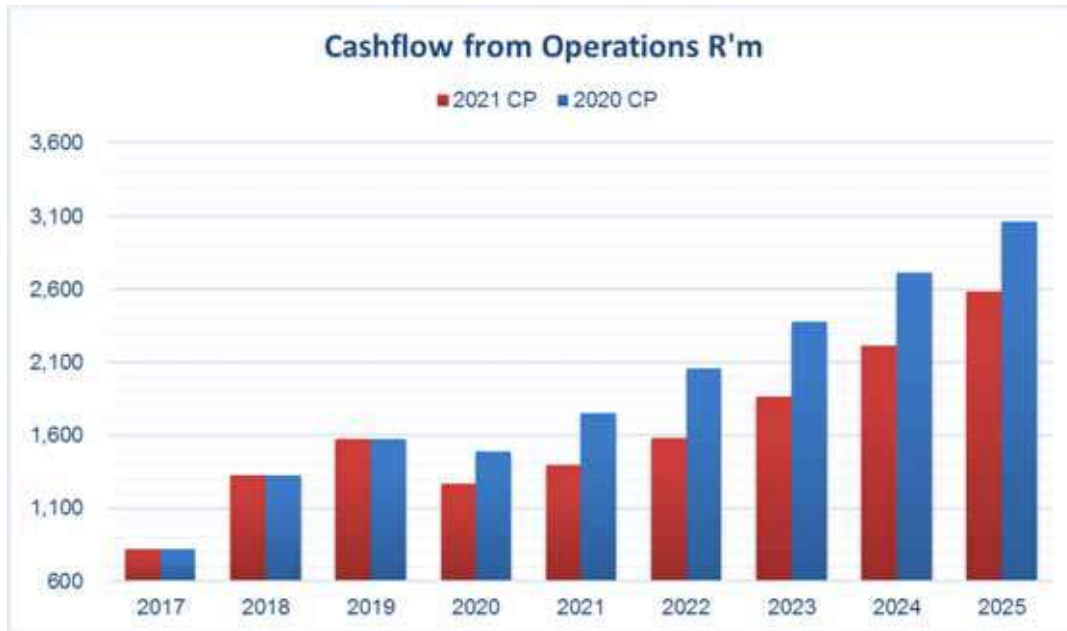
Increase in cost per kl of bulk water sold places pressure on tariffs charged per annum.

Total Bulk Water cost per kl is projected to increase in 2020 by 27% and in 2021 by 10% as follows:

Table 25.1: Cost per kl

Components	2016/2017		2017/2018		2018/2019		2019/2020 Budget		2019/2020		2020/2021	
	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %
Direct Costs												
Chemicals	0.140	30%	0.137	-2%	0.142	4%	0.220	36%	0.170	19%	0.202	19%
Depreciation	0.321	11%	0.378	18%	0.433	15%	0.458	4%	0.451	4%	0.511	13%
Energy	0.508	22%	0.542	7%	0.564	4%	0.766	32%	0.613	9%	0.686	12%
Maintenance	0.379	21%	0.392	3%	0.396	1%	0.603	33%	0.458	16%	0.623	36%
Raw Water	0.440	16%	0.481	9%	0.509	6%	0.509	0%	0.530	4%	0.545	3%
Staff Costs	0.426	17%	0.430	1%	0.449	4%	0.574	19%	0.417	-7%	0.490	18%
Other direct operating activities	0.073	-22%	0.058	-20%	0.046	-20%	0.077	8%	0.117	148%	0.125	7%
Total Direct Costs	2.286	16%	2.419	6%	2.540	5%	3.207	19%	2.756	8%	3.183	15%
Indirect Costs												
Overheads	0.587	21%	0.641	9%	0.892	39%	1.038	-10%	1.804	102%	1.461	-19%
staff costs	0.783	32%	0.776	-1%	0.824	6%	0.813	-6%	0.711	-14%	0.854	20%
Depreciation	0.081	48%	0.156	92%	0.148	-5%	0.194	12%	0.102	-31%	0.130	28%
Amortisation	0.028	83%	0.072	0%	0.186	0%	0.066	0%	0.097	0%	0.146	0%
Impairments	0.102	-66%	(0.180)	-276%	(0.129)	-28%	0.035	(0.151)	(0.151)		0.012	9%
Retirement benefits	0.157	15%	0.147	-7%	0.119	-19%	0.242	-2%	0.194	63%	0.211	9%
Total Indirect Costs	1.738	9%	1.611	-7%	2.039	27%	2.388	-8%	2.756	35%	2.813	2%
Total direct & indirect cost	4.024	13%	4.031	0%	4.578	14%	5.595	6%	5.512	20%	5.996	9%
Finance Costs	(0.361)	19%	(0.406)	12%	(0.457)	13%	(0.275)	-10%	(0.278)	-39%	(0.239)	-14%
Cost - Bulk Water	3.663	13%	3.625	-1%	4.121	14%	5.320	7%	5.234	27%	5.756	10%

25.3 Cashflow Analysis

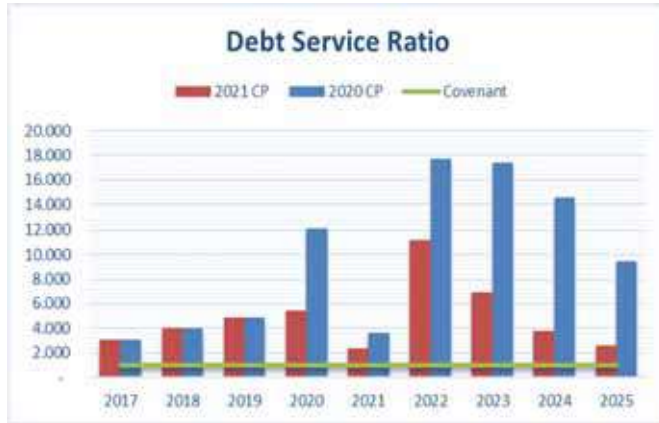


Cashflow from operations projections in 2021 CP expected to be lower than the 2020 CP. The lower trend is due to the lower trend in tariff increases than the 2020CP. The cashflows are required to repay the debt to be raised to support the investment in the capex programme.

National Treasury Covenants based on Cashflows form Operations

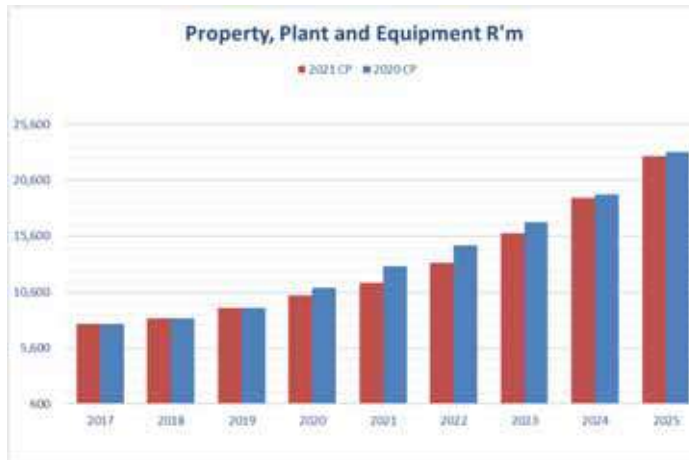


This ratio measures the ability of Cashflow from Operations (before changes in working capital) to cover finance costs (on a cashflow basis). It is a covenant set by National Treasury and in terms of the borrowing limit approval for 2020 to 2022. The ratio indicates that the covenant of greater than 3 times will not be breached although the ratio may be susceptible to being breached in 2024 and 2025.

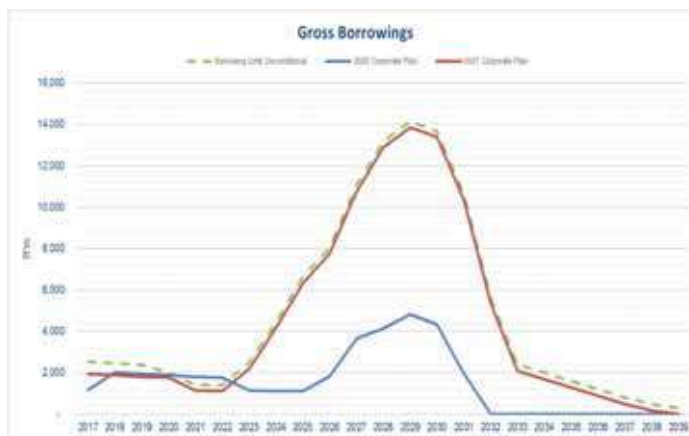


This ratio measures the ability of Cashflow from Operations (before changes in working capital) to cover finance costs and the capital redemption charges (on a cashflow basis). It is a covenant set by National Treasury and in terms of the borrowing limit approval for 2020 to 2022. The ratio indicates that the covenant of greater than 1 times will not be breached although the ratio may be susceptible to being breached in 2024 and 2025.

25.4 Financial Position



The level of PPE is lower than the 2020 CP. The change in PPE is based mainly on additions, depreciation and impairments. New projects have been identified for the takeover of new plants.

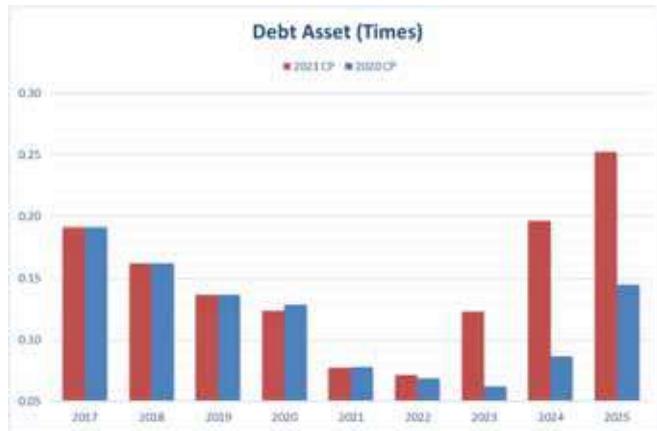


Significantly higher funding requirements in the medium to long term due to the increase in capex funding requirements and lower tariff increases. Gross borrowings are anticipated to be higher in the long term than the 2020 CP projections mainly due to higher capex costs. Gross borrowings will peak at R13.8bn in 2029 in comparison to the peak in the 2020 CP of nearly R5bn by 2027. New borrowing limits will have to be approved to accommodate the additional debt



Higher investments than the 2020 CP projections. Mainly due to higher temporary investment of borrowed funds (2020 CP assumed borrowing in 2022) and higher cashflow from operations when compared with the 2020 CP

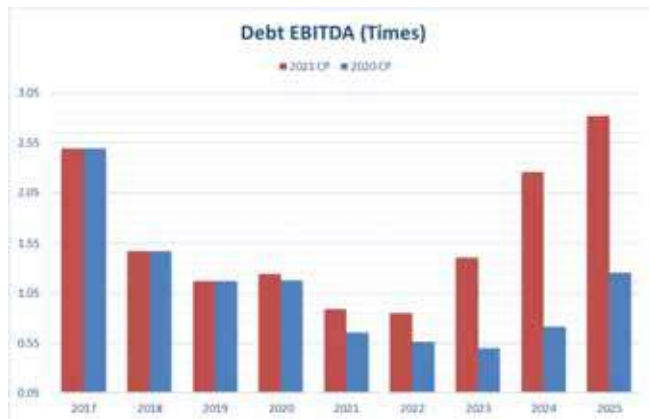
25.5 Debt Management



The ratio of debt to assets is projected to decrease to 0.12 in 2020 and a further decrease to 0.07 in 2022. Thereafter the ratio increases however the ratio does not look to exceed the target of less than 0.4.



The debt to equity ratio will not breach the EIB covenant of less than 0.7 times or the National Treasury covenant of less than 0.5 times. The ratio is less favourable than the 2020 CP mainly due to the higher borrowing requirements for those years.



The ratio of debt to EBITDA ("Leverage ratio") will increase to 1.24 times in 2020 and decrease to 0.89 times in 2021. This is due to repayment of existing debts.

25.6 Business Segment Information

Table 25.2: Business segments: Operating Profit

	2019		2020		2021
	R'm		R'm		R'm
Bulk	1,167	-8%	1,076	-22%	843
Wastewater	27	-170%	-19	37%	-12
S30	4.4	11%	4.9	10%	5.4
TOTAL	1,198	-76%	1,062	31%	1,202

Bulk Segment

Operating profit margins in 2020 is projected to decrease by 8% in 2020 and a further decrease by 22% in 2021. The operating profit margins are impacted by the nil growth in the bulk tariff rate from 2020 to 2021.

Wastewater Segment

The bulk wastewater segment is projected to show a decrease of 170% in 2020 due to the impairment costs for Mpophomeni and Trustfeeds projects where it is projected that the value in use will be significantly lower than anticipated in prior years. In 2021 the margin increases albeit by 37% only but still remains in an operating loss, mainly driven by the lower margin on the O&M of the UMDM schemes as well as the impact of the higher than inflationary increase in the operating costs at the Darvill Waste Waterworks.

Section 30 Segment

Analysis of S30 segment is shown in Table 25.3.

Table 25.3: Analysis of S30 segment in terms of projects

	FY 2018	FY 2019	FY 2020					FY 2021		
	Actual	Actual	Budget	Forecast	Budget Var	Inc / (Dec) F'19	Budget	Inc / (Dec) F'20		
	R'000	R'000	R'000	R'000	R'000	%	%	R'000	R'000	%
Revenue	51,115	33,196	37,368	32,979	(4,389)	(11.7)	(0.7)	35,675	2,696	8.2
Laboratory Services	11,678	10,399	11,320	9,471	(1,849)	(16.3)	(8.9)	10,022	551	5.8
Research	-	234	722	186	(536)	(74.2)	(20.4)	304	118	63.4
Scientific & Environmental	6,129	4	-	-	-	-	(100.0)	-	-	-
Engineering	2,284	2,563	2,700	554	(2,146)	(79.5)	(78.4)	959	405	73.2
Water Infrastructure	16,192	-	-	-	-	-	-	-	-	-
Drought Interventions	-	80	-	-	-	-	(100.0)	-	-	-
Training & Capacity Building	11,229	17,420	19,920	18,431	(1,490)	(7.5)	5.8	19,536	1,106	6.0
O & M	3,603	2,496	2,706	4,338	1,632	60.3	73.8	4,854	516	11.9
Cost of Sales	43,657	26,667	30,122	25,901	4,220	14.0	(2.9)	27,764	1,862	7.2
Maintenance	1,503	653	753	639	114	15.1	(2.1)	684	45	7.0
Staff costs	469	540	546	806	(259)	(47.5)	49.2	910	104	12.9
Short Term Performance Provision	27	37	32	31	1	4.4	(17.3)	70	39	128.8
Section 30 activities	41,602	25,380	28,728	24,349	4,379	15.2	(4.1)	26,019	1,670	6.9
Laboratory Services	7,645	7,444	8,137	6,962	1,175	14.4	(6.5)	7,309	346	5.0
Research	-	234	722	186	536	74.2	(20.4)	304	118	63.4
Scientific & Environmental	5,667	-	-	-	-	-	-	-	-	-
Engineering	1,941	1,789	1,759	446	1,313	74.7	(75.1)	646	200	44.9
Water Infrastructure	16,141	(0)	-	-	-	-	(100.0)	-	-	-
Drought Interventions	-	76	-	-	-	-	(100.0)	-	-	-
Training & Capacity Building	10,208	15,837	18,110	16,755	1,354	7.5	5.8	17,760	1,005	6.0
Other direct operating expenses	57	58	63	77	(14)	(22.1)	33.0	80	4	5.1
Gross Profit	7,457	6,529	7,246	7,078	(168)	(2.3)	8.4	7,911	833	11.8
GP %	14.6%	19.7%	19.4%	21.5%	-2.1%	-	1.8%	22.2%	0.7%	-
Other income	-	16,052	-	-	-	-	(100.0)	-	-	-
Administration expenses	1,825	2,030	959	2,222	(1,263)	(100.0)	9.5	2,478	256	11.5
Bad Debts	739	1,136	-	-	-	-	(100.0)	-	-	-
Other Admin	1,081	894	959	2,222	(1,263)	(131.7)	148.7	2,478	256	11.5
Profit/(Loss) from Operations	5,633	20,551	6,287	4,856	(1,431)	(22.8)	(76.4)	5,433	577	11.9
Net Finance charges	(840)	(847)	-	-	-	-	(100.0)	-	-	-
Profit/(Loss) for the year	6,473	21,398	6,287	4,856	(1,431)	(22.8)	(77.3)	5,433	577	11.9
Net Profit %	12.7%	64.5%	16.8%	14.7%	2.1%	-	-49.7%	15.2%	0.5%	-

25.7 Sensitivity Analysis

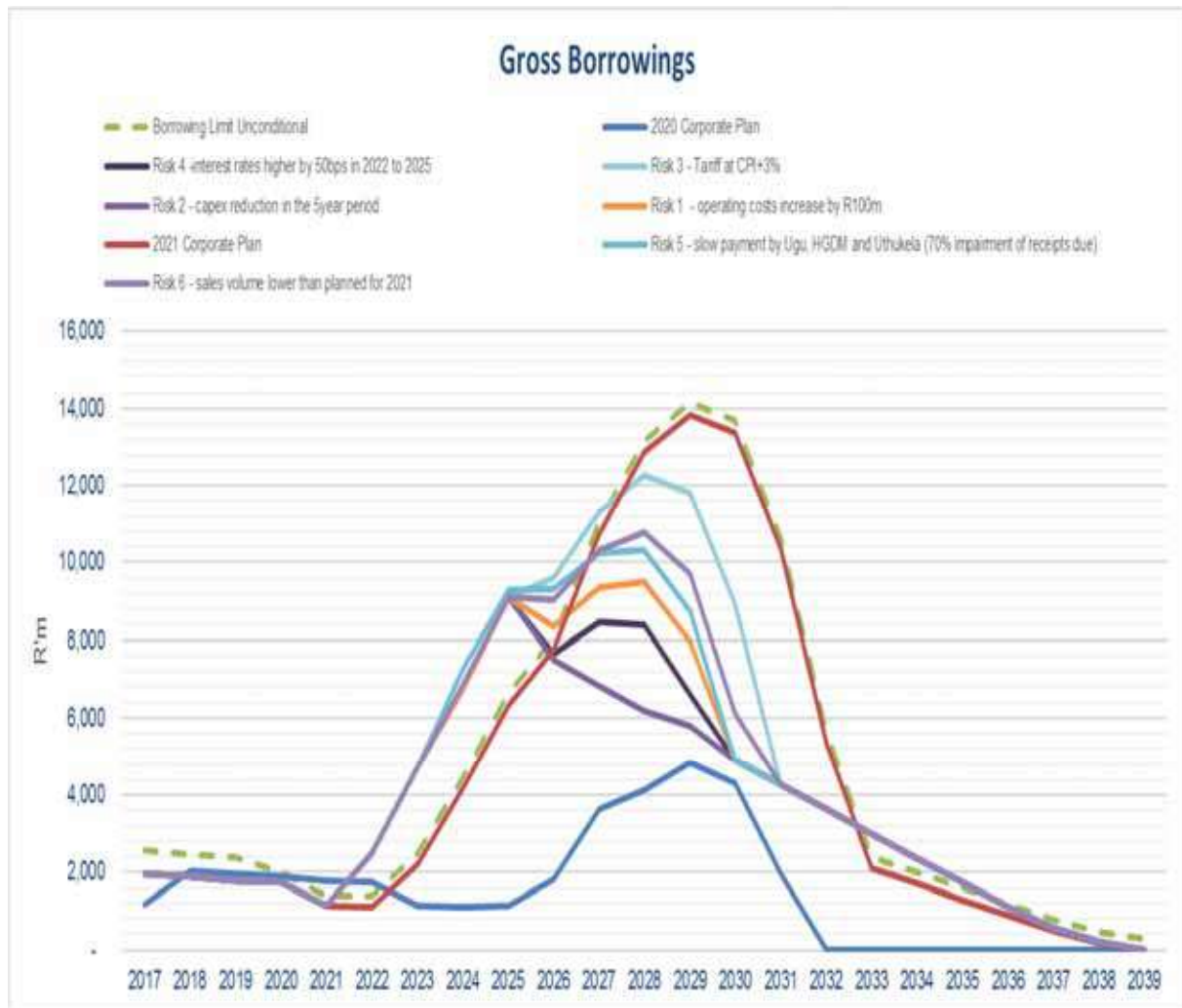
Umgeni Water's operating cashflows, borrowing levels and debt covenants are sensitive to the following operating risks which could have a financial impact on the operations of Umgeni Water:

- Risk 1 - if operating costs increase by R100m more in 2021.
- Risk 2 – capex reduction in the 5 year period to 2025.
- Risk 3 – Tariff at CPI plus 3%
- Risk 4 – interest rates higher by 50bps
- Risk 5 - slow payment by Ugu, Harry Gwala DM and uThukela DM
- Risk 6 - if sales volume lower than planned for 2021.

The financial impact should these risks materialise is highlighted in terms of its impact on the funding requirements, increase in debt and impact on the interest cover ratio being the most vulnerable covenant out of the 2 ratios per the EIB agreement (the other being the Debt:equity ratio). The summary of the risks is as follows:

- The impact on the gross debt curve is minimal in the short to medium term (up to 2025), as the borrowings per the funding strategy and bulk water tariff make provision for these risks in 2021.
- The impact will be mostly on the covenants which will be breached in the latter part of the 5 year period (2024 and 2025) should these risks materialise (on a mutually exclusive basis).
- Given that the tariff review is an annual process, the risks will be re-evaluated in the next years (2021/22) tariff review to determine the impact in that 5-year term, which will require that bulk water tariff make adequate provision for the probability of the operating risks materialising.

The resultant debt curves are as follows



The most significant impact if each of the risks if presented would be that UW would breach the **interest cover ratio covenant and the cash interest cover ratio in 2023/24 and 2024/25.**

Chapter 26: Analysis of Financial Risk



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26.1 Approach

Umgeni Water assumes a low tolerance approach to risk. The risks described in this section have been identified as either strategic financial risks and or treasury risks that are managed proactively to ensure timely mitigation.

26.2 Ability to secure funding to meet developmental goals

This risk arises from the inability to secure the required project grant funding which may delay the implementation of projects.

This risks impacts on the organisational strategy to *increase services and customers, increase customer and stakeholder value, improve and Increase infrastructure assets and increase mobilisation of funds.*

Mitigation approach

Umgeni Water manages this risk as follows:

- Business Plan for funding prepared well ahead of project implementation.
- Regular meetings with DWS on funding requirements.
- Transparent Tariff consultation process.
- Project evaluations to assess the optimal funding mix.

26.3 Sustainable Tariff

An unsustainable tariff will affect Umgeni Water's ability to fund future capital expenditure programmes and undertake operational expansion. This risk impacts on the organisation's ability to deliver on its financial strategy to remain a financially viable entity and improve on financial ratios.

Mitigation approach

- Umgeni Water monitors and reports on cash flow funding requirements and maintains optimal debt levels and has a transparent and formalised tariff policy embedded in a robust tariff model. The organisation undertakes water demand planning, liaises with stakeholders to obtain commitment to the capital expenditure programme and subsequently undertakes project evaluation to assess sustainability of the programme. The organisation pro-actively manages the impact of non-viable projects and expansion plans to ensure the relevant infrastructure funding mix is in place.

26.4 Liquidity Risk

Liquidity risk will result in Umgeni Water being unable to raise sufficient funds in the required currency and at the correct time to meet its financial obligations. This will impact on the organisation's ability to achieve its financial strategy of Financial Viability and sustainable debt.

Mitigation approach

To mitigate liquidity risk, Umgeni Water has:

- Short-term funding facilities to meet on-going cash requirements for which facility options are in place with four banks (FNB, Nedbank, ABSA, Investec).
- A Domestic Medium Note (DMTN) Programme has been established allowing for longer dated debt such as bonds to be issued with relative ease;

- Provided for a R 200 million cash buffer investment to cater for delayed payments by its customers;
- A redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities (such as the UG21 bond). The build-up in the redemption portfolio over a three-year period is: 10 % of the capital redemption value three years before maturity, 40 % two years before maturity, 75 % a year before maturity, and the balance of 25 % is funded during the year of maturity.

26.5 Credit Investment Risk

Credit investment risk will result in Umgeni Water being exposed to counter-party failure. This has the potential to impact on the organisation's ability to maintain, sustainable debt level and improve financial ratios

Mitigation approach

Umgeni Water will:

- According to its Investment Policy, mitigate credit risk by conducting transactions only with counter parties and issuers who satisfy soundly based and acceptable assessment processes, and only after formal limits have been set. In addition, same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- Continue monitoring of the credit quality of counterparties.

26.6 Interest rate risk

The main risk driver comes from changes in the market place, whilst a minor driver comes from changes in the capital structure from loan servicing and new loan generation. Unanticipated increases in interest costs could result in an increase in the funding requirements.

Mitigation approach

Umgeni Water will:

- Maintain a ratio of 70% fixed to 30% floating interest rate debt to manage the impact of volatility of changes in interest rates on cash flow and net profit.
- Use an interest-rate-hedging instrument for a maturity period that matches the underlying re-pricing risk, which is in line with Umgeni Water's overall interest rate risk profile.
- Depending on the business and economic environment prevailing, minimum hedging level for interest rate risk should be 30% to 40% of the underlying risk.



Chapter 27: Bank Accounts



Think Water, Think Umgeni Water.

27 Bank Accounts

Umgeni Water bank accounts are presented in Table 27.1.

Table 27.1: Umgeni Water Bank Accounts

Description	Account	Branch #	Branch name	Bank
Creditors	1196366616	198765	Durban	Nedbank
Payroll	1196366624	198765	Durban	Nedbank
Main Bank	1196366594	198765	Durban	Nedbank
Treasury	1196366608	198765	Durban	Nedbank



Chapter 28: Analysis of Risk



Think Water, Think Umgeni Water.

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28.1 Integrated Risk Management

Umgeni Water defines risk as all sources of uncertainty that could, positively or negatively, affect the entity's ability to achieve its strategic objectives and outcomes. Risk management in the entity is guided by an Integrated Risk Management Framework (IRM). Umgeni Water's risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

Umgeni Water constantly analyses its operating environment as part of reviewing its strategy. Key to this analysis is the identification strategic risks as part of the entity's integrated risk management framework. Strategy informs the identification and management of new risks and opportunities, whilst risk assessments and management of risks informs potential new strategic opportunities.

The entity has five (5) strategic risks, with relevant treatment plans in place to treatment plans in place. These risks are as follows:

- Ability to deliver projects on time and within budget.
- Security of all assets.
- Ability to meet current & future demands
- Financial viability, and
- Compliance with laws and regulations

28.2 Key Internal Audit Issues

Control deficiencies are adequately elevated at the correct levels within Umgeni Water in accordance with severity and Internal Audit continues to monitor the resolution of control deficiencies on an on-going basis.

28.3 Compliance Management

Umgeni Water has determined its Compliance Universe and entity-wide compliance registers have been developed. These registers continue to be consistently reviewed and used as the basis for reporting compliance in a structured manner.

28.4 Contingent Liabilities

- **Collateral**

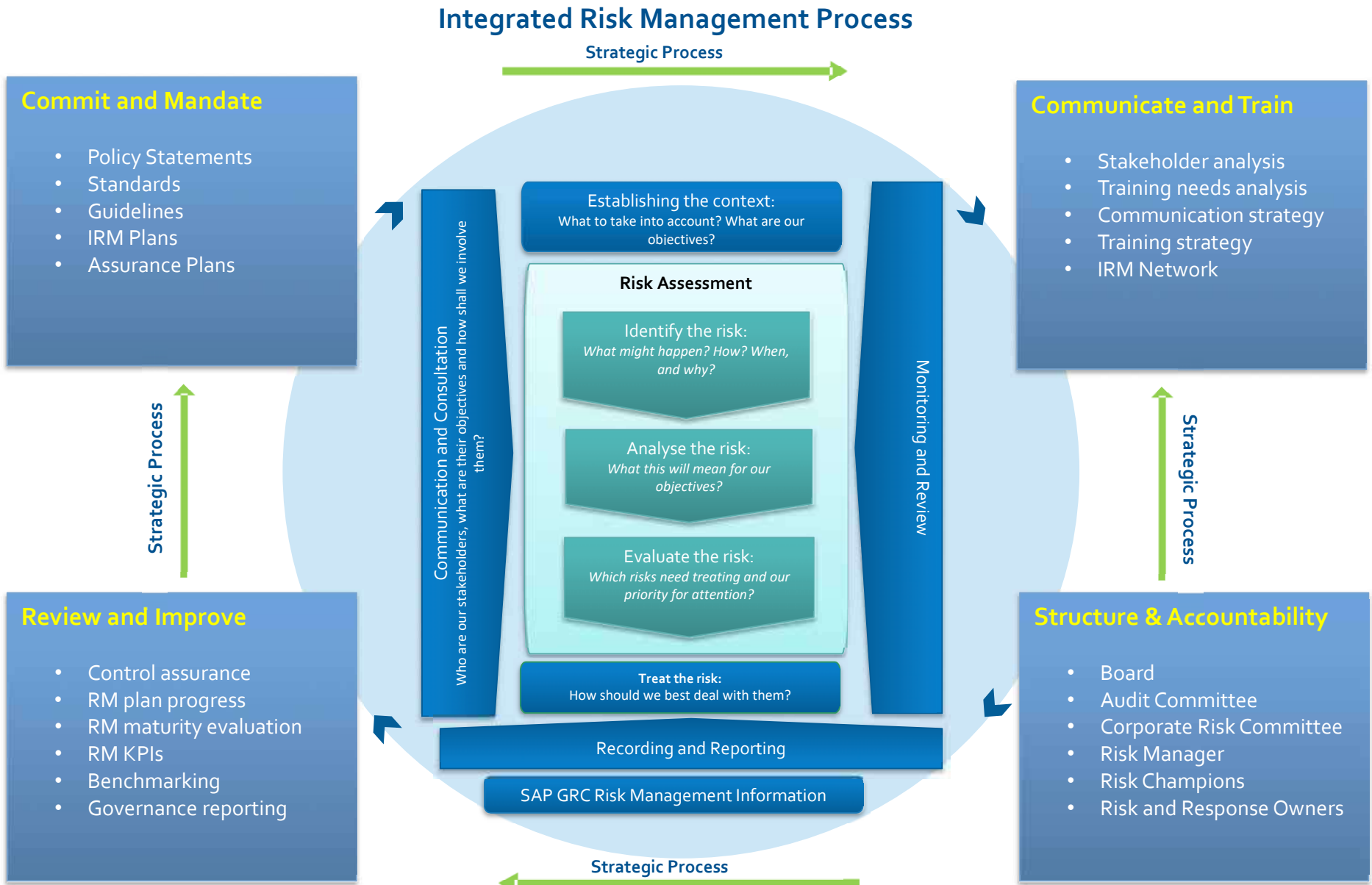
Collateral security is given to certain financial institutions in respect of mortgage loans advanced to employees under the home ownership scheme. This amount is Rnil for 2019/2020.

- **Guarantees**

Guarantees are given by certain financial institutions in respect to payments to utility service providers.

This amount is **R7.37 million** for 2019/20.

Figure 28.1: Umgeni Water Integrated Risk Management Framework





Chapter 29: Fraud Prevention Plan



Think Water, Think Umgeni Water.

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29.1 Background

Whilst Fraud Prevention focuses its attention on mitigation measures to combat fraud as required by Treasury Regulations issued in terms of the Public Finance Management Act No 1 of 1999, the Audit Committee deemed it fit to extend the scope of Fraud Prevention to Ethics as the overarching framework on the basis that fraud, by its nature, arises out of unethical behaviour.

In order to ensure that fraud is addressed in an integrated manner, Umgeni Water's Integrated Fraud Management Framework forms the core of all fraud process. This framework is a pronouncement of Umgeni Waters' strategy to address fraud in an integrated approach, thereby reducing potential risk to the organisations assets, service delivery efficiency and reputation.

The Integrated Fraud Management Framework (IFMF) is managed by five guiding principles.

29.2 Principle 1 - Fraud Governance

The Board of Umgeni Water is accountable for ethical leadership and is committed to managing fraud risk by ensuring that there are written policies and procedures in place within the entity. In this regard, the Board has approved a Code of Ethical Conduct for Umgeni Water, which is monitored via the Ethics Committee through its Audit Committee.

29.3 Principle 2 - Fraud Prevention

Umgeni Waters Fraud Prevention Plan ensures mechanisms are in place, to manage its vulnerability to fraud. These mechanisms are designed to prevent, deter and detect fraud. Fraud prevention is a primary control which is intended to lower the likelihood of fraud occurring. Umgeni Water has aligned its Fraud Prevention plan to the Code of Ethical Conduct which culminates into a corporate wide "Fraud Prevention Implementation Plan".

This regulates, inter alia:

- Integrity in the workplace,
- Conflicts of interest,
- Bribery and Corruption,
- Information and use of Umgeni Water property,
- Gifts and entertainment,
- Human Rights and Dignity,
- Corporate Governance,
- Suppliers and Business Partners,
- Customers and other stakeholders,
- Corporate Social Investment, and

- Integrity with regard to the environment.

Quarterly oversight by the Board on the implementation of the plan ensures ethical issues are assessed against key ethical areas in an integrated view encompassing economic, social and environmental spheres.

29.4 Principles 3 and 4: Fraud Detection and Investigation

Umgeni Water uses its external whistle-blowing hotline service managed by an external service provider as means of fraud detection and as means of encouraging an ethical culture. This 24 hour - 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or otherwise unethical conduct.

All hotline calls are investigated and appropriately followed through using a hotline protocol to ensure that all calls received are dealt with in a transparent and consistent manner. Trends and information of the hotline calls are further used to improve internal controls. Umgeni Water endeavours to create and maintain awareness of this facility and ensure that the number is adequately advertised by means of posters, intranet, staff information and induction sessions, supplier forums as well as and other means deemed effective and appropriate.

29.5 Principle 5 - Fraud Risk Assessment

The Board has developed and approved a comprehensive risk management framework that articulates the risk management mandate of the Board, its committees and management to formally conduct and review risk assessments, including any fraud risks faced by the organisation. High fraud risks are managed with appropriate mitigation to increase the control strengths. Fraud risk exposure will continue to be assessed as part of the prevention plan.



Chapter 30: Economic Transformation Plan



Think Water, Think Umgeni Water.

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30.1 Background

Economic transformation is at the center of the procurement imperatives of the government of the day. Umgeni Water as a State Owned Entity, fully subscribe to the notion of transforming the water sector by providing economic opportunities to the sector of the society that was previously marginalised. Accordingly there are a number of policy pronouncements and acts of law that have been promulgated by the state to ensure transformation of the country and reversing the past inequalities.

Broad-Based Black Economic Empowerment (B-BBEE) as a policy was designed to promote the entry of Black entrepreneurs into the mainstream of economy through provision of meaningful economic participation opportunities and enhancing capacity and capabilities within the broader economic landscape at all levels. The successful implementation of this policy focuses on five key components, namely: skills development, employment equity, socio economic development, preferential procurement and enterprise development.

The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) as amended, mandates all spheres of government and the private sector to promote the constitutional right to equality, increase broad-based and effective participation of Black people in the economy, increase employment and promote more equitable income distribution. According to the National Development Plan, the targeted contribution of small businesses to the Gross Domestic Product is set at 90% by 2030. The NDP further aims to eliminate poverty and reduce inequality by 2030. As a state-owned enterprise that operates within the South African legislative parameters, Umgeni Water is committed to making a meaningful contribution to this transformation.

30.2 Umgeni Water's Transformation Vision

Umgeni Water's area of operation includes some of the country's most impoverished and traditional areas. In contributing to the country's socio-economic development agenda, Umgeni Water wants to see sustainable communities, which are better able to contribute to the sustainability of the organisation in the long-term. To that end, guided by the organisational strategy and Umgeni Water's B-BBEE Policy Umgeni Water's transformation agenda is anchored on the following pillars :

- Equitable distribution of economic participation opportunities across the communities within which Umgeni Water operates,
- Improve equity ownership and management representation internally and amongst the organisation's stakeholders,
- Improve business competitiveness, and
- Contribute to the growth of the second economy.

30.3 Short-term Initiatives

In the short-term, Umgeni Water will focus its resources on implementing an integrated approach to transformation as a means of improving its own B-BBEE Level. The end goal would be to enable the entity to quantify the impact of its efforts for transforming the lives of the majority in its area of operation. During the 2020/21 financial year, Umgeni Water will invest its efforts and resources on:

- Providing procurement opportunities for Small, Medium and Micro Enterprises;
- Building a capable SMME ecosystem through focused enterprise development programmes
- Providing socio-economic development support to communities to improve their sustainability, and
- Implementing transformational capacity building and skills development, to redress employment and equity challenges experienced by designated groups.



Chapter 31: Digital Transformation



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31.1 Introduction

This plan sets out how the organisation will become digital across its functional and business units or divisions. By being digital, it means most transactions/activities and processes that are so straightforward and convenient automation shall be done while an attempt to include others continues and how it delivers value to customers, employees and other key stakeholders. It is estimated that moving transactions/activities and processes and data from offline or segregated to digital channels will save time and money across the organisation. With digital transformation, the organisation will provide information to a single or central location of accessing data.

Digital transformation **Figure 31.1** is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate. In this regard, the Corporate Services Division will ensure the delivery of a collaborative and integrated service to Umgeni Water via an organizational centric approach to Digital Transformation. The current ICT Strategy shall form a basis for driving the envisaged digital transformation in a programmatic way.

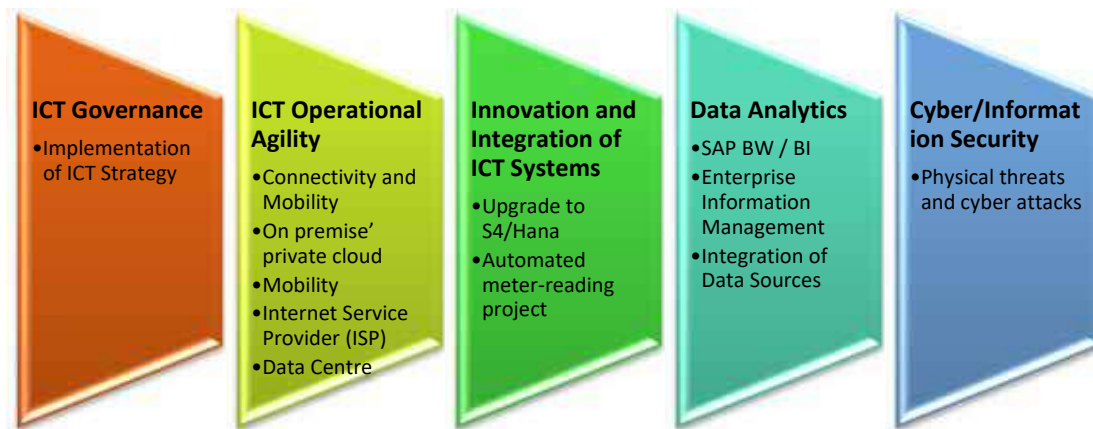


Figure 31.1: Digital Transformation

31.2 Gap Analysis

The vast majority of departments, plant sites and Divisions produce data and operate systems with specific applications, which are regrettably not fully connected and interoperable. These systems and organisational units perform transactional services on systems such as the SAP, Labware, SCADA and Open Text. There is only a handful of these services where employees use the online options to process information and reports. The digitisation transformation plan in this chapter aims to change this situation in the next two years.

31.3 Focus Areas

Operational Agility

In support of the business objectives of bulk water provision, the availability and reliability of systems are of utmost importance. In this regards, a drive to standardise *connectivity and ensure a maximum uptime* at all Umgeni Water sites; the organisation has opted for fibre optic cables for fixed line connectivity. This will further prepare the organisation for 4G and 5G connectivity.

The process of building '*an on premise' private cloud to securely host all corporate data* is underway. This will ensure that Umgeni Water's critical data is not housed outside the borders of South Africa and is compliant with relevant data regulatory requirements. Extranet which would be a portal for Board and External facing data sharing will also form part of this private cloud facility. In a connected world i.e. Internet of Things (IoT) the enhancement of *Mobility* via Skype for business and video conferencing is an essential business tool. Umgeni Water will continue to roll-out these mobility tools in order to speed up business decisions and reduce costs and time of employees. ICTs engagement with the Independent Communications Authority of South Africa (ICASA) to extend the Broadband License is in its advanced stages. This will provide the platform for the establishment of Umgeni Water as an *Internet Service Provider (ISP)*. ICT has upgraded its *Data Centre*, which has the capacity to act as a bureau hosting facility for public sector entities.

Innovation & Integration of Umgeni Water Business Systems

Umgeni Water took a decision to consolidate its operating environment by implementing an ERP system in 2017. The ERP system namely: SAP has been supporting and enabling the business successfully, however the system is now due for an *upgrade to S4/Hana* due to the end of support life of the existing software version. This upgrade would also include the identified SAP enhancements as per the approved ICT Strategy and shall enhance the integration envisaged in the corporate plan.

In the same breath, Umgeni Water's meter reading process is currently captured monthly. Any breaks in the system are only detected at month-end i.e. burst pipe, leaking pipe, etc. In a drive for efficiency and to support the operational business the *automated meter-reading project* will allow meters to be read at any determined regular intervals and compromised thresholds flows will be flagged automatically.

Data Analytics

The Board, EXCO and Management require data and insights in order to make quick informed business decisions. To achieve this, ICT is supporting the business to harness their diverse data sources in one platform, having a single source of the truth. The SAP BW/BI Reports and Dashboards project is at an advanced stage. This will support Management decision making and Corporate Reporting requirements. This will ensure improved levels of data integration, consistent, reliable information across the business value chains as well as the single version of the truth across operational areas. The integrity of the system will also be from a trusted

data source. All these initiatives will be strengthened and mainstreamed to benefit the organisation through this plan.

Information is the most valuable resource in the digital world. Umgeni Water has embarked on an Enterprise Information Management (EIM) project to move from a paper base to an electronic medium in preparation for digital transformation. This project also includes the implementation of Digital Signatures which will enhance business processes and efficiencies.

To ensure the Integration of Data Sources; Umgeni Water has embarked on a '*data architecture analysis*' to review all business systems for identifying integration points in preparation for data digital transformation. This will ensure delivery of data across the spectrum of data subject areas and data structure types in the enterprise, to meet the data consumption requirements of all applications and business processes. These types of data will include, Business Systems, SCADA, Drone Data, Sensors and 3rd Parties, etc.

Cyber and Integrated Security

In a drive to protect people, assets and reputations; physical security technology will ensure that ICT supports security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology will enable the security guards to be more pro-active in responding to security threats and risks. The merger of these functions will also enhance the integration of systems i.e. Access Control & CCTV.

Umgeni Water is mindful that with new technologies in the world of 4IR i.e. Big Data, Internet of Things, Artificial Intelligence, Machine Learning, Robotic, etc. the organisation is more prone to cyber-attacks. Cybersecurity is critical to the safeguarding of Umgeni Water's information in a digitalized environment. ICT will ensure that it implements effective cybersecurity measures to protect and safeguard assets. In this regard ICT is upgrading its Information Security Infrastructure to the latest CISCO technology i.e. routers, switches and firewalls both on Corporate and Operational network (SCADA).

In order to protect Umgeni Water's critical assets and infrastructure, Umgeni Water have identified three (3) key Operational sites namely; Durban Heights, Wiggins & Midmar to obtain National Key Point (NKP) certification. ICT will assist in project managing the NKP certification requirements as it has implication on both physical assets and technology.

31.4 Timelines and Resources

Umgeni Water will:

(a) Improve digital leadership and capability

Executives will actively lead the digital transformation plan by identifying transactional services needing automation and integration each year. All divisions will ensure that they have the right levels of digital capability including specialist skills. The Human Resources department will support improved digital capability across the organisation while the Finance Division provide the necessary budget on an incremental basis.

(b) Increase the number of employees who use digital services

Departments will raise awareness of their digital services to have more people know about and use them, and look at ways to use incentives to encourage digital adoption. At this level, the process of analysis of the kinds of data transformation will start. This process should be completed by December 2020. Internal staff shall be used to do this task in a quest to save the budget and build internal capacity. During this period, the organisation will ensure that employees and units who have rarely or never been online get enabled to connect since it is important not to leave anyone behind in this move to a digital by default approach as also emphasised by the Sustainable Development Goals (SDG) principles.

32. Signed Declaration

Umgeni Water hereby declares that all information is disclosed, is correctly disclosed and included in this Corporate Plan document, which includes Annexure A (Financial Statements), as required in terms of the Water Services Act (Act 108 of 1997), Public Finance Management Act (Act 1 of 1999), and associated regulations and prescribed guidelines issued by the Department of Water Affairs and National Treasury.

MR THAMI HLONGWA CA(SA)
Chief Executive
29 September 2020

MR MAGASELA MZOBE
Chairperson of the Board
29 September 2020