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BUSINESS PLAN

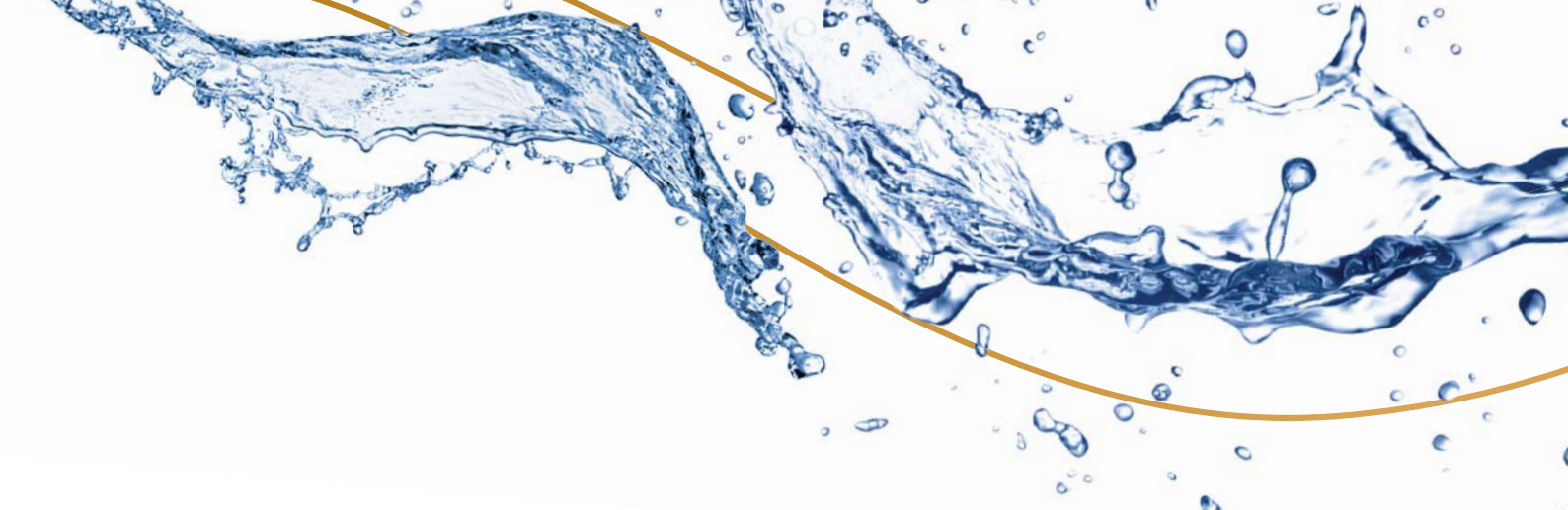
2021/2022

2025/2026



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ABBREVIATIONS

AC	- Audit Committee	m³/s	- Cubic Metres per second
ACIP	- Accelerated Community Infrastructure Programme	Minister	- Minister of Human Settlements, Water and Sanitation
AGSA/AG	- Auditor-General South Africa	MI	- Megalitre
AMCOW	- African Minister Council on Water	MI/day	- Megalitres per day
ASB	- Accounting Standards Board	MANCO	- Management Committee
AFWA	- African Water Association	MBA	- Master of Business Administration
ASIDI	- Accelerated Schools Infrastructure Development Initiative	MBL	- Master of Business Leadership
BBBEE	- Broad-Based Black Economic Empowerment	MFMA	- Municipal Finance Management Act
BCOM	- Bachelor of Commerce	MIG	- Municipal Infrastructure Grant
BDS	- Blue Drop System	MW	- Mhlathuze Water
BSc	- Bachelor of Science	MWIG	- Municipal Water Infrastructure Grant
CAPEX	- Capital Expenditure	NEMP	- National Eutrophication Monitoring Programme
CEO	- Chief Executive Officer	NMMP	- National Microbial Monitoring Programme
CFD	- Chief Financial Officer	NT	- National Treasury
CMA	- Catchment Management Agency	NQF	- National Qualifications Framework
CMF	- Catchment Management Forum	O&M	- Operations & Maintenance
CMMS	- Computerised Maintenance Management System	OHSAS	- Occupational Health and Safety Assessment Series
CoGTA	- Cooperative Governance and Traditional Affairs	OPEX	- Operational Expenditure
COO	- Chief Operations Officer	PFMA	- Public Finance Management Act
COSO	- Committee of Sponsoring Organizations	RBM	- Richards Bay Minerals
COVID-19	- the coronal flu virus	RBIG	- Regional Bulk Infrastructure Grant
CoU	- City of uMhlathuze Municipality	SA GAAP	- South African Statements of Generally Accepted Accounting Practices
CSD	- Central Supplier Database	SAICA	- South African Institute of Chartered Accountants
CSI	- Corporate Social Investment	SAICEE	- South African Institute of Electrical Engineers
DBSA	- Development Bank of Southern Africa	SANS	- South African National Standards
DBE	- Department of Basic Education	SCADA	- Supervisory Control and Data Acquisition
DM	- District Municipality	SHC	- Shareholders Compact
DUT	- Durban University of Technology	SHEQ	- Safety, Health, Environmental and Quality Management
DWS	- Department of Water and Sanitation	SCM	- Supply Chain Management
ECSA	- Engineering Council of South Africa	SLA	- Service Level Agreement
EIA	- Environmental Impact Assessment	SOE	- State Owned Enterprise
EMS	- Environmental Management System	SMME	- Small Medium Micro Enterprise
EPC	- Engineering Procurement and Construction	TGS	- Tugela-Goedertrouw Transfer Scheme
ESD	- Enterprise and Supplier Development	TR	- Treasury Regulations
EWSETA	- Energy and Water Sector Education and Training Authority	uPVC	- Unplasticized Polyvinyl Chloride
EXCO	- Executive Committee	UKDM	- uMkhanyakude District Municipality
FY	- Financial Year	VRIO	- assessment framework originally developed by Barney, J. B. in 1995, V-valuable R-rare I-imitate (costly to imitate) and O-organized
GDP	- Gross Domestic Product	WfW	- Work for Water
GIS	- Geographic Information System	WISA	- Water Institute of South Africa
GRAP	- Generally Recognised Accounting Practices	WMA	- Water Management Areas
HoD	- Head of Department	WSA	- Water Services Authority
HR	- Human Resources	WSIG	- Water Services Infrastructure Grant
IAS	- International Accounting Standards	WRM	- Water Resource Management
IDZ	- Industrial Development Zone	WUL	- Water Use License
IFRS	- International Financial Reporting Standards	WTP	- Water Treatment Plant
INCA	- Infrastructure Finance Corporation Limited	WTW	- Water Treatment Works
ISA	- International Standard on Auditing	WWDS	- Waste Water Disposal Scheme
ISO	- International Organisation for Standardisation	WWTP	- Waste Water Treatment Plant
KCDM	- King Cetshwayo District Municipality	ZDM	- Zululand District Municipality
KZN	- KwaZulu-Natal		
LIMS	- Laboratory Information Management System		
LM	- Local Municipality		
m³	- Cubic Metres		

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**WATER SPILLING OVER
THE MHLATHUZE WEIR.**

OFFICIAL SIGN-OFF

It is hereby certified that this Business Plan was developed by the management of Mhlathuze Water, a Schedule 3B Public Entity in terms of the Public Finance Management Act 1 of 1999. The Business Plan takes into account all relevant policies, legislation and other mandates and accurately reflects the strategic objectives and outputs which Mhlathuze Water will endeavour to achieve during the fiscal period 2020/2021-2024/2025.

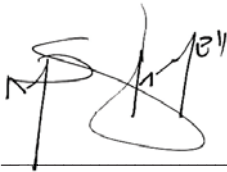
RECOMMENDED FOR APPROVAL BY:



Strategic Development Manager
Mr S Botha



Chief Financial Officer
Mrs B Mnyandu



Chief Executive
Mr MP Duze

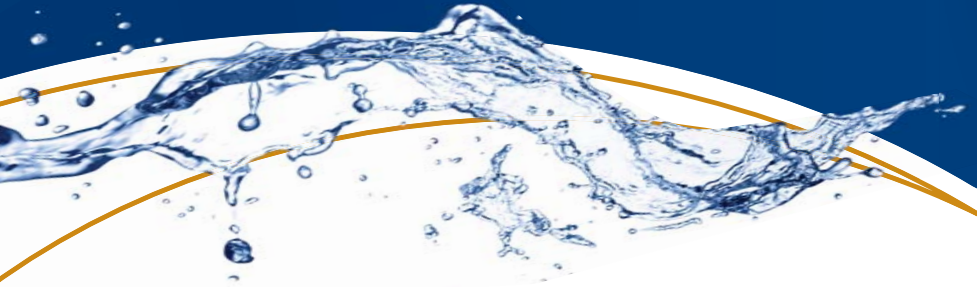
APPROVED BY:



Chairperson of the Board
Ms T Shange
Date: 30/04/2021

FOREWORD BY THE CHAIRPERSON

THABI AGATHA SHANGE - CHAIRPERSON



The primary responsibility of the Board of Mhlathuze Water is to safeguard the interests of the shareholder through an effective discharge of oversight in the organisation to ensure high performance in the realisation of the primary goal of the mandate.

The Board of Mhlathuze Water, working with executive management of the utility, has steered the organisation to a marked overall improvement in organisational performance and audit outcomes from the Auditor-General for two successive financial years.

Mhlathuze Water is seized with the responsibility of taking forward this grand goal in a part of KwaZulu-Natal which, despite its immense potential to drive economic and social development, is undermined by rolling water infrastructure shortages.

This is a challenge that was taken a step further by the destructive financial and social impacts of the Covid-19 epidemic where the need to hastily deploy water relief interventions to rural communities specifically, took on added importance.

The Board and management, appreciating that the provision of water to especially the highly water scarce affected rural communities is an inalienable right which finds meaning in our Constitution, has responded swiftly to the injunction by the shareholder representative, the Minister for Human Settlements, Water and Sanitation, Honourable Lindiwe Sisulu to ensure that plans are implemented to safeguard the sustained provision of water to communities and industrial actors during and post the current pandemic crisis facing our country.

Our interventions have seen us partnering with the KwaZulu-Natal government through the Department of Co-operative Governance and Traditional Affairs to access sustainable safe drinking water to communities under the uMkhanyakude District. This has been done through the construction, operation and maintenance of water infrastructure on behalf of that municipality.

At the same time, Mhlathuze Water has been hard at work to ensure that our industrial actors are an integral and valued part of our existence as a bulk water and waste water utility services provider.

Appreciating that water bows to neither social nor political boundaries, Mhlathuze Water has embraced an integrated and inclusive strategy for the provision of this precious resource for the benefit of all our stakeholders.

Thus, our task would not be complete if Mhlathuze Water did not realise the imperative of a more equitable access to water resources for both our municipal and industrial clients. Mhlathuze Water will double its efforts to improve infrastructure development for water storage and distribution not only in our traditional area of operation but to the rest of KwaZulu-Natal and possibly neighbouring provinces as well. Understanding that it is municipalities, government agencies and all stakeholders generally that have a better appreciation of their water challenges, Mhlathuze Water will unrelentingly pursue mutually beneficial partnerships, seeking to deliver on an integrated regional water plan, one which places emphasis on new infrastructure development but also the maintenance of our existing resources.

Mhlathuze Water is confident that this is the commitment that will receive the full backing of the Department of Water and Sanitation at a national government level as well as our valued clients in the region.

One of the salient points identified as a challenge to water boards and Water Service Authorities is that of ensuring financial viability.

The National Water and Sanitation Master Plan suggests that in order to adequately respond to the growing demand for water and promote economic growth, there is a need to invest in bulk water infrastructure as well as its maintenance.

Mhlathuze Water, in response to this important injunction, will over the coming years continue to invest in the maintenance of its infrastructure as one of its most important assets for sustained and assured service delivery to our clients.

Further, Mhlathuze Water, as an organ of the state, has an obligation to ensure that its presence translates into the economic and social empowerment of the communities Mhlathuze Water serves. Beyond the provision of water, Mhlathuze Water will continue to empower the public through our corporate social investment undertakings as well as affording enterprise supplier development opportunities to emerging Black owned start-ups through our supply chain processes. Mhlathuze Water commits to also continue to strive to offer the best service to our industrial clients, especially as the economic strives to recover from the current pandemic induced slump.

Effective good corporate governance and risk management are the backbone of Mhlathuze Water's efforts to be the reliable water and waste water business partner of choice. To this end, the Board focus is on the implementation of effective systems as a pledge to combat and counter all instances of malfeasance and corruption to ensure that our employees discharge their duties diligently, integrity and in a manner that does not expose the organisation to fraud and corruption. Mhlathuze Water has also developed a strategic risk register which is monitored closely to prevent identified risks from materialising which could have a catastrophic effect on Mhlathuze Water's operations and institutional reputation.

Looking ahead, Mhlathuze Water remains extremely positive about its catalytic role in the development of the region in particular and the province of KwaZulu-Natal in general. Already, as demonstrated by our overall organisational performance which continues to improve, there are more rewards to be reaped yet from our approach of advocating for more strategic partnerships with all stakeholders and partners.

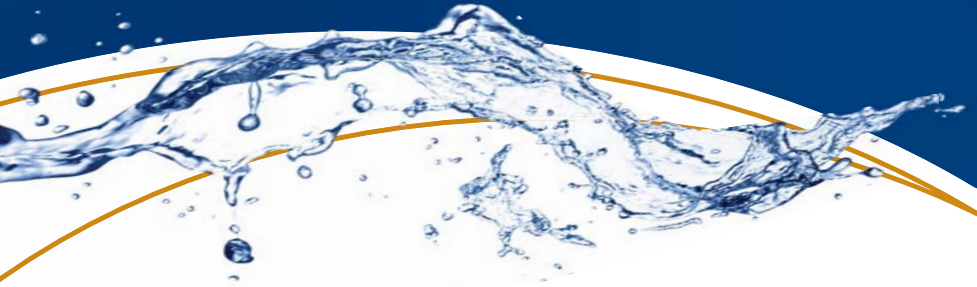
Finally, I should like to thank my fellow Board members and the entire workforce of Mhlathuze Water without whose ideas and expertise the organisation would not be able to deliver on the grand plans that Mhlathuze Water outlines in this Business Plan.



Thabi Agatha Shange, Chairperson

FOREWORD BY THE CHIEF EXECUTIVE

MTHOKOZISI P DUZE - CHIEF EXECUTIVE



There is no denying that our country and indeed the global community in its entirety finds itself faced with a crisis that shows little promise of abating anytime soon.

Even as the medical fraternity continues to make commendable inroads by coming up with vaccines in the fight against Covid-19, the ill-effects of this pandemic will, for years to come, continue to reverberate throughout every sector of our country's economy. Already, our government has had to make some fundamental yet necessary sacrifices - including redirecting billions towards Covid-19 social relief programmes and securing vaccines - in order to arrest further devastation from this pandemic. As a creature of the state, Mhlathuze Water Board realises that it is not exempt from these external vagaries and must, in setting its medium to long term business continuity strategy, put a stake in the ground that will assist our government in extricating millions of South Africans from conditions of abject poverty, joblessness and a yawning inequality gap.

We realise too that while Mhlathuze Water has over the years undergone a remarkable evolution in pursuit of the grand goal of becoming one of the vital actors in the bulk water value-chain, the prevailing material conditions on the ground necessarily dictate that we review the approach to our operations. This Business Plan outlines how we will meet our ambitions over the coming years and the path we will take in mapping out our journey to becoming a water board that is truly responsive to the demands for bulk water in our areas of operation. Our goal is to work with all stakeholders, including government, public and private sector partners to deliver a model of bulk water and waste water management that genuinely creates value for our customers, communities and society at large. Certainly, this stance has been warmly embraced by our Board as a vehicle to ensure that we remain on course to deliver on the shareholder's expectations.

Because Mhlathuze Water operates within a highly regulated space, our very being is premised on negotiating between social, economic, environmental considerations. Ultimately, it is these external factors that determine our resilience and fiscal health in an increasingly volatile operating environment that demands major investments on the refurbishment and, in certain instances, construction from scratch of large scale water infrastructure projects. As expected, when our country was attacked by the Covid-19 onslaught in the first quarter of 2020, a number of emergency responses had to be formulated to lessen the economic hardship on society wrought by this scourge. At a policy making level, the Parliamentary Committee on Human Settlements, Water and Sanitation, issued a decree which effectively outlawed any increase in bulk water tariffs as one of the responses to the financial devastations concomitant with Covid-19 at community levels.

While the nobility and rationale for this stance is unquestionable, for a Water Board such as ourselves which prides itself on its ability to maintain financial autonomy from the shareholder, it carries some agonising ramifications that could, in the long term, undermine our ability to deliver on our stated objectives. This is due to the fact that in the process of strategic financial planning, particularly for large capital intensive infrastructure projects, Mhlathuze Water relies heavily on the tariff review process to provide additional funding. This is a careful balancing exercise which takes into cognisance the complementary obligations of our sustained long term financial viability and the need to ensure that we do not burden our stakeholders with exorbitant tariff hikes. For this reason, our tariffs are calculated with a perception that all costs will be recouped and sufficient reserves are generated to ensure that the organisation's infrastructure is maintained for the fulfilment of our mandate. Noteworthy in this regard is that Mhlathuze Water has traditionally maintained one of the lowest tariffs when contrasted against sister Water Boards. However, with

the outright curb on any tariff increases for the foreseeable future, we have already begun feeling the pinch on our financial sustainability, resulting in an adjustment and, in some instances, an outright cancellation of some planned operational activities.

Tellingly, this delivers setbacks to the targets of both the 2030 the National Development Plan and the Millennium Development Goals respectively. By current United Nations projections, the global population is expected to increase exponentially over the next three decades to approximately 9.2 billion people. For an organisation like Mhlathuze Water which carries the dual responsibilities of delivering bulk water and waste water to industrial and municipal clients alike, this calls for us to forge full steam ahead with the maintenance of existing infrastructure as well as the construction of new infrastructure if we are to avoid a bulk water supply deficit in future. In the final analysis, the task of ensuring a sustainable water supply is a non-negotiable imperative upon which hinges the social and economic aspirations of millions of mainly rural and previously marginalised people of our country.

It is for this reason that notwithstanding the prevailing circumstances, Mhlathuze Water has taken the conscious decision to forge ahead with its ambitious plans over the medium to long term. Realising the need to ensure that every cent out of our purse is accounted for, at an organisational level we intend to continue maintaining a deliberate focus on further strengthening our good corporate governance culture, through effective risk management, auditing and strong financial management. In response to an injunction from our Board to ensure accountability and recourse in instances of errant conduct, we will also continue to tighten our grip on those areas that have in the past been red flagged as giving rise to dishonest and unscrupulous practices.

At the same time, Mhlathuze Water will continue to give strong attention to maintaining cordial and mutually beneficial stakeholder relations with all actors in the water value chain. This includes guaranteeing that, in our business planning processes, the communities within which we exist feel our presence through a deliberate focus on their empowerment from our corporate social responsibility initiatives. At an operation level, Mhlathuze Water has continued to plan ahead and is currently driving the operations and maintenance of a number of catalytic initiatives which continue to attract the favourable attention of industrial players to the greater Richards Bay area. Among some of our future oriented growth strategy undertakings can be counted:

RICHARDS BAY MINERALS

Mhlathuze Water continues with the operation and quality monitoring of the five Water and Waste Water Package Plants at the mining ponds. The contract have been extended to 2023. Furthermore, Mhlathuze Water continues to operate the Water

and the Waste Water Treatment Works at the Smelter until 31 January 2022.

CITY OF UMHLATHUZE

Mhlathuze Water continued to manage, operate and maintain the City of Mhlathuze's Water and Waste Water Treatment Plants and associated bulk distribution infrastructure up until 31 January 2020 when the CoU took over the management, operation and maintenance of their installations. However, Mhlathuze Water continued providing certain support services as agreed with the CoU up until 30 June 2020.

THUKELA-GOEDERTROUW TRANSFER SCHEME

Mhlathuze Water is responsible for the operation and maintenance of the Thukela-Goedertrouw Transfer Scheme, with a capacity of 1.2m³/s, on behalf of the DWS. This scheme is critical for providing water to the region, particularly during the drought. For the reporting period, a total of 4.388million m³ of raw water was abstracted by the scheme, and transferred to the Goedertrouw dam at an annual maintenance and operating cost of R50.8 million.

JOZINI REGIONAL WATER TREATMENT PLANT AND BULK RETICULATION NETWORK.

Mhlathuze Water in 2017 completed the 40ml/day Jozini Water Works and regional bulk distribution system. Mhlathuze Water, since the completion of the construction of the Jozini bulk system on behalf of the Umkhanyakude District Municipality, has operated and maintained the system, serving 134 000 households. The operating and maintenance related cost associated with this scheme for the year under review was R12.9million. The scheme include a 40ml/day water works, 19 reservoirs and numerous pump stations over a bulk reticulation network spanning over 120 kilometres. For the reporting period, a total of 7.68million m³ of purified water was produced by the scheme and distributed via the bulk network. Looking to the future, Mhlathuze Water is intent on capitalising on its ideal positioning as the bulwark against socio-economic stagnation in a part of KwaZulu-Natal that is still characterised by massive underdevelopment.

With the right policies in place, our prospects look bright and fit in securely with our government's stated objectives of accelerating growth and overcoming the prevailing economic and social inequality in our country. We are poised to play a central role in being enablers for investment and job creation to occur in a part of our province that is home to one of two economic zones.



Chief Executive, MP Duze



**YOUR RELIABLE WATER AND
WASTE WATER BUSINESS
PARTNER OF CHOICE.**

PART A:

STRATEGIC OVERVIEW

1. INTRODUCTION

Mhlathuze Water is a state-owned entity established by the Minister under Chapter 6 of the Water Services Act (108 of 1997). It is further classified as a Schedule 3B National Government Business Enterprise in terms of the Public Finance Management Act (1 of 1999 as amended). It is further governed by multiple national pieces of legislation including the Companies Act.

Mhlathuze Water was established to operate in the Province of KwaZulu Natal, and is based in Richards Bay. Due to its geographic location in Richards Bay, the entity predominantly operates in the City of uMhlathuze Local Municipality, uMkhanyakude, King Cetshwayo and Zululand District Municipalities. As part of the vision and mission statement, Mhlathuze Water strives to contribute towards economic growth in the area it operates through the provision of quality, equitable, cost effective and efficient bulk services to current and prospective industrial investors and increased residential demands and expansions.

Mhlathuze Water maximises its productivity and minimises the wastage of scarce water resources by applying technology in its operations to abstract, transport, produce and supply of water.

The primary purpose of Mhlathuze Water is to provide bulk water services to water services authorities as well as other customers. The main business activities include bulk raw (untreated), clarified (partially treated) and purified water supply to industrial and domestic customers through the Mhlathuze Weir-Nsezi Transfer Scheme and the flagship Mhlathuze Nsezi Water Treatment Plant. To meet the bulk water demand, two primary raw water sources are used; namely: Mhlathuze River and Lake Nsezi.

Equally, Mhlathuze Water provides **bulk marine effluent disposal** services to both industrial and domestic customers. The main business activities include the collecting of effluent from contributors, transporting such via pipelines where it is diluted with seawater at the Alkantstrand Pump Station and disposed to sea via submersed ocean pipelines.

The entity also provides a range of **other water resource and infrastructure related support** services to its customers, such as project implementation and maintenance, operation and maintenance and water quality testing. Activities include mainly to support and assist local water service authorities with planning, implementation, operating and maintaining water and effluent programmes.

Inherent in the mandate given to the Board of Mhlathuze Water is to perform the bulk operations and other related services ethically and with integrity. As part of the range of tools, the Board developed a set of key Strategic Risks and associated appetite and tolerance levels that acts as a compass to affect course corrections when deviations are recorded. The main risk areas that are managed are: operations, finance, reputation, health and safety, environment and community, legal and project implementation and management.

Fundamental to the sustainability of Mhlathuze Water, is fostering and maintaining good cooperative governance and inter-governmental relationships with its existing and prospective customers and stakeholders. This was never as important as at present, where the organisation is faced with the short term impacts and long term repercussions of the COVID-19 pandemic.

Making a meaningful and noticeable contribution to the daily lives of the communities that live within its immediate area of operation is a passion of the organisation. This is achieved through the organisation's Corporate Social Investment and Rural Development Programmes respectively.

Mhlathuze Water is proud to be associated with its employees. It is stated boldly in the organisation's mission statement and in the core set of values that the organisation promotes. The organisation ensures that its most important resource; the employees, are managed, supported, developed and rewarded in a responsible, transparent and unbiased manner by implementing the range of human resources management and development policies.

MHLATHUZE WATER OPERATIONAL AREA



SOURCES

Boundaries: MDB
Rivers: OSM
Cities: StatsSA
WSA: DSW

PROPERTIES

Document Name :
Mhlathuze Water Operational Areas
Creation date : 06/03/2019

Created by :
Mhlathuze GIS
Print format : A4 Potrait
Confidentiality : Public

SCALE

1:2 280 000 1 cm = 22 800 m
0 20 40 60 80 100 km



2. VISION, MISSION, VALUES AND CRITICAL SUCCESS FACTORS

2.1. VISION, MISSION, OUTCOMES AND KEY STRATEGIC OBJECTIVES



2.2. VALUES

Mhlathuze Water will continuously promote a culture of trustworthiness, transparency and loyalty that responds to the needs of customers and employees with honesty and passion.

- **ETHICS AND INTEGRITY**

To act within high moral and professional principles in a resolute and truthful manner.

- **EXCELLENCE AND QUALITY**

To optimise the use of available resources so that Mhlathuze Water continues to produce work of an excellent quality.

- **FAIRNESS AND REDRESS**

To treat customers in a fair and equitable manner and put right what was wrong to harness good relationships.

- **CREATIVITY AND INNOVATION**

To continually strive for new, different and efficient ways of doing business, challenging the status quo, mind-sets and assumptions.

- **ENTHUSIASM AND ENERGY**

To encourage employees and stakeholders to have a healthy and live interest in the business of the organisation, to build momentum and drive change.

- **VIABILITY AND SUSTAINABILITY**

To provide the services in a manner that would ensure its longevity whilst maintaining such so that it is not detrimental to the environment, the economy, nor society.

2.3. CRITICAL SUCCESS FACTORS

- **GOOD GOVERNANCE**

To conduct and present the business in a reliable, transparent, accessible and compliant manner

- **CUSTOMERS AND COMMUNITIES**

To cordially consult with customers and communities on the services provided in an open, responsive and transparent manner

- **OPERATIONS**

To deliver services to customers and communities in a safe, healthy, efficient and environmentally friendly manner

- **SKILLS AND COMPETENCE**

To attract, develop and retain a diverse, skilled and competent workforce

- **FINANCIAL VIABILITY**

To optimise available resources through sound financial and asset management and sustainable tariffs.

- **RESEARCH AND DEVELOPMENT**

To continuously strive to create and harness knowledge to advance the organisation and find innovative solutions to improve organisational performance and efficiency.

3. LEGISLATIVE AND OTHER MANDATES

3.1. LEGISLATIVE MANDATES RELEVANT TO MHLATHUZE WATER

The Board and Management of Mhlathuze Water have committed to discharge their duties of good corporate citizenship by ensuring compliance to all applicable laws and good corporate governance principles that are inherent in sound business practice.

These are prescribed within a specific, applicable legal and regulatory framework for public entities such as the Public Finance Management Act, 1999 (Act No.1 of 1999), the Water Services Act, 1997 (Act No.108 of 1997) and the King IV Report, which are the cornerstones of these prerequisites. Changes to the accounting standards that impacted on the financial reporting have been acknowledged to ensure minimal deviations from the requirements. Mhlathuze Water realises that compliance is an ongoing process and will, therefore, continue to seek sound and innovative ways to ensure full compliance in all the reporting obligations to both its customers and stakeholders to maintain transparency, effectiveness and accuracy.

3.1.1. CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA

The Constitution of the Republic of South Africa is the supreme law of the Republic. In Chapter 2 of the Bill of Rights, the Constitution forms the legal foundation of a democratic South Africa and sets out the rights and duties of its citizens; and defines the structure of government. Section 27 (1) (b) of the Constitution of the Republic of South Africa states that everyone has the right to have access to sufficient food and water. Section 27 (2) further indicates that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

3.1.2 WATER SERVICES ACT, 1997

The Water Services Act, 1997 (Act No. 108 of 1997) sets out objectives to provide for the;

- Rights of access to basic water supply and basic sanitation;
- Setting of national standards and of norms and standards or tariffs;
- Water services development plans;
- Regulatory framework for water services institutions and water services intermediaries;
- Establishment and disestablishment of water boards and water services committees and their powers and duties;
- Monitoring of water services and intervention by the Minister or by the relevant Province;
- Financial assistance to water services institutions;
- Certain general powers of the Minister;
- Gathering of information in a national information system and the distribution of that information.

Section 40 (1) (2) (a), (b), (c) & (d) of the Water Services Act, states that; Water Boards must, not later than one month before the commencement of each financial year prepare and adopt a business plan relating to the following five financial years.

The business plan must at least contain information regarding

- each specific primary and other activity to be undertaken and the performance targets for each;
- the tariff applicable to each service, its motivation and the estimated tariff income; and
- forecasts of capital expenditure for the primary and other activities for the next five years.

In addition, Section 30 of the Water Services Act, enables Mhlathuze Water to undertake any other activities, provided these do not impact negatively on the entity's ability to perform its primary activities. These include:

- Supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers; and
- Providing water services in joint venture with water services authorities and other stakeholders.

3.1.3. NATIONAL WATER ACT, 1998 (ACT 36 OF 1998)

The National Water Act, 1998 (Act 36 of 1998) recognizes that water is a scarce and unevenly distributed national resource which occurs in many different forms. It further states that while water is a natural resource that belongs to all people, the discriminatory laws and practices of the past have prevented equal access to water and use of water resources. This Act

acknowledges the National Government's overall responsibility for and authority over the nation's water resources and their use, including the equitable allocation for beneficial use.

3.1.4. PUBLIC FINANCE MANAGEMENT ACT, ACT 1 OF 1999 (AS AMENDED)

Section 52 (a) & (b) of the Public Finance Management Act states that the Accounting Authority for a public entity listed in Schedule 2, or a government entity listed in Schedule 3B, must submit to the Accounting Officer of a department designated by the Executive Authority responsible for that public entity and to relevant treasury at least one month, or another period agreed with the National Treasury, before the start of its financial year:

- A projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and
- A corporate plan in the prescribed format covering the affairs of that public entity or business enterprise for the following three financial years, and, if it has subsidiaries, also the affairs of the subsidiaries.

3.1.5. DISASTER MANAGEMENT ACT, ACT 57 OF 2002

During 2020, Mhlathuze Water was affected by National State of Disaster declared by the President in March of that year, due to the international COVID-19 pandemic.

The National State of Disaster was followed by a plethora of health and safety, labour relations and other regulations that impacted on the operations of the organisation.

3.1.6. OTHER LEGISLATIVE IMPERATIVES INCLUDE, BUT ARE NOT LIMITED TO:

- Companies Act, 2008 (Act 71 of 2008);
- Treasury Regulations (in terms of the PFMA Act 1 of 1999);
- South African Receiver of Revenue Act 34 of 1997;
- National Environmental Management Act 107 of 1998;
- The National Environmental Management: Integrated Coastal Management Act 24 of 2008;
- Occupational Health and Safety Act 85 of 1993;
- The Compensation for Occupational Injuries and Diseases Act Treasury Regulations 130 of 1993;
- Employment Equity Act 55 of 1998;

- Labour Relations Act 66 of 1995;
- Basic Conditions of Employment Act 75 of 1997;
- Skills Development Act 97 of 1998;
- Protection of Personal Information Act 4 of 2013; and
- Protected Disclosures Act 26 of 2000.
- Disaster Management Act 57 of 2002.

3.2 OTHER MANDATES RELEVANT TO MHLATHUZE WATER

3.2.1 NATIONAL WATER AND SANITATION MASTER PLAN (2019)

South Africa is facing a water crisis caused by insufficient water infrastructure maintenance and investment, recurrent droughts driven by climatic variation, inequities in access to water and sanitation, deteriorating water quality, and a lack of skilled water engineers. This crisis is already having significant impacts on economic growth and on the well-being of everyone in South Africa.

These impacts will be exacerbated, if not addressed. In April 2017 14,1 million people still used sanitation facilities below the Reconstruction and Development Programme (RDP) standard. Only 10,3 million households (64%) have access to reliable water supply.

Approximately 56% of the over 1 150 municipal wastewater treatment works (WWTWs) and approximately 44% of the 962 water treatment works (WTWs) in the country are in a poor or critical condition and in need of urgent rehabilitation and skilled operators. Some 11% of this infrastructure is completely dysfunctional.

Between 1999 and 2011 the extent of main rivers in South Africa classified as having a poor ecological condition increased by 500%, with some rivers pushed beyond the point of recovery.

South Africa has lost over 50% of its wetlands, and of the remaining 3.2 million hectares (ha), that is, one third are already in a poor condition.

Only 5% of the water that is used in the agricultural sector is used by black farmers.

Water is severely under-priced and cost recovery is not being achieved. To achieve water security, an estimated capital funding gap of around R33 billion per annum for the next 10

years must be closed through, a combination of improved revenue generation and a significant reduction of costs.

This Call to Action of the National Water and Sanitation Master Plan (NW&SMP) is a concise summation of the top priority issues confronting the water and sanitation sector at this time and which seeks to rally all water sector stakeholders in South Africa to work together in order to ensure that the country gets ahead of the Curve in relation to both current and future challenges.

This includes ensuring that by 2030 and beyond South Africa has a sufficient reserve of supply to take it safely into the future, that accelerated progress towards meeting Constitutional imperatives is made and that service delivery commitments, such as meeting Sustainable Development Goal 6: Ensure access to water and sanitation for all is achieved.

The Master Plan also identifies how performance will be monitored. As a plan, rather than a strategy or policy, the prioritised actions with responsibilities are detailed against which relevant players in the sector can be held accountable by Cabinet, Parliament and the public.

3.2.2 UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS

Mhlathuze Water contributes to the below mentioned SDGs:

Sustainable Development Goal 6.a: Expand cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Sustainable Development Goal 6.b: Support and strengthen the participation of local communities in improving water and sanitation management.

Sustainable Development Goal 6.1: Achieve universal and equitable access to safe and affordable drinking water for all.

Sustainable Development Goal 6.2: Achieve access to adequate and equitable sanitation and hygiene for all and end defecation, paying special attention to the needs of women, girls and those in vulnerable situations.

Sustainable Development Goal 6.3: Improve water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Sustainable Development Goal 6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

3.2.3. NATIONAL PRIORITY OUTCOMES

Out of the 14 National Priority Outcomes, Mhlathuze Water contributes directly to the following outcomes:

Outcome 5: A skilled and capable workforce to support an inclusive growth path. Output 2 in relation to this outcome advocates for an increase in the number of learnerships and artisans. Mhlathuze Water recognises the importance of a technically competent workforce and contributes in building capacity within the water sector through the skills development programme. The organisation has trained participants in the learnership programme.

Outcome 6: An efficient, competitive and responsive economic infrastructure network. Mhlathuze Water is entrusted with the responsibility to coordinate regional water infrastructure investment and bulk water supply programmes that will stimulate inclusive economic growth and job creation in the region.

3.2.4 NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP), Vision 2030, adopted by Cabinet in 2012, is the visionary blueprint of government, with business and society as collaborative partners. This long-term plan for the country, which cuts across all sectors of society, identifies the critical challenges to be addressed by the country over the period to 2030. The NDP aims to integrate planning and ensure greater policy coherence in government, thus building a common vision of South Africa in 2030.

Seeking to eliminate poverty and sharply reduce inequality by 2030, the key elements that relate to water resources and services are the following 2030 milestones and economic infrastructure objectives.

2030 NDP Milestones:

- All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;
- Effective management of water and the services will support a strong economy and a healthy environment;
- Establish a national water-resources infrastructure agency

- to support implementation of large projects;
- The country's development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government;
- All main urban and industrial centres will have a reliable water supply to meet their needs, while increasingly efficient agricultural water use will support productive rural communities; and
- Natural water sources will be protected to prevent excessive extraction and pollution.

4. SITUATIONAL ANALYSIS

4.1. MHLATHUZE WATER'S BUSINESS

OUR SERVICES:

- Section 29 Core Services as per the Water Services Act
 - Bulk Water provision: Three main products are being supplied namely raw, clarified and purified water to industries and Water Services Authorities
 - Bulk waste water disposal services to industries and Water Services Authorities
- Section 30 Additional Services as permitted in the Water Services Act

4.1.1. SECTION 29 CORE: BULK WATER PROVISION

Mhlathuze Water provides raw, clarified and purified water to industries and water service authorities through its flagship Nsezi Water Treatment Plant. The plant provides treated water that meets and exceeds the quality standard for drinking water as well as customer specific requirements for both domestic and industrial purposes. The current production capacity is 74million m³ per annum.

4.1.2. SECTION 29 CORE: BULK WASTE WATER DISPOSAL

Mhlathuze Water collects waste water from all industries and disposes off through the sea off shore pipelines in a safe environment. The disposal capacity is 120mil m³ per annum.

4.1.3. SECTION 29 CORE: SCIENTIFIC SERVICES

The organisation is the proud owner of a state-of-the-art water and waste water testing laboratory facility. The facility is ISO 17025 accredited and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology.

The laboratory uses a Laboratory Information Management System (LIMS) to support its operations in managing samples, integrating instruments, exchanging electronic data and facilitating reporting.

The services focuses on developing internal Research & Development expertise in order to deal with current innovation challenges in the sector. The approach is to collaborate with external institutions, whilst also building internal capacity.

4.1.4. SECTION 30 ADDITIONAL: PROJECT IMPLEMENTATION AND MANAGEMENT SERVICES

Mhlathuze Water possess a wide range of experience in programme and project implementation; as well as management services in both bulk water and sanitation projects.

4.2. MHLATHUZE WATER'S COMPETITIVE/ COLLABORATIVE CONTEXT

In order to evaluate the state of the business, look for opportunities for sustained growth and examine our current and potential customers; a situational analysis is performed to reflect the status. This type of in-depth analysis allows the organisation to examine the business from an internal and external perspective.

To analyse specifically the competitive advantages to Mhlathuze Water, the VRIO (*Valuable, Rare, Imitable, Organised*) framework model was applied. The VRIO framework is a particular useful tool used to analyse an organisations internal resources and capabilities to determine if products offered can be a source of sustained competitive advantage.

The VRIO acronym refers to four basic questions with simple "yes" and "no" responses. These questions are post against the core services the organisation offer with the results being evaluated to determine the level of competitiveness, not competence. A resource or product that meets all four requirements can bring sustained competitive advantage for the organisation. When a resource do not meet all four requirements it is not a negative reflection or indication of inability; but an indication of a point where the organisation must implement processes to organise itself better to exploit the potential benefits the unused resource can bring.

THE FOUR QUESTIONS OR REQUIREMENTS ARE:

VALUABLE

Are the resources or products adding value by enabling the organisation to exploit opportunities or defend against threats?

RARE

Resources that can only be acquired by one or very few other companies are considered rare. Rare and valuable resources grant temporary competitive advantage.

COSTLY TO IMITATE

A resource is costly to imitate if other organizations that doesn't have it can't imitate, buy or substitute it at a reasonable price. Imitation can occur in two ways: by directly imitating (duplicating) the resource or providing the comparable product/service (substituting).

ORGANIZED TO CAPTURE VALUE

The resources itself do not confer any advantage for the organisation if it's not organized to capture the value from them. Mhlathuze Water must organize its management systems, processes, policies, organizational structure and culture to be able to fully realize the potential of its valuable, rare and costly to imitate resources and capabilities.

The tables below reflect the results of the VRIO analysis in context of the key products and/or services Mhlathuze Water offer, maintain or regard as important to the organisation. These are the services and product listed in section 4.1. Paired with this VRIO analysis, a Strength, Weaknesses, Opportunities and Threat (SWOT) analysis was done to then provide more in-depth information.

The analysis show one area of sustained competitive advantage to the organisation. This is its water services capabilities. Even though the organisation holds the dominant market share, the services is not without weaknesses and threats.

Table 1: Results of the VRIO Analysis

RESOURCES (product)	Is it valuable?	Is it rare?	Is it difficult/costly to imitate?	Is the organisation organised to exploit the advantage?	RESULT	MARKET SHARE
water provision services	Y	Y	Y	Y	competitive advantage	Strong market share as MW holds 75% of water allocation from Mhlathuze System

Even though the organisation holds the dominant market share, the services is not without weaknesses and threats. To effectively deal with these, the organisation must lead the exploration of new bulk water resources and associated infrastructure master plans. This must include effective research and development, feasibility studies and cost benefit analysis.

Table 2: SWOT Analysis

RESOURCES (product)	Strengths	Weaknesses	Opportunities	Threats
water provision services	<ul style="list-style-type: none"> Primary owner of the raw water source abstraction licence Owner and operator of the abstraction and purification infrastructure Good quality purified and clarified water at affordable tariffs Cost of natural water more feasible than imitation alternatives Strategic position of infrastructure to abstract seawater for desalination Strong customer relations 	<ul style="list-style-type: none"> High cost of imitation alternatives (desalination/ effluent re-use) Low appetite to commit to alternatives Water demand management No plan to re-use No R&D to manage better Limited use of operational technologies to improve efficiencies 	<ul style="list-style-type: none"> Secure/ expand bulk raw water sources and infrastructure to maximum capabilities Grab market share on bulk desalination/ effluent treatment to re-use by researching cost efficient technologies 	<ul style="list-style-type: none"> Drought conditions Possible bulk water competitors entering the market with competitive technologies Non responsive to stakeholder concerns Increases in tariffs could lead to alternatives being explored by customers. Increase incidences/ not monitoring pollution risk of raw water source Ageing infrastructure that could lead to not meeting customer demands Theft and vandalism

Despite the organisation having the sole mandate at this point in time to dispose of effluent to sea, the competitive advantage of this service is under threat by a number of factors as mentioned in the SWOT analysis. Therefore, the result is shown to be a temporary competitive advantage.

Table 3: Results of the VRIO Analysis

RESOURCES (product)	Is it valuable?	Is it rare?	Is it difficult/costly to imitate?	Is the organisation organised to exploit the advantage?	RESULT	MARKET SHARE
effluent disposal services	Y	Y	Y	N	temporary competitive advantage	Strong market share as MW holds 100% of coastal waters (effluent) discharge permit

To engage the advantages and opportunities, the organisation must systematically address the weaknesses, threats and areas of underperformance. A fundamental area that will receive focussed attention to preserve the competitive advantage is the research into effluent treatment or possibly re-use by means of filtration technologies and chemical application.

Table 4: SWOT Analysis

RESOURCES (product)	Strengths	Weaknesses	Opportunities	Threats
effluent disposal services	Existing bulk infrastructure Effluent disposal at affordable tariffs Primary owner of the coastal waters discharge permit Strong customer relations	Limited access to infrastructure for new customers No plan to re-use No R&D to manage better Limited use of operational technologies to improve efficiencies	Effluent treatment to re-use Effluent product re-use	Increased pressure to reduce pollution/ discharge Environmental pollution incidents attracting negative publicity Possible effluent re-use competitors entering the market Non responsive to stakeholder concerns Increases in tariffs could lead to alternatives being explored by customers. Ageing infrastructure that could lead to not meeting customer demands

Project Implementation and Management Services as well as Scientific Services reflect as unused competitive advantages. The market share reflects to be competitive but not inaccessible.

Table 5: Results of the VRIO Analysis

RESOURCES (product)	Is it valuable?	Is it rare?	Is it difficult/costly to imitate?	Is the organisation organised to exploit the advantage?	RESULT	MARKET SHARE
project implementation and management services	Y	N	N	N	unused competitive advantage	Strong market share available as only 12,5% of ECSA registered engineers are located in KZN (ECSA skills survey 2013) AND 4/5 northern municipalities (WSAs) has a high vulnerability index score (MuSSA 2019)
scientific services	Y	N	N	N	unused competitive advantage	Competitive market share as 6% ISO accredited labs are located in KZN and MW is 1 of 4 ISO labs in Richards Bay (SANAS website 2020)

Notwithstanding the drive to exploit the unused competitive advantages, the organisation must carefully manoeuvre through the identified threats and risks. To effectively make any inroads into it; a concerted effort to deal with barriers and challenges will have to be made. This include building and maintaining a resilient and sustainable resource and project implementation model within the organisation. As part of the model would be to access grant funding and/or avail organisational profit in support of programme & strategy implementation. This coupled with approach financial institutions for additional funding support where projects yield viable returns on investments.

Table 6: SWOT Analysis

RESOURCES (product)	Strengths	Weaknesses	Opportunities	Threats
project implementation and management services	<ul style="list-style-type: none"> Capable and skilled staff Reasonable W&S MP at WSA level Access to market resources (skills, financial etc) 	<ul style="list-style-type: none"> GIS/ data management Lack of coordination amongst WSA Poorly conceptualised funding models Lack of/ Limited external government funding 	<ul style="list-style-type: none"> Challenges in WSAs on TS/O&M Unused competitive advantages and unclaimed profits Leader in the bulk resource and infrastructure 	<ul style="list-style-type: none"> Organisational Red-tape Political climate Unpreparedness Non-responsiveness Staff turnover impacting on Implementation momentum and knowledge retention Credit rating of WSA
scientific services	<ul style="list-style-type: none"> State of the art, ISO 17025 accredited laboratory Competent and skilled staff 	<ul style="list-style-type: none"> Lack of a clear project implementation and funding model in order to compete for unused market share 	<ul style="list-style-type: none"> Unused competitive advantages Market services to take hold of the available market share 	<ul style="list-style-type: none"> Organisational Red-tape Unpreparedness Non-responsiveness Credit ratings of WSA

The organisation respond to these respective SWOT issues under each strategic business unit as well as the strategic risk register that forms part of this document.

In maximising benefit from the services Mhlathuze Water provide, the operating context must be understood. Mhlathuze Water operate largely within the **public sector market**. This market is regulated by various pieces of legislation that variably allocate the **functional mandate of water services** to both municipal institutions (water services authorities) as well as institutions such as the Mhlathuze Water Board.

The demand for the services and products in these markets are largely dictated by **economic and residential demands** as well as the **political landscape** that manifest with local and district municipalities.

Guided by the Constitution of the Republic, specifically around the issues of **cooperative governance and inter-governmental relations**, Mhlathuze Water approach this market from a **collaborative** viewpoint as oppose to a purely competitive one

THE SOUTH AFRICAN CONSTITUTION
Principles of co-operative government and intergovernmental relations
41. (1) All spheres of government and all organs of state within each sphere must—
(a) preserve the peace, national unity and the indivisibility of the Republic;
(b) secure the well-being of the people of the Republic;
(c) provide effective, transparent, accountable and coherent government for the Republic as a whole;

Notwithstanding the collaborative approach, **there are emerging competitors in the market** that could pose potential risk to the financial viability of the organisation. Such competition include the aforementioned water services authorities as well as private industrial corporations. Competitors are **exploring alternate possibilities** such as effluent re-use and possibly small and large scale desalination programmes. Acknowledging the medium to **high capital and operation cost of these alternatives**; the demand and security for water in a drought stricken region; most likely will outweigh the cost of investment.

Even though the **current product of natural water is the most cost effective option** to customers, it is imperative that the organisation, in collaboration with its stakeholders; **explore the opportunities** presented to secure the market share. Not only from a **financial viability** point of view, but also to **ensure long term water security**.

4.3. FINANCIAL VIABILITY AND SUSTAINABILITY

Mhlathuze Water is a Water Board established under Chapter 6 of the Water Service Act and classified as a Schedule B3 Government Enterprise in terms of the Public Finance Management Act. Being classified as a Government Enterprise and not receiving any financial aid from National Government, the aim of the organisation is to be financially viable and sustainable.

Mhlathuze Water predominantly rely on tariffs charged on bulk water and bulk effluent volumes sold to both domestic and industrial customers. This is done to recover cost of sales, expenses and maintain a positive net surplus. The tariff charged is informed by a number of assumptions as outlined in the financial section below.

Recent events, predominantly influenced by the impact of COVID-19 on the economy, the Minister approved a 0% increase in the domestic bulk water tariffs in the 2020/2021 financial year compared to that applied for. As a consequence of implementation this directive, notwithstanding increases in in cost of sales, the organisation incurred a loss in revenue

and a reduced net surplus. As an immediate counter measure, an operational budget restructuring process was undertaken to minimise the impact of the loss in revenue. A conscious decision was taken not to impact the capital expansion programme so not to compromise the core service delivery mandate of the organisation.

In an attempt to recover the losses, Mhlathuze Water proposed a higher tariff on bulk water for domestic purposes in 2021/2022 financial year. The Minister did not approved the abnormal tariff, and a reduced tariff was approved. This result again in a reduction in revenue and net surplus.

As mitigation against this emerging financial viability threat, Mhlathuze Water has adopt a number of short and medium interventions to remain financially viable and sustainable.

- Operational efficiencies are of critical importance. Firstly, general expenses are to be reviewed, controlled and implement austerity measures where appropriate.
- The review of major operational cost drivers in the cost of sales and general expenses and implement efficiencies is required. This also will involve researching and implementing technological advances to reduce cost or improve efficiencies.
- Operational budget preparation and management reforms are to be implemented, one of many will be to implement a zero-based operational budgeting process.
- Further, it is assumed that abnormal tariff increases, especially in bulk potable water will be considered favourably. Therefore, a staggered approach is to be implemented to recover losses. An "abnormal" tariff increase, in addition to the normal tariff, over a 5 year period is proposed.
- Even though under restrained economic growth climate, the objective remains to increase revenue by the sale of bulk volumes under primary activities in order to increase revenue.

As an absolute last resort, the organisation would need to access its cash reserves to remain solvent.

The following table outline the scheduling of these interventions:

Table 7: Mhlathuze Water Interventions to Remain Financial Viable and Sustainable

INTERVENTION	2022	2023	2024	2025	2026
OPEX: general expense review and reduction	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue
OPEX: R&D to reduce cost of sales	-	-	Reduce by 1%	Reduce by 2.5%	Reduce by 5%
OPEX: budget reform	-	0-based budgeting	0-based budgeting	0-based budgeting	0-based budgeting
Abnormal tariff to recover loss	-	Tariff + 4%	Tariff + 4%	Tariff + 4%	Tariff + 4%
Revenue growth	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity
Cash Reserves	-	-	-	-	Remain solvent

4.4. PREDICTED WATER DEMAND

To take full advantage of the competitive advantages presented to Mhlathuze Water, the organisation constantly review its position in line with current and future demands. Based on the moderate planning scenarios, the current industrial and residential water demand are predicted to steadily increase over the next 15 years. The increase in residential demand appears to be the major influencing factor, coupled with moderate growth in the economic/ industrial sector.

The Mhlathuze System Catchment's current and future yield would be sufficient without any augmentation. However, based on the predicted growth path for the Richards Bay and neighbouring district areas, it is still considered to be in the future interest of the area to continue with the originally proposed system augmentation interventions.

A number of strategic interventions have been identified in collaboration with the Department of Water and Sanitation. Mhlathuze Water was requested to drive the implementation

for certain strategic projects. In summary, there are targeted feasibility studies to augment natural storage capacity of water by investigating the suitability of the Nseleni River, plans for bulk desalination and commissioning the Tugela (Mandini Water Use) License.

The demands for raw water abstraction in coming year will breach the limits placed on the organisation to abstract water from the Mhlathuze River (weir). It is thus imperative for Mhlathuze Water to initiate the abstraction of raw water from the Tugela River (Mandini) under its water use licence. Feasibility studies would determine whether such raw water would be transported and deposited into the Mhlathuze River (upstream from the weir) or transported directly to customer demands.

What is further applicable to Mhlathuze Water are the demands from its existing and future customers, both residential and industrial. To attend to the issue of growing demand, the organisation has been approached to secure water demand in a number of areas such as outlined below. The additional volumes inform the organisation's plans with regards to planning for infrastructure upgrades.

Figure 1: Existing Developed Raw Water Resources and Future Raw Water Development Interventions

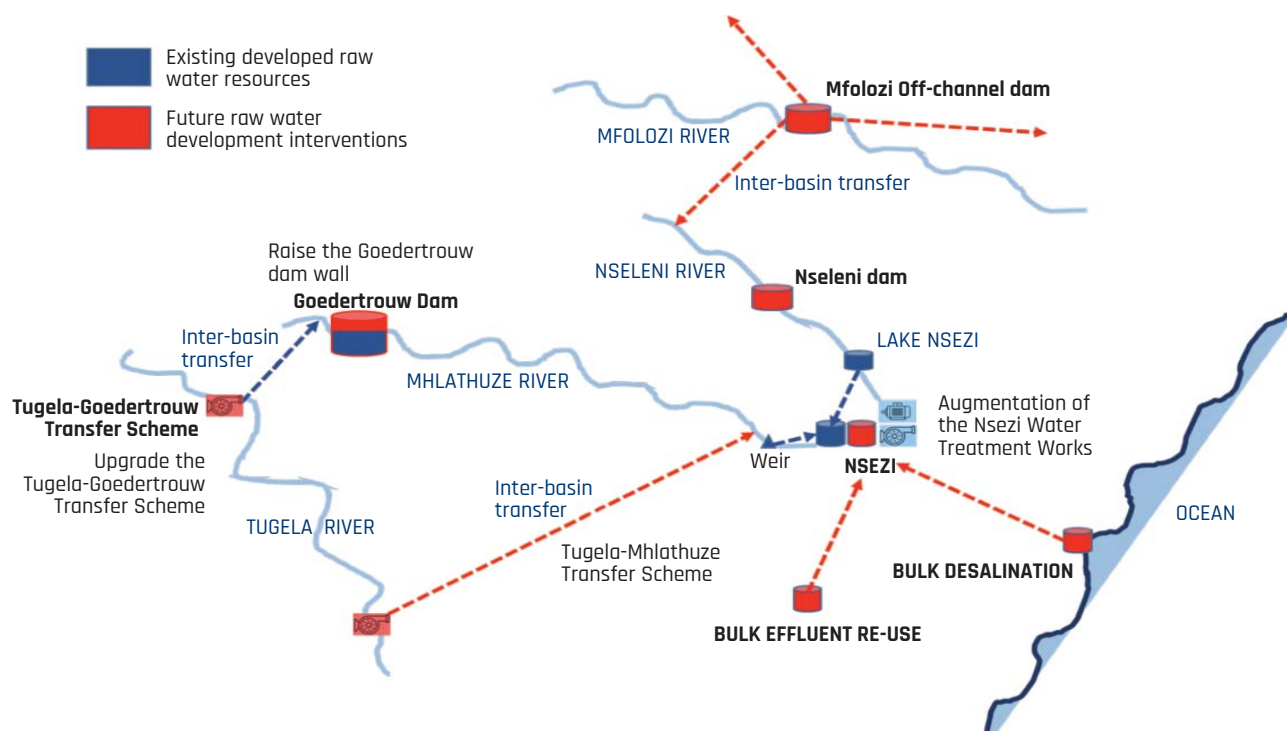


Table 8: Water demand 2020 - 2025

DEMAND PROJECTIONS	2020	2021	2022	2023	2024	2025
PURIFIED						
CoU: Richardsbay		0	0	12 000	12 000	12 000
CoU: Esikhaleni		0	0	20 000	20 000	20 000
		0	0	32 000	32 000	32 000
CLARIFIED						
IDZ oil refinery development		0	0	0	0	20 000
Foskor		0	13 000	13 000	13 000	13 000
Phinda Power (gas and electric plant)		0	0	4 000	4 000	4 000
Reserve capacity		0	0	10 000	10 000	10 000
		0	13 000	27 000	27 000	47 000
TOTAL		0	13 000	59 000	59 000	79 000

Discussions are underway between Mhlathuze Water and the Richards Bay Industrial Development Zone as well as Petro SA for a prosed Oil Refinery. The RBIDZ will revert once they have completed with the planning phase of the development that requires 20 000 m³ of clarified water per day in 2024.

Discussions are underway between Mhlathuze Water and the City of Umhlathuze and Phinda Power for a prosed Gas-Electric plant. The project indicated that it would require 4 000 m³ of clarified water per day in 2022.

Discussions are underway between Mhlathuze Water, the City of uMhlathuze and Foskor, regarding the additional 13 000 m³ of clarified water per day. This is likely to cater for future domestic and economic demand.

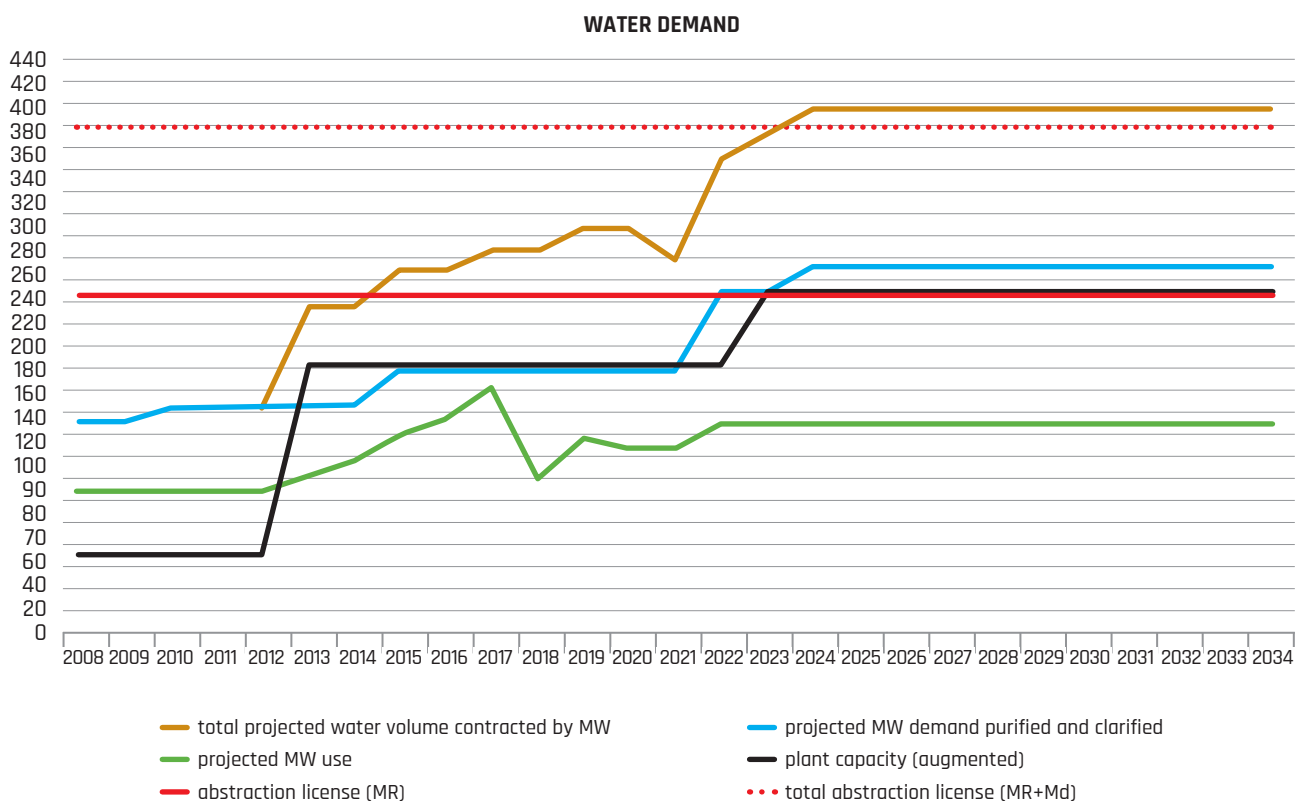
There is currently no potable water supply from Mhlathuze Water to Esikhaleni (City of uMhlathuze). The water demand from this system far outweighs the available water supply (the plant capacity cannot meet the demand) such that restrictions have to be implemented as part of normal system operation. The process of conducting the feasibility study to augment the Forrest Hill reservoirs (Esikhaleni/Vulindlela system) with potable water from Nsezi WTP to Esikhaleni bulk reservoirs (i.e. Forest reservoirs) have been concluded by the CoU. The projection is to supply the Forrest Hill reservoirs with 20 000 m³ of potable water per day in 2022.

The City of uMhlathuze has also indicated that the demand to the town of Richards Bay needs to increase from the current 48 000 m³/day to 60 000 m³ of purified water day.

4.5. BULK WATER PRODUCTION CAPABILITY

The capacity of the existing Nsezi Water Treatment Plant to supply clarified and purified water, whether for industrial or residential demand, must be matched against what is currently contracted for, as well the predicted future demand.

Figure 2: Future Water Demand



The augmentation of Nsezi Water Treatment Works; coupled with the existing Mhlathuze Weir infrastructure and pipeline augmentation project, should comfortably deal with water production demands for the area over the next 10 to 15 years. This planned project and its financial implications is elaborated on in the Technical and Financial Services sections respectively.

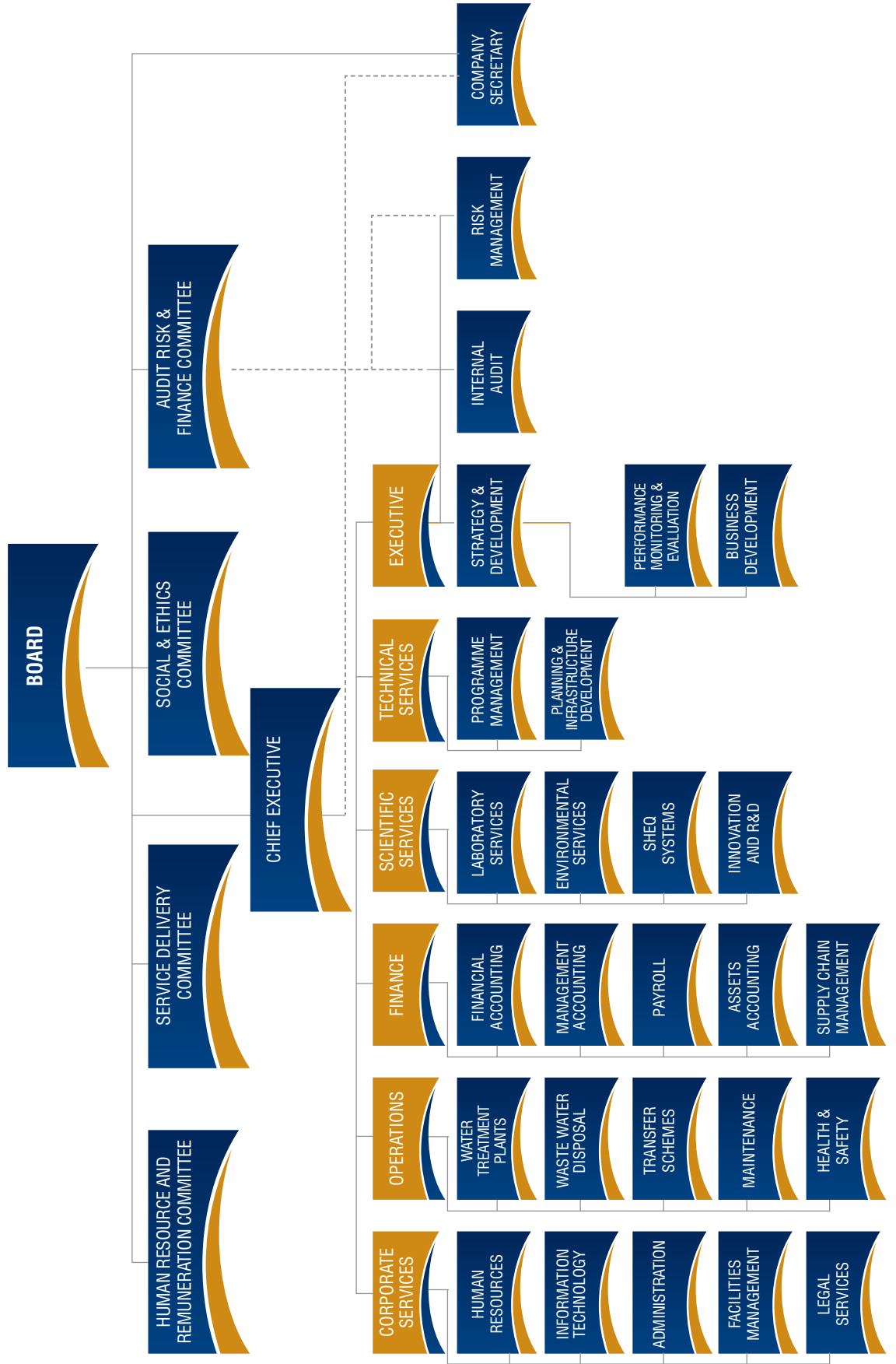
The organisation is strengthening its relationship with water service authorities in the region, the anticipated water demand is likely to rise in the next 2 to 5 years. Security (short and long term natural yield) of raw water sources relating to the City of Umhlathuze Local Municipality's water treatment plants would require closer co-operation and integration of the plans and infrastructure to meet future demand.

The need for integrated bulk resource and infrastructure master planning over a 10 year horizon is of critical importance to not just ensure security of supply and demand, but also maintain business continuity from one administration to another.

5. CORPORATE GOVERNANCE

5.1 HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 3: High Level Organisational Structure



5.2 THE BOARD OF MHLATHUZE WATER

Board members are appointed by the Minister of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997). The Minister appointed 11 members of the Board on 05 December 2018 for a four year term. The Primary role of the Board is to ensure that Mhlathuze Water succeeds in discharging its mandate as a water board in accordance with the Water Services Act, in a manner that complies fully with all relevant legislative requirements. The Board ensures that Mhlathuze Water's overall governance is effective, appropriate and within the bounds of sound corporate governance practices.

Furthermore, the Board is entrusted with a responsibility to provide effective ethical leadership and control, based on a foundation of integrity, competence responsibility, accountability, fairness and transparency. This is achieved through steering the strategic direction (vision and mission), with regards to the organisation's strategy and exercising accountability to the shareholders.



Ms T. A. Shange

AGE: 74 years

GENDER: Female

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITION HELD AT MHLATHUZE WATER:
Chairperson

CORE QUALIFICATIONS

- MBA: Public Sector Management
- BA Honours: Development Studies
- BA: Geography & History
- Concurrent Certificate in Education
- UBLS Teachers' Certificate
- Certificate: Directorship - Accelerated Directorship Programme

AREAS OF EXPERTISE

- She has experience and mature insight on leadership.
- She has experience in Board and Audit & Risk membership having served in various Boards over 25 years. She has also served in the Public, Corporate & Social Sectors.
- A former Regional Land Commissioner KwaZulu-Natal
- Former General Manager: Strategic Affairs at Richards Bay Minerals
- Good Governance, Leadership and Communications skills and well-rounded Development Practitioner.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Current

- Forest Sector Charter Council: Deputy Chairperson & Chair of the Forest Members Outreach Committee
- Director: Ubuqotho Integrity Institute (Pty) Ltd
- Director: Accomplish Enterprise (Pty) Ltd
- Philisizwe Development Trust: Chairperson

Past

- King Cetshwayo Fresh Produce Market: Board Chairperson.
- Rand Water Foundation: Chairperson
- uThungulu Community Foundation: Board member
- National Development Agency (NDA): Deputy Chairperson & Chairperson of Audit and Risk committee
- Themani International Guarantee Fund: Chairperson
- Development Innovations and Networks (International): Chairperson
- SACC Women's desk and Development Division: Chairperson
- Special Pensions Board: Deputy Chairperson
- Reconstruction and Development Programme: Committee member
- World Bank Research & Policy Framework: Advisory committee member (Land Reform: Restitution, Redistribution, Tenure)
- Khula Enterprise Finance: Board member
- KwaZulu-Natal Transport: Board member
- Washesha Bus Services: Board member
- Sheridan Farm Association: Board Member.
- Transformation Resource Centre (Lesotho): Board member
- Rural Transformation Association (Natal): Board member.



Mr S. Z. Hlophe

AGE: 43 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITION HELD AT MHLATHUZE WATER:
Deputy Chair

CORE QUALIFICATIONS

- Masters in Business Leadership (MBL)
- B.Com. Honours: Accounting
- National Diploma: Cost and Management Accounting

AREAS OF EXPERTISE

- He has vast senior management experience which cuts across Public and Private sector.
- His experience across private and public sector is more focused on Finance, Compliance, Internal Audit, Taxation, Audit and Risk and Infrastructure Investment as well as general administration and management matters.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

- KZN Growth Fund - Non-Executive Director: 3 years
- RBIDZ - Non Executive independent Director: 3 years
- Ilembe District Municipality - Audit Committee Chair: 3 years, 5 months
- Enterprise Ilembe Economic Development Agency - Audit Committee Chair: 4 years
- Harry Gwala District Municipality and Harry Gwala Development Agency - Audit Committee Chairperson: 1 year
- KZN Legislature: Audit Committee Chair



Prof. P. S. Reddy

AGE: 63 years

GENDER: Male

RACE: Indian

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITION HELD AT MHLATHUZE WATER BOARD:
Board Member

CORE QUALIFICATIONS

- PhD: Public Administration
- M: Public Administration
- Honours: Public Administration
- Bachelor of Admin Degree
- Certificate: Local government studies (UK)

AREAS OF EXPERTISE

- He is a subnational governance specialist who has distinguished himself in the fields of human/social development, service delivery, planning and human resources through teaching and learning, research, university service and community engagement.
- His insight and experience in academic development will contribute positively in Administration and Organisational Development.
- He has solid theoretical and practical experience in Human Capital Development

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Current

- Council of University of KwaZulu-Natal,
- Member of Human Capital Development Committee of the FFC,
- Vice President of Programmes of IIAS (Brussels),
- Chairperson of Programme and Research Committee of IIAS (Brussels)



Mrs N. Gevers

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITION HELD AT MHLATHUZE WATER:
Board Member

CORE QUALIFICATIONS

- Chartered Accountant of South Africa
- Post graduate Diploma: Management Accounting
- Diploma: Accountancy
- BCom. Degree

AREAS OF EXPERTISE

- She has extensive experience in the water sector, corporate and project finance, risk management as well as the PFMA requirements.
- She served as a member of the former Mhlathuze Water Board

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Current

- Project preparation trust: Trustee and Finance Committee member, Chairman of the finance committee - June 2014 - present
- University of KwaZulu-Natal: Independent member of the finance committee - 2 December 2019 - 30 June 2022

Past

- South African nursing council: 01 April 2017 - 31 March 2020, April 2014 - 27 March 2017
- iSimangaliso Wetland Park Authority - Independent member of the Audit & Risk Committee
- Mhlathuze Water: Member of Independent Audit & Risk Committee - 01 August 2017 - November 2018
- Msunduzi local municipality: Independent member of Audit & Risk Committee - 01 January 2017 - 31 May 2018,
- Chairman of Audit Committee - 07 August 2013 to December 2017
- University of Zululand: Independent member of Audit & Risk Committee - 30 January 2014 to January 2015
- uMngeni Local Municipality: Independent member of the Audit & Risk Committee - 03 April 2013 to November 2013.

AGE: 66 years

GENDER: Female

RACE: White



Dr M. Makgae

AGE: 47 years

GENDER: Female

RACE: African

**PERIOD OF SERVICE AT
MHLATHUZE WATER:**
2 years, 6 months

**POSITION HELD AT
MHLATHUZE WATER BOARD:**
Board Member

CORE QUALIFICATIONS

- PhD in Environmental Chemistry
- M Sc: Chemistry in Membrane Technology
- B Sc: Honours in Chemistry
- Certificate: Environmental Management
- Certificate: Project management
- Management Advancement Programme (MAP)

AREAS OF EXPERTISE

- She has insight and experience in scientific services and water quality.
- She has worked for several State-Owned Entities including Council for Scientific and Industrial Research (CSIR), Pebble Bed Modular Reactor (PBMR), South African Nuclear Energy Corporation (NECSA) and Council for Geoscience (CGS)
- She has now ventured into business. She has a company called Geo-Environmental and Technical Services and Mosidi Leadership Coaching
- She is currently serving as a Board member to Water Research Commission and Mhlathuze Water and an Advisor to the National Nuclear Regulator

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Current

- Amotole Water Board: Board member - 2021 to date,
- Strategic Fuel Fund: Board member - 2019 to date,
- National Research Foundation: Peer Review Committee Member- 2019 to date
- Water Research Commission – Board member, chairperson and Innovation committee member. Committee member of remuneration and human resource - 2016 to date

Past

- National Nuclear Regulator: Advisor to the Technical Committee of the National Nuclear Regulator Board - 2017- 2020
- One geology – Board member (International body of Geological Surveys) - 2015 - 2017
- Zenzele TDC, Subsidiary of SEDA : Interim Board Member - 2015 - 2016
- Water Institute of Southern Africa – Council Member.



Mr M. M. Xulu

AGE: 48 years

GENDER: Male

RACE: African

**PERIOD OF SERVICE AT
MHLATHUZE WATER:**
2 years, 6 months

**POSITION HELD AT
MHLATHUZE WATER BOARD:**
Board Member

CORE QUALIFICATIONS

- Honours Degree: Accounting
- B Com. Degree
- Management Development Programme

AREAS OF EXPERTISE

- He is a registered member of Associate General SA
- He has experience in the Audit and Risk environment through his qualification in Accounting Science.
- He has experience in executive management and marketing.
- He served as a member of the former Mhlathuze Water Board.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Past

- Mhlathuze Water Board



Ms N. N. Mkhize

AGE: 29 years

GENDER: Female

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITIONS HELD AT MHLATHUZE WATER BOARD:
Board Member

CORE QUALIFICATIONS

- Candidate for B. Tech-Civil Engineering
- ND: Civil Engineering
- Post graduate Diploma: Project Management

AREAS OF EXPERTISE

- She has experience and knowledge of Civil Engineering and Construction.
- She represents female youth and that will provide a generational mixture for the new board.
- She is exposed to contract documentation, design and completed and understands water systems.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:
None



Ms G. D. Biyela

AGE: 45 years

GENDER: Female

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITIONS HELD AT MHLATHUZE WATER BOARD:
Board Member

CORE QUALIFICATIONS

- Bachelor of Pedagogics
- Diploma in Public Admin
- Secondary School Teachers' Diploma
- Certificate: Women on Boards
- Certificate: Hazard Analysis & Critical Control Points

AREAS OF EXPERTISE

- She has experience and knowledge of Contracts Management and networking.
- She was an Educator
- She has understanding of business inherent risks and risks mitigating strategies
- She will contribute in the social and ethics committee of the Board.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:
None



Mr B. V. Mshengu

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITIONS HELD AT MHLATHUZE WATER:
Board Member

CORE QUALIFICATIONS

- Honours Degree Political Science
- Bachelor of Arts
- Diploma in Social Work
- Certificate in Labour Law
- Personnel Management Program
- Programme for Management Development
- Certificate: Integrating Strategy, Budgeting and Reporting

AREAS OF EXPERTISE

- President of Pietermaritzburg Chamber of Business
- He has experience in HR and Remuneration, Audit and Risk and Finance Committee through serving on various Boards and Committees.
- He served as a member of the former Mhlathuze Water Board.
- As a former CEO, he is a well-rounded leader and development champion with project management capabilities.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:

Current

- Pietermaritzburg Chamber of Business President 2018- To Date
- Mhlathuze Water Board Member 2018 - To Date
- Durban International Convention Centre Board Member 2020 - To Date

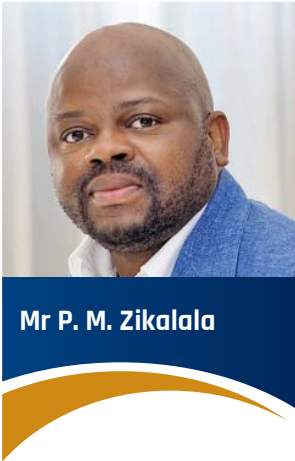
Past

- Mhlathuze Water Board Member & Audit Committee 2007--2017
- United Community Chests of South Africa Chairperson 2004-2005
- Pietermaritzburg Community Chest Chairperson 2002-2004
- National Medical Plan Board Member 1996-2002
- Tongaat & Districts Child Welfare Society Chairperson 1982-1983
- Msunduzi Municipality Member of the Oversight Committee 2010-2011

AGE: 69 years

GENDER: Male

RACE: African



Mr P. M. Zikalala

AGE: 41 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITIONS HELD AT MHLATHUZE WATER:
Board Member

CORE QUALIFICATIONS

- MBL: Master of Business Leadership
- B Sc: Honours in Technology Management
- B-Tech: Civil Engineering
- ND: Civil Engineering

AREAS OF EXPERTISE

- He is professionally registered with Engineering Council of South Africa (ECSA) and registered with South African Council for Project and Construction Management Professions (SACPCMP).
- He has experience in Project & Programme Management, Engineering, Construction and Contract Management, Infrastructure maintenance & infrastructure investment models, water re-use and, transportation.
- He is exposed to construction projects creating synergies of economic hubs.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:
None



Mrs A. Badul

PERIOD OF SERVICE AT MHLATHUZE WATER:
2 years, 6 months

POSITIONS HELD AT MHLATHUZE WATER:
Board Member

CORE QUALIFICATIONS

- Diploma: Business Admin
- Diploma: Local Government Management
- Diploma: Adult Basic Education and Training
- Certificates: Executive Leadership Development Programme
- Certificates: Executive Course on Good Governance
- Institute of Directors Certificate: Being a Director Part 1, 2 & 3, Finance Management, Corporate Governance

AREAS OF EXPERTISE

- She is a former Deputy Mayor of Ilembe District Municipality.
- She has 23 years' experience in Local Government in an executive capacity
- She was instrumental in setting up Ilembe District Municipality's Local Development Agency - Enterprise Ilembe
- She served on various Portfolio Committees including Intergovernmental Forums, Economic Development and Planning Committee, Budget & Audit Steering Committee, Finance and Service Delivery Committee
- She has network and community driven interests to ensure that Mhlathuze Water's hydro strategy is aligned to the Local Government Developmental agenda
- She served as a member of the former Mhlathuze Water Board.

YEARS OF SERVICE AND POSITIONS HELD ON OTHER BOARDS:
Current

- Stanger Provincial Hospital - Board Member
- Liquor Board - Board Member
- Institute of Directors of Southern Africa - Board Member

Past

- Mhlathuze Water - Board member
- Board of Enterprise Ilembe (2009-2012)
- The Board of Stanger Provincial Hospital (2012-2015)
- Sub-Committee of the Liquor Board for Ilembe District (2011-2014)

AGE: 60 years

GENDER: Female

RACE: Indian

5.3. BOARD COMMITTEES

5.3.1. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee serves as an objective structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to improving the effectiveness of organisational governance, manage organisational risks and internal controls.

5.3.2. FINANCE COMMITTEE

The Finance Committee serves as an independent oversight structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to financial budgeting, including the preparation of annual operating and revenue budgets and periodic budget reviews. This committee further ensures that the organisation maintains the required standards of financial management and reporting. It gives assurance on the availability of funds for both operational and capital budget requirements.

5.3.3. SERVICE DELIVERY COMMITTEE

This committee provides oversight on the implementation of core strategic infrastructure programmes, aimed at enhancing the provision of bulk water while developing and maintaining sustainable customer and stakeholder relationships to achieve cost effective, reliable and sustainable water and related services. The committee is also tasked with the responsibility of ensuring that water produced by Mhlathuze Water complies with water quality standards, health and safety standards and environmental risks issues.

The committee discharges its duties through recommending capital projects reports to the Board and ensures that capital projects are completed on time and cost effectively to improve service delivery on communities and fulfil the Shareholder mandate.

5.3.4. HUMAN RESOURCES AND REMUNERATION COMMITTEE

The purpose of the Human Resource and Remuneration Committee is to establish and oversee the human resources policies and procedures, which govern the areas of recruitment, resignations, retirements and terminations, organisational planning and design, training and development and succession planning.

This committee reports and recommends to the Board issues relating to human resource policies, employment equity, remuneration, the organisational structure, and compliance with labour relations matters. The Companies Act, 2008 (Act No. 71 of 2008) requires and the King IV Code recommends public companies to establish this committee.

5.3.5. SOCIAL AND ETHICS COMMITTEE

The Companies Act, 2008 (Act No. 71 of 2008) requires that the Boards of all listed public companies, state-owned enterprises (SOEs) and companies with significant public interest should have a social and ethics sub-committee. This emphasizes that companies have a significant social impact on the societies in which they operate.

This committee is responsible for oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development, transformation and stakeholder relationships as stated in the King IV Report on Corporate Governance.

5.4. COMPANY SECRETARIAT

The Company Secretary is responsible for the secretariat function at a strategic level, governance advisory services, compliance management and also plays a critical role in legal advisory to the Board and Organisation in relation to King IV. The Company Secretariat attends all Board and Board sub-committee meetings.

The Board and members of the Executive Committee have access to the Company Secretary for guidance on how to perform their duties and responsibilities in the best interest of the Organisation. The Company Secretary is responsible for the ongoing training of Board members and the scheduling, preparation and administration for Board and Board sub-committee meetings.



BOARD MEMBERS DURING AN IN LOCATION INSPECTION AT THE ALKANSTRAND EFFLUENT DISPOSAL PUMPSTATION

5.6. EXECUTIVE COMMITTEE (EXCO)

The Board delegates the day-to-day operation of the Organisation to the CE, who is assisted by the executives, each heading up a Unit.



Mr M.P. Duze

AGE: 49 years

GENDER: Male

RACE: African

**PERIOD OF SERVICE
AT MHLATHUZE WATER:**
5 years

**POSITIONS HELD AT
MHLATHUZE WATER:**
Chief Executive

CORE QUALIFICATIONS

- Candidate for PhD in Water Management
- Masters in Development Studies (cum laude)
- Bachelor of Arts in Human and Social Studies

AREAS OF EXPERTISE

- 20 years of experience in Programme & Project Management
- Development Planning Practitioner
- Member of The Institute of Directors in Southern Africa
- Non-Executive member: The 911 Fund Foundation (NY)

POSITIONS HELD AT OTHER BOARDS

The 911 Foundation (NPO) New York: Non-Executive member: 2010 - 2017



Ms. B. Mnyandu

**PERIOD OF SERVICE
AT MHLATHUZE WATER:**
5 years

**POSITIONS HELD
AT MHLATHUZE WATER:**
Chief Financial Officer

CORE QUALIFICATIONS

- Chartered Accountant of South Africa
- Bachelor of Commerce Honours: Accounting
- Bachelor of Commerce

AREAS OF EXPERTISE

- Financial Management and Accounting (14 years)
- Cash Flow Modelling, Business Plan Projections, Process Flows and Procedure Manuals creation (2 years)
- Project Management, Business Process Outsourcing and Audit Readiness (6 years)
- Audit & Risk Advisory (5 years)

POSITIONS HELD AT OTHER BOARDS

- Durban Marine Theme Park: Board member - March 2020 - February 2023
- Durban Marine Theme Park: Finance Committee Chair - March 2020 - February 2023
- Durban University of Technology: Council member - July 2019 - July 2023
- Luthuli Museum: Audit Committee Chair December 2018 - November 2021
- UYCPMA - uMzansi Youth In Construction,
- Property & Manufacturing Association: Audit Committee Chair - July 2017 - June 2020
- Coastal TVET College: Council member - September 2014 - November 2018
- Coastal TVET College: Audit Committee Chair - September 2014 - November 2018
- Africa Alliance of YMCA: Executive Committee member - June 2015 - June 2019
- Africa Alliance of YMCA: Finance Committee member - June 2015 - June 2019
- South African YMCA: Executive Committee member - September 2010 - October 2018
- South African YMCA: Finance & Governance Committee Chair - September 2010 - October 2018

AGE: 41 years

GENDER: Female

RACE: African



Mr P.J. Maponya

AGE: 46 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
6 months

POSITIONS HELD AT MHLATHUZE WATER:
General Manager: Operations

CORE QUALIFICATIONS

- ND Mechanical Engineering (VUT)
- Government Certificate of Competency, (GCC) Mechanical Engineer Factories (DoL)

AREAS OF EXPERTISE

- Over 23 years of experience predominantly in the utilities manufacturing and engineering consulting sector.
- Competency areas include Operation Maintenance, Engineering, Projects Sales and Marketing as well as contract Management

POSITIONS HELD AT OTHER BOARDS

Thuto ke Motha (NPO); Chairperson of the Board - 3 years 4 months.



Mr P. Maisiri

AGE: 51 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
7 months

POSITIONS HELD AT MHLATHUZE WATER:
General Manager:
Technical Services

CORE QUALIFICATIONS

- Master's in Business Leadership (MBL)
- BSc Engineering Honours (Civil)
- Professional Registration: Professional Engineer (Pr. Eng.) with Engineering Council of South Africa (ECSA).

AREAS OF EXPERTISE

- Over 25 years of experience predominantly in the water sector.
- Competency areas include planning, feasibility, design and construction and contract administration of bulk water services infrastructure projects/programmes and related works.
- Experience in institutional technical support including coaching and guiding young professionals.

POSITIONS HELD AT OTHER BOARDS

None



Mr S. Ntlhoro

AGE: 49 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
13 years

POSITIONS HELD AT MHLATHUZE WATER:
General Manager:
Scientific Services

CORE QUALIFICATIONS

- Bachelor of Science (Honors): Chemistry
- Postgraduate Diploma: Management
- Registered with SACNASP as Professional Natural Scientist

AREAS OF EXPERTISE

- Water & Wastewater Quality Monitoring & Compliance
- Laboratory Accreditation
- Laboratory Management

POSITIONS HELD AT OTHER BOARDS

None



Mr M. Myeni

AGE: 62 years

GENDER: Male

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
26 years

POSITIONS HELD AT MHLATHUZE WATER:
General Manager:
Corporate Services

CORE QUALIFICATIONS

- Bachelor of Technology Degree: Management
- BCom Degree: Industrial Psychology
- Diploma: Personnel Management

AREAS OF EXPERTISE

- Over 20 years of experience in Human Resources: HR Planning; Recruitment and Selection; Organisational Development; Policy Development; Human Resources Development; Performance Management; Job Design; Remuneration and Employee Relations.

POSITIONS HELD AT OTHER BOARDS

None



Ms S. Mbatha

AGE: 37 years

GENDER: Female

RACE: African

PERIOD OF SERVICE AT MHLATHUZE WATER:
1 year, 7 months

POSITIONS HELD AT MHLATHUZE WATER:
Company Secretary

CORE QUALIFICATIONS

- LLB Degree
- Admitted as attorney of the High Court
- Certificate: Public Sector Governance: Chartered Governance of South Africa
- Enrolled for ICOSA Programme for Corporate governance and strategic management

AREAS OF EXPERTISE

- Legal
- Corporate governance
- Compliance
- Member of the Institute of Directors SA

POSITIONS HELD AT OTHER BOARDS:

None

5.7. MANAGEMENT COMMITTEE (MANCO)

This committee comprises of managers who report to the respective Executive Heads of Heads of Departments. The Committee meets on a monthly basis and presents reports on the performance of the Organisation and makes recommendations to the Executive Committee for any decision-making affecting the Organisation.

5.8. MANAGEMENT OPERATIONAL COMMITTEES

5.8.1. BID COMMITTEES

The purpose of these committees is to approve bid specifications and to evaluate and adjudicate tenders. The three bid committees currently functional at Mhlathuze Water are as follows:

- Bid Adjudication Committee: Consists of Executive Management and Supply Chain Manager;
- Bid Evaluation Committee: Consists of cross-functional teams with different expertise from various departments and the Contracts Specialist; and
- Bid Specification Committee: Consists of the representative from Supply Chain and specialists from the user departments.

5.8.2. RISK MANAGEMENT COMMITTEE

The Risk Management Committee is tasked with managing issues of risks, IT governance as well as health and safety. The Committee considers reports from IT Steering Committee, the Risk Champion Forum and Health and Safety Committee covering matters relating to substantive Risk Management, Information Technology as well as Health and Safety. The Committee meets quarterly to discuss reports on risk, IT governance and health and safety. The Committee reports to the Audit and Risk Committee on all the assigned matters in terms of its Terms of Reference. The committee also acts as the organisations Disaster Management Committee in terms of the Mhlathuze Water Disaster Management Plan.

5.8.3. EMPLOYMENT EQUITY COMMITTEE

The Employment Equity Committee was established in order to comply with Section 20 of the Employment Equity Act, 1998 (Act No. 55 of 1998). The Committee consists of employees or their nominated representatives who are from designated groups. The Committee was established for the purpose of enabling the employer to consult with the employees in terms of Section 17 of this Act and to implement affirmative action measures. The Committee meets on a quarterly basis and reports to the Chief Executive on all the assigned matters in terms of its Terms of Reference.

5.8.4. PHYSICAL ASSETS DISPOSAL COMMITTEE

Paragraph 16A 3.1 (b) of the Treasury Regulations states that the Accounting Officer of an institution must develop and implement an effective and efficient supply chain management system in his or her institution for the disposal and letting of state assets, including the disposal of goods no longer required. The Physical Assets Disposal Committee is responsible for making recommendations regarding the disposal of the assets that have become obsolete or that are no longer required or suitable for service delivery. The Committee meets on a quarterly basis and reports to the Supply Chain Management on all the assigned matters in terms of its Terms of Reference.

5.8.5. BURSARY AND STUDY ASSISTANCE COMMITTEE

In terms of the regulations of the Skills Development Act, 1998 (Act No.97 of 1998), the organisation is required to develop the skills of the South African workforce by improving the quality of life, prospects of work, labour mobility and productivity in the workplace. The Bursary and Study Assistance Committee is responsible for assessing and making recommendations to the Executive Management on review study applications submitted by employees in light of the available budget, applicable policies as well as current and future operational requirements of the organisation. The Committee meets annually in the 2nd quarter to consider applications, and reports to the Chief Executive in terms of its Terms of Reference.

6. OTHER GOVERNANCE MATTERS

6.1. DISCLOSURE OF INTEREST

Members of the Board declare any interests and commit to non-disclosure of information that could unfairly advantage or disadvantage a party on an annual basis and at every Board and Committee meetings. Disclosure and transparency are the partners of good governance, they demonstrate the quality and reliability of information – financial and non-financial – provided by management to lenders, stakeholders and the public.

6.2. CODE OF CONDUCT

Mhlathuze Water has a comprehensive Code of Conduct that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

Objectives of this Code, among others, are to:

- Promote transparency and avoid business related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals and the company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest; and
- Provide a mechanism for the objective review of personal outside interests.

By implementing the above, the Organisation is in a position to:

- Allow individuals, where appropriate, to acquire and maintain personal interests, provided that these do not interfere with, or have the potential to interfere with, their duties to the Company, or improperly influence the judgements expected of them when acting on behalf of the Company; and
- Protect individuals from misplaced charges of any conflict of interest by providing a mechanism for the objective review and approval (including conditional approval) of appropriate personal outside interests held by individuals.

6.3. INTERNAL CONTROL

Internal control systems, for which the Board is accountable, are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital of

the Organisation are efficiently managed. Mhlathuze Water's internal audit programme is risk based, and covers a range of audit universe for example; operational audits (e.g. Water quality); compliance audits (eg. Legal compliance) and financial audits (e.g., financial statement review).

Internal audit performs an independent assessment of the internal control systems and business risks and reports to the Board through the Audit and Risk; and Finance Committees.

6.4. MATERIALITY AND SIGNIFICANCE FRAMEWORK

The National Treasury Regulation Section 28.3.1 and Section 55 (2), Section 54 (2) of the Public Finance Management Act; specify that for purposes of materiality, the Accounting Authority must develop and agree on a framework of acceptable levels of materiality and significance for the Public Entity with the relevant Executive Authority. The Board reviewed and approved the Materiality and Significance Framework Policy on 22 August 2019. The policy defines both the levels of significance and materiality. The purpose of the framework is to record the levels of materiality and significance for consideration by the governance structures of Mhlathuze Water and for submission to, and approval by, the Executive Authority. The framework is in line with the Mhlathuze Water Policy on Materiality and Significance Materiality. The Delegation of Authority Policy is aligned to the framework.

6.5. RISK MANAGEMENT

The Board is ultimately accountable for risk management and the system of internal controls at Mhlathuze Water. The Board reviewed and approved the Risk Management Policy and Implementation Plan on 25 April 2019 and monitored the implementation thereof.

Risk management is recognised as an integral part of responsible management and good corporate governance, hence Mhlathuze Water adopts a comprehensive approach to risk management to balance its opportunities and minimise threats. The purpose of the Enterprise Risk Management (ERM) framework is to provide guidance to management and employees regarding the implementation of enterprise risk management within the culture of MW.

Enterprise Risk Management approach has been rolled out at a strategic level, and across all business units for identification of strategic, operational, fraudulent and compliance risks. In order to ensure that MW achieves its objectives, the Risk Management Function will fulfil the following responsibilities:

- Facilitate organisation-wide risk and opportunity identification and analysis;
- Promote the management of risks in line with best practices at all levels of the organisation;
- Promote training in management of risks within different business units and across the organisation;
- Ensure enterprise-wide compliance with key regulatory and legal requirements;
- Ensure resilience of MW operations through Business Continuity and Disaster Management Planning;
- Provide emerging risk intelligence in respect of service delivery projects and interventions;
- Provide support and guidance to business units in managing risks; and
- Report regularly on the performance of the organisation with regards to management of risks.

Mhlathuze Water has identified and categorised the key strategic risks of delivering on objectives and mitigation approaches/responses.

The list of the key strategic risks are presented in the table below in residual format. Residual risks, refers to the impact and likelihood, taking into consideration the current mitigation approaches/ responses.

The risk might be identified in the organisation, but if no mitigation controls are put in place to prevent, detect or reduce the impact and likelihood. The business may choose to discontinue the relevant project or may opt to transfer the impact to a third party as part of the effective risk management process.

6.6. WHISTLE BLOWER

The Board's objective in approving whistle blower reporting is to create a positive whistle-blowing culture which is a critical element in the success of any risk management system. The organisation is also committed to comply with the provisions of the Protected Disclosures Act (Act No. 26 of 2000) in ensuring that whistle blowers who make disclosures are protected and are not victimized and subjected to occupational detriment for blowing the whistle on improprieties.

The Board has approved the whistleblowing Policy aiming to eliminate the occurrence of fraud, corruption and theft at the Institution. It also strives to create a culture which will facilitate the disclosure of information by employees and

relevant stakeholders relating to criminal and other irregular conducts, in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure.

6.7. RISK APPETITE AND TOLERANCE

The COSO's Enterprise Risk Management Integrated Framework defines risk appetite as the amount of risk, on a broad level, an entity is willing to accept in pursuit of its strategy and objectives. It reflects the entity's risk management philosophy, and in turn influences the entity's culture and operating style. Risk appetite guides resource allocation and assists the organization in aligning the organization, people, and processes in designing the infrastructure necessary to effectively respond to and monitor risks.

The risk appetite for Mhlathuze Water must be clearly articulated and communicated by the Board, so that management understand that objectives can be pursued within acceptable limits. Management in response must then introduce operational policies that assure the board and themselves that they are pursuing the set objectives within reasonable risk limits.

Risk tolerance relates to risk appetite but differs in one fundamental way. Risk tolerance represents the application of risk appetite to specific objectives. Risk tolerance is defined as the acceptable level of variation relative to achievement of a specific objective. It is best measured in the same units as those used to measure the related objective.

Operating within risk tolerances helps ensure that the entity remains within its risk appetite and, in turn, that the entity will achieve its objectives. While risk appetite is broad, risk tolerance is tactical and operational. Risk tolerance must be expressed in such a way that it can be:

- mapped into the same metrics the organization uses to measure success;
- applied to all four categories of objectives (strategic, operations, reporting, and compliance); and
- implemented by management throughout the organization.

The table below is a high level summary of the risk appetite and tolerance levels set by the Board.

Table 9: Risk Appetite and Tolerance

RISK APPETITE AND RISK TOLERANCE								
	Multiplier rating	Operations	Financial	Reputation	Health and Safety	Environment and community	Legal	Projects
Catastrophic	5	Complete Interruption of >5 days leading to collapse of business.	Impact is catastrophic if decrease in Net Surplus is greater than 24% (EBITDA MOS).	National and prolonged media / National condemnation	>1 fatality or serious irreversible health effects to people. Catastrophic impacts on employee morale.	Environmental disaster with irreversible damage and impact on communities. Catastrophic contamination of inputs or outputs	Significant contravention resulting in loss of licenses or permits/ lawsuits and any jail terms for a number of executives / employees.	Capital variance >30% of base Capex estimate. Project delay, or delay to customer of more than 12 months. >30% Scope deviation.
Critical	4	Interruption of 1-5 days with prolonged negative impact and extensive consequences.	Impact is critical if decrease in Net Surplus is between 16% (MOS) and 24% (EBITDA MOS).	Significant adverse public / local and provincial media outcry	1 fatality or serious irreversible health effects to people. Significant widespread impacts on employee morale.	Environmental disaster with major environmental impact and impact on communities. Major contamination of inputs or outputs.	Legal contravention resulting in restrictions on licenses/ lawsuits and suspension of executive leadership.	Capital variance 15 - 30% of base Capex estimate. Project or customer delay of 6-12 months. 20-30% Scope deviation.
Moderate	3	Interruption of 12hrs - 24hrs requiring additional resources and management effort.	Impact is moderate if decrease in Net Surplus is greater than 10% but less than 16% (MOS).	Local attention from media / interest groups and public	Temporary disabling injuries. Widespread impacts on employee morale.	Environmental disaster with environmental impact and impact on communities. Moderate contamination of inputs or outputs.	Suspension of individual members of executive management / lawsuits. Breaches to internal standards and codes.	Capital variance 5-15 % of base Capex estimate. Project or customer delay of 3-6 months. 10-20% Scope deviation
Minor	2	Partial interruption of 3hrs-12hrs, which can be managed under normal operating conditions.	Impact is minor if decrease in Net Surplus is between 5% and 10%.	Minor adverse local and public attention and complaints	Medical treatment / Minor injuries. Minor to moderate impacts on employee morale.	Environmental pollution with minimal environmental impact and impact on communities. Minor, treatable contamination of inputs or outputs.	Disciplinary action restricted to team levels. Operational level non-compliance.	Capital variance <5 % of base Capex estimate. Project or customer delay < 1-3 month. <10% Scope deviation.
Insignificant	1	Minor interruption that can be readily absorbed under normal operating conditions.	Impact is insignificant if decrease in Net Surplus is less than 5%.	Public concern restricted to local complaints	Minor first aid injuries. Localized employee morale problems.	Environmental pollution with no environmental impact and impact on communities. No detectable contamination of inputs or outputs.	Minor noncompliance and can be resolved internally.	Insignificant variance of base Capex estimate. Insignificant project or customer delay. Little or no scope deviation.

Table 10: Strategic Risk Register (Risk descriptions, ratings, mitigation appetite and tolerance)

Risk No.	Risk Name	Risk description	Mitigation	Residual rating	Further Actions	Risk Appetite and Tolerance
1	Possibility of environmental damage	<p>Potential risk of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc.</p> <p>The threat of non-compliance and loss of operational permit exist as a result of:</p> <ul style="list-style-type: none"> a) Chemical spills or impacts through loss of containment b) Customers and contributors not adhering to effluent limits c) Processes not able to handle contaminants or enzymes d) Ageing infrastructure 	<ul style="list-style-type: none"> a) Quarterly effluent pipeline forum meetings b) Daily monitoring of effluent quality c) Contracts that stipulates quality requirements by contributors and penalties for non-compliance d) Effluent diluted before discharge to sea e) Routine infrastructure maintenance programs in place. 	22.0 Priority 01	<ul style="list-style-type: none"> a) Finalize the feasibility study to determine the most appropriate effluent treatment option where after the business process changes will be determined. b) Conduct Dispersion modelling c) To investigate alternative insurance portfolios 	<p>ENVIRONMENT</p> <p>Tolerance: Moderate Environmental disaster with environmental impact and impact on communities. Moderate contamination of inputs or outputs.</p> <p>Appetite: Insignificant Environmental pollution with no environmental impact and impact on communities. No detectable contamination of inputs or outputs.</p>
2	Inadequate infrastructure to meet customer needs	<p>Current infrastructure is not adequate to meet demands</p> <p>The threat of current infrastructure not meeting customer demand exist, as a result of:</p> <ul style="list-style-type: none"> a) Aged infrastructure b) Social and criminal destruction of infrastructure and equipment especially in isolated areas c) Delays in implementation of infrastructure projects d) Unreliable power supply e) Funding constraints 	<ul style="list-style-type: none"> a) Planned Maintenance b) Security service c) Community Liaison Officers d) Project management and review process e) MW is an essential service and exempted from load shedding f) 5 -year Capex programme 	18.0 Priority 02	<ul style="list-style-type: none"> a) Application for borrowing limits prior to expiry date to provide for plant argumentation and refurbishments b) Implementation of identified Capex projects c) Process review of the pumping system to introduce further stages of protection in the mechanical equipment. d) Ensure Adequate Electrical Protection At Design Stage. All Electrical Design to Be Signed Off By Electrical Engineer and Instrumentation Specialist. e) Finalize implementation of improved Project Management Organogram 	<p>OPERATIONS</p> <p>Appetite: Insignificant Environmental pollution with no environmental impact and impact on communities. No detectable contamination of inputs or outputs.</p> <p>Appetite: Minor Partial interruption of 3hrs-12hrs, which can be managed under normal operating conditions.</p>
3	IT systems and Investments not aligned with current business strategy	<p>Delayed implementation and adaption of new technologies</p> <p>The threat that IT systems not aligned with IT laws, Financial legislation, audit requirements and to the business strategy</p> <ul style="list-style-type: none"> a) Slow uptake of new technologies (support and operational processes) b) Lack of appropriate skills c) Innovation plan not approved 	<ul style="list-style-type: none"> a) Approved IT strategy (including certain OT) b) Approved IT budget including Capex approval to implement new system 	18.0 Priority 02	<ul style="list-style-type: none"> a) Benchmarking with other Water Boards on new Technologies b) Approval and Implementation of Innovation plan c) Implementation of IT Strategy 	<p>OPERATIONS</p> <p>Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences.</p> <p>Appetite: Minor Partial interruption of 3hrs-12 hrs, which can be managed under normal operating conditions.</p>

Table 10: Strategic Risk Register (Risk descriptions, ratings, mitigation appetite and tolerance) ...continued

Risk No.	Risk Name	Risk description	Mitigation	Residual rating	Further Actions	Risk Appetite and Tolerance
4.	Liquidity and cash-flow risk	<p>Inability to meet immediate and short-term obligations</p> <p>The risk of company will not be able to meet its short-term financial obligations when due. As a result of:</p> <ul style="list-style-type: none"> a) Key customers in business distress b) Downturn in economy c) Termination of contract by a key customer d) COVID-19 causing negative economic impact on key customer cash flow resulting in increased debtor days 	<ul style="list-style-type: none"> a) Credit checks prior to entering in contracts b) Customer requirements included when business plans are developed c) Customer service agreements d) Contracts include a contracted value e) Monthly Statements f) Constant follow ups on late payments g) Charge interest on outstanding debtors (after 30 days) 	17.0 Priority 02	<ul style="list-style-type: none"> a) Develop a process to formally scan key customer financial sustainability periodically b) Finalization of contracts timeously (as & when necessary) c) Engagement with customer executives to understand their business challenges and agree on possible resolutions 	<p>FINANCIAL</p> <p>Tolerance: Critical Impact is critical if decrease in Net Surplus is between 16% (MOS) and 24% (EBITDA MOS)</p> <p>Appetite: Insignificant Minor noncompliance and can be resolved internally.</p>
5	Non-Compliance with regulatory Environment	<p>Not meeting regulatory and best practice requirements</p> <p>The risk of Non- Compliance due to:</p> <ul style="list-style-type: none"> a) Not adapting to regulatory framework changes b) Stringent tax and SOE legislation requirements c) Not meeting transformation requirements (BBBEE) d) Abstraction licenses: allocation / limit is often exceeded e) Regular amendments that may not be timeously identified by MW 	<ul style="list-style-type: none"> a) Operating license requirements are audited by various regulatory bodies, Includes laboratories and Health and Safety b) Lexis Nexis updates on changes to legislation/ regulations c) Implementation of BBE policy d) Sourcing of goods and services from Black owned companies 	16.0 Priority 02	<ul style="list-style-type: none"> a) Lodge application of extensions regarding abstraction of water license b) To conduct Enterprise and Supply Development training workshops c) Development and implementation of Incubation programme d) Performance of quarterly compliance audits on MW regulatory environment 	<p>LEGAL</p> <p>Tolerance: Critical Legal contravention resulting in restrictions on licenses/ lawsuits and suspension of executive leadership.</p> <p>Appetite: Insignificant Minor noncompliance and can be resolved internally</p>
6	Scarcity of water resources to meet demand	<p>Poor quality and inadequate quantity of raw water</p> <p>The threat that water stress has materialised exist and linked to difficulty in obtaining sources of fresh water for use during a period of time and may result in further depletion and deterioration of available water resources.</p> <ul style="list-style-type: none"> a) Climate change, such as altered weather-patterns (including droughts or floods) b) Increased pollution c) Illegal water extraction d) Alien invasive plants e) Destruction of Water Catchment areas f) Delayed implementation of the 'National Water and Sanitation Master Plan' by Government g) MW services supply planning may not be aligned with the 'National Water and Sanitation Master Plan' 	<ul style="list-style-type: none"> a) Monitoring pollution, interaction with, and reporting to, the Regulator b) Interaction with and reporting to, authorities c) Interaction with Catchment Management Forum and implement as per resolutions issued by the forum d) Planning and development manager reviews National planning 	16.0 Priority 02	<ul style="list-style-type: none"> a) Develop plans to implement resolutions from Climate Change Forums b) Implement an effective interaction process with Environmental authorities c) Implement an effective interaction process with DWS 	<p>OPERATIONS</p> <p>Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences.</p> <p>Appetite: Minor Partial interruption of 3hrs-12hrs, which can be managed under normal operating conditions</p>

Table 10: Strategic Risk Register (Risk descriptions, ratings, mitigation appetite and tolerance) ...continued

Risk No.	Risk Name	Risk description	Mitigation	Residual rating	Further Actions	Risk Appetite and Tolerance
7	Lack of cyber security framework and Policy	Unauthorised access to information and operational systems The risk of IT security breaches could be a result of: a) Cyber-crime attack b) Criminal intent or sabotage c) Hacking, phishing, social engineering d) Increased reliance on technology e) Increased risk due to vulnerabilities created by working-from-home/ remotely during CoVID-19	a) Physical access control b) Logical controls including Firewall c) Regular cyber audits	16.0 Priority 02	a) Approval of recovery plans including backups detailed in Disaster Recovery Plan b) Implement recommendations for improvement highlighted by the Cyber assessment c) Implementation of IT Strategy	OPERATIONS Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences. Appetite: Minor Partial interruption of 3hrs-12hrs, which can be managed under normal operating conditions.
8	Non-compliance to Health & Safety Legislation (OHSA)	Hazards that can lead to the harm, injury, death, or illness of a worker in a determined workplace. The risk of possible injury of fatality exists due to: a) Negligence by staff b) Incompetent staff c) Lack of Awareness and Training d) Attitude towards Safety by Non-technical staff e) Non availability and enforcement of Health and Health and Safety Strategy f) Not keeping abreast with updates in legislation	a) Safety awareness programmes to current and new staff b) Approved Health and Safety Policy and Procedure c) Occupational Health and Safety system, which is OSHA 18001/ISO45001 certified is in place. d) Physical security e) Issue based Risk assessment f) Access control g) Areas with potential hazards are clearly marked h) Alerts received for updated Acts Online (Lexus Nexus)	13.0 Priority 03	a) Development of a list regarding training required, and to form a panel specifically for Health and Safety Training. b) Development of Health and Safety Strategy c) Develop and communicate Issue based risk assessment to all employees d) Development and Implementation of SLA between Safety and all departments	HEALTH AND SAFETY Tolerance: Minor Medical treatment / Minor injuries. Minor to moderate impacts on employee morale. Appetite: Insignificant Minor first aid injuries. Localized employee morale problems.
9	Inability to attract and retention of critical skills	Inadequate system to attract, develop and retain critical skills The risk of inability to attract and retain critical staff based on high turnover rate and other factors such as: a) High demand for critical skills in the labour market b) Geographical area for MW leading to shortage of key and critical skills in the region. c) Inability to manage conflicts d) Non- conducive working environment	a) Market related salaries b) Staff retention policy c) Skills development programmes d) SHE department ensuring safe working environment e) Whistle-blower policy f) IR Specialist deals with conflicts	13.0 Priority 03	a) Conduct a thorough analysis of critical skills demonstrating the specific skills and reasons for unavailability as well as plans to rectify b) Conduct Organization Health Survey c) Identification of mentors and payment of professional bodies at the end of the training programme	OPERATIONS Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences. Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences.
10	Fraud and Corruption	Vulnerability to Fraud and Corruption The organization threat to fraud and corruption, as a result of: a) Leadership overriding internal controls b) Collusion c) Unethical culture d) Poor segregation of duties e) Insufficient consequence management f) Abuse of the emergency procurement (Section 36) process (including during COVID-19 pandemic)	a) Supply Chain Management Policy b) Implementation of Delegation of Authority c) Annual declaration d) Antifraud and corruption framework and policy e) Quarterly ethics awareness f) Disciplinary policy g) Whistle-blower policy	12.0 Priority 03	a) Annual and periodic Anti-Fraud awareness programmes b) Continuous monitoring and enforcement to adherence to policies and procedures c) To expedite ERP system project to include HR/ Payroll administration systems	FINANCIAL Tolerance: Critical Impact is critical if decrease in Net Surplus is between 16% (MOS) and 24% (EBITDA MOS). Appetite: Minor Impact is minor if decrease in Net Surplus is between 5% and 10%.

Table 10: Strategic Risk Register (Risk descriptions, ratings, mitigation appetite and tolerance) ...continued

Risk No.	Risk Name	Risk description	Mitigation	Residual rating	Further Actions	Risk Appetite and Tolerance
11	Political Risk	Expropriation/ Political interference The threat of inability to prevent Political interference could be a result of: a) Vested interest by Politicians b) Political detractors in the region c) Changes in political leadership may change the will to assist MW business growth	a) Stakeholder engagements in terms of stakeholder governance b) Whistle-blower policy	10.0 Priority 03	a) Continuous stakeholder engagement at Board and CE level	REPUTATION Tolerance: Critical Significant adverse public / local and provincial media outcry Appetite: Moderate Local attention from media / interest groups and public
12	Stagnant business growth	Missed opportunities leading to limited business growth The risk of business growth impacting on water supply and loss of revenue, due to: a) Limited funding b) Unstable economic climate c) Competing budget priority d) Stakeholder resistance to MW performing Operation and Maintenance (O&M) e) Significant negative impact of COVID-19 on the economy, affecting MW and clients, including potential clients	a) Stakeholder engagement to open up opportunities; b) Memorandum of Understanding with water service authorities in area of operation; c) Implementation agreements with Department of Water and Sanitation	10.0 Priority 03	a) Development and implementation of Marketing strategy of MW to attract new business b) Feasibility study on raw water source development (Nseleni dam)	FINANCIAL Tolerance: Critical Impact is critical if decrease in Net Surplus is between 16% (MOS) and 24% (EBITDA MOS). Appetite: Minor Impact is minor if decrease in Net Surplus is between 5% and 10%.
13	Natural disaster (excluding drought /water scarcity)	Loss of life, injury or destruction and damage from a disaster in a given period of time. The threat could be a result of: a) Emerging pathogens b) Storms c) Extensive Fires	a) Business Continuity Plan b) Disaster recovery plan c) Insurance (continuity & replacement) d) Emergency evacuation procedures	8.0 Priority 04	a) Development of Disaster Management Plan	OPERATIONS Tolerance: Critical Interruption of 1-5 days with prolonged negative impact and extensive consequences. Appetite: Minor Partial interruption of 3hrs-12hrs, which can be managed under normal operating conditions.

Table 11: Narration of the residual rating

Description	Risk Acceptability	Proposed Action	Rating	Factor
Catastrophic	Unacceptable Significantly exceed threshold	<ul style="list-style-type: none"> Take urgent action Report to CEO and Board attention Detailed risk analysis, qualitative and quantitative Mandatory business continuity plans 	Priority 1	20<25
Critical	Unacceptable Exceed threshold	<ul style="list-style-type: none"> Take immediate action Report to CE and Board attention Detailed risk analysis, qualitative and quantitative where possible Mandatory business continuity plans 	Priority 2	15<19
Moderate	Unacceptable	<ul style="list-style-type: none"> Proactive Management Report up to CE 	Priority 3	10<14
Minor	Acceptable	<ul style="list-style-type: none"> Active management Report up to CE Mainly control and monitor 	Priority 4	5<9
Insignificant	Acceptable	<ul style="list-style-type: none"> Routine management No risk reduction-control, monitor and inform management 	Priority 5	<4

6.8. INTERNAL AND EXTERNAL AUDIT

6.8.1. INTERNAL AUDIT

Internal Audit (IA) function is an independent assurance provider. The IA function reports administratively to the Chief Executive (CE) and functionally to the Audit and Risk; and Finance Committees respectively. The function has a specific mandate directly from the Audit and Risk; and Finance Committees to independently appraise the adequacy and effectiveness of risk management, internal controls and governance of Mhlathuze Water.

Internal Audit Function adheres to a 3-year rolling Internal Audit Plan aligned to Mhlathuze Water’s Corporate Strategy that seeks to achieve the following objectives:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with relevant laws and regulations.

In line with the Institute of Internal Auditors, PFMA and King IV requires internal audit to provide reasonable assurance on the adequacy and effectiveness of risk management, internal controls and governance to management and the Board via the Audit, Risk & Finance Committee.

6.8.2. EXTERNAL AUDIT

The Auditor General (AG) South Africa is mandated to conduct an independent appraisal of Mhlathuze Water. The AG provides independent assurance on Mhlathuze Water’s Annual Financial Statements including review of predetermined objectives information, risk management, internal control systems and compliance with legislation and regulations applicable to the institution.

The audit outcomes are presented as per the Public Finance Management Act (PFMA) and other regulations related to public entities. The audit report is tabled to National Parliament through the Portfolio Committee on Human Settlements, Water and Sanitation.



MHLATHUZE WATER UNDERTAKES RURAL DEVELOPMENT PROGRAMMES TO ALLEVIATE WATER CHALLENGES AT COMMUNITY LEVEL.

PART B:

STRATEGIC OBJECTIVES

7. THE STRATEGIC PLANNING PROCESS

The development of a sound strategic planning document requires a thorough understanding of the organisation's situational analysis, anticipated changes and realities within the business environment. As part of the strategic planning process, a detailed internal and external situational analysis was conducted. Mhlathuze Water strategic objectives were aligned to King IV principles which promote sound corporate governance as an essential element of good corporate citizenship. The projections and Key Performance Indicators (KPIs) are outlined in the business plan and shareholders compact.

The Board's term commenced in December 2018, and the Business Plan is the tool to document the Board's commitments in line with its mandate as well as the broad implementation programme to achieve these. The Business Plan spans a five-year period from the date of the Boards approval, and is reviewed annually to maintain a 5 year planning horizon. The Business Plan is presented in the format prescribed in the Water Services Act, 1997 (Act No. 108 of 1997); Public Finance Management Act, 1999 (as amended); and the Framework for Strategic Plans and Annual Performance Plans of 2010.

The statutory key performance indicators to be attained by Mhlathuze Water in the implementing year are contained in the shareholders compact. This is agreed into between the Board and the Minister of Human Settlements, Water and Sanitation. The Board undertakes to oversee the implementation of the agreement as attached as an annexure to this document.

In the event that it is envisaged that Mhlathuze Water will not be able to fully execute the plans, the Board will promptly

inform the Minister accordingly and seek approval to makes changes. The strategic objectives are provided in relation to specific outputs documented in the section below. Statutory KPAs incorporated in the shareholders compact are marked with '*CS and number*' and additional Mhlathuze Water's strategic KPAs are marked with '*MW and number*'.

7.1. STRATEGIC OBJECTIVES AND PROJECTED OUTPUTS

Further to the shareholders compact and mandatory targets, the Board has aligned its legislative mandate and strategic objectives to that of the UN's Sustainable Development Goals and the Department's Water and Sanitation Master Plan. Furthermore, the Board committed itself to measure its success in this context, having set these 5-years performance measures in addition to the applicable mandatory performance measures. The tables below summarises the objectives of the national Water and Sanitation Master Plan and where it's applicable to Mhlathuze Water.

"Reduce water demand" refer to the strain placed on the scarce water resources available in South Africa. To reduce strain, demand must be reduced. To therefore reduce demand, there must be an effective and sustainable cost recovery structure in place. In addition, water demand will be managed by a reduction in water requirements (improve on production efficiencies), reduction in water wastage, reduction in unmetered/ unaccounted water and reduction in uncontrolled releases from source. With the strain on the resource, the secondary impacts of improper land use practices, pollution and climate change is further recognised.

“Increase supply” speak of the introduction of additional water sources into the existing mix. The dominant water source in South Africa remain surface water resources. Through efficient technologies, programmes to increasingly use ground water sources, treat and re-use effluent as well as desalination in coastal cities should be considered alternatives or augmentation to existing resources.

“Redistribution for transformation” guides water services authorities and institutions to be make provision of water services to address three areas of inequality. Firstly, ensuring that the use of water for productive purposes is equitable; secondly, making sure that the governance of water is representative; and thirdly, ensuring access to decent water and sanitation services for all South Africans.

“Raw water quality” drives the point of preserving and managing the quality of water being produces and released by natural water resource bodies such as rivers, dams, lakes, wetlands, estuaries and ground water; to prevent deterioration.

Deterioration of natural raw water quality poses a threat to economic growth, social development, health and hygiene and aquatic ecological functioning. Fundamental issues that need managing is the poor quality of effluent discharge from municipal and industrial waste water treatment works as well as diffusing pollution of these resources, such as runoff affected by atmospheric deposition or land use practices.

“Protecting and restoring ecological infrastructure” relates to South Africa's high value aquatic ecological infrastructure assets. These assets are poorly protected, and in some areas of the country they are under severe pressure, for example from intensive agriculture, mining and urban sprawl that results in loss or degradation of ecosystems. Like built infrastructure, ecological infrastructure needs to be maintained, and in some cases restored, in order for its socio-economic benefits to be realised. The loss and degradation of ecological infrastructure in relation to urban growth pressures; negatively affects water system yield and increases water-related risks such as inability to release or replenish raw water sources or mitigate floods.

Table 12: National Water and Sanitation Master Plan

NATIONAL WATER AND SANITATION MASTER PLAN		
OBJECTIVES	DRIVERS	RELEVANCE TO MHLATHUZE WATER
Reduce water demand and increase supply	Reconciliation studies, feasibility studies, bankable projects, resource catchment studies, water resource development Non-revenue water and water losses across all sectors, water use efficiency Resource infrastructure, Ground/ Desalination as additional water resources	Encourage customers to efficiently use water Remain within allocations and restrictions Minimise water losses at abstraction and production points Functional metering of water consumption and sustainable tariffs Participate in water resource and demand management programmes Explore and package viable water resource augmentation projects
Redistribution for transformation (equity)	Equitable identification and allocation of water Local/ community based projects	Medium to long term planning to meet domestic and economic needs equitably. Sustainable and equitable water costing and tariffs
Raw water quality	Waste water treatment turnaround times, prosecute polluters, quality monitoring of resources	Effluent treatment and/or re-use Catchment water quality monitoring and reporting
Protecting and restoring ecological infrastructure	Water ecosystems must be protected, diffuse pollution, regulate land use	Environmental awareness on resource management

Table 13: Strategic Objectives and Projected Outputs

Alignment to Sustainable Development Goals	National Water and Sanitation Master Plan		Strategic Objective	Projected 5 year Performance Outputs	JUNE 2018 BASELINE	Source of baseline	5 year Performance Targets
6.4, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	REDUCE WATER DEMAND AND INCREASE SUPPLY REDISTRIBUTION FOR TRANSFORMATION (EQUITY)	S01	To grow the provision of water services	Invest effectively in bulk water storage	240 million m ³ /a natural yield	DWS Reconciliation Study	280 million m ³ /a water secured or stored
				Invest effectively in bulk water production	74 million m ³ /a plant capacity	Annual Report	90 million m ³ /a plant capacity
		S02	To ensure long-term financial sustainability	Maintain a sustained net profit margin	16%	Annual Report	10% net profit margin maintained
				Maintain a viable current ratio	2.78	Annual Report	Current ratio of minimum 2 maintained
				Diversify/ Expand the business footprint	R394.3m revenue (s29) R136.6m revenue (s30)	Annual Financial Statements in Annual Report	Increase in volumes of water/ waste water to new/ existing customers
					R394.3m revenue (s29) R136.6m revenue (s30)	Annual Financial Statements in Annual Report	2.5% increase in gross revenue from Section 30 customers
				Revenue generation from investment in assets	Return on assets 6,24%	Annual Report	Maintain/ increase return on assets to 8%
6.1, achieve universal and equitable access to safe and affordable drinking water for all	S03	To initiate and build relationships with stakeholders	Maintain quality service to existing customers	Mondi purified: 88.4% Foskor clarified: 100% All other purified: 100%	Customer Standards and Lab test results	95% of customer water quality standards achieved	
			Increase in the Local/ Regional economic spend	7% of bids >R500k spent in District	Contract register	20% of procurement spend within the area of operation	
			Reinforce the transformation agenda	BBBEE level 8	BBBEE certificate Annual Report	Achieve and maintain a BBBEE level 1 rating	
			Local community to feel the presence of MW	24% spend on regional CSI and municipal rural development budget in line with the mandate	Annual Report (CSI and municipal budget vs actual spend)	90% budget spend on local and regional CSI and municipal rural development in line with the mandate	

Table 13: Strategic Objectives and Projected Outputs ...continued

Alignment to Sustainable Development Goals	National Water and Sanitation Master Plan		Strategic Objective	Projected 5 year Performance Outputs	JUNE 2018 BASELINE	Source of baseline	5 year Performance Targets
6.1, achieve universal and equitable access to safe and affordable drinking water for all		S04	To resource the Organisation with the required skills and competence	Increase Leadership and Operational competence	97.1% plant availability	Maximo reports	95% plant availability
					0 instances of unplanned supply interruptions exceeding 24 hours	Maximo reports	3 instances of unplanned supply interruptions exceeding 24 hours
				Maintain business continuity through knowledge management and mentorship	New	HR reports on business continuity	100% of operational and maintenance supervisory staff competent in x-cutting core skills
		S05	To optimise business processes and systems for efficiency	Unqualified Audit	Qualified	External Audit Report	Unqualified Audit opinion
6.3, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	IMPROVE RAW WATER QUALITY	S06	To be pro-active on issues relating to health, safety, security and the environment	Safe and Secure working environment	1 disabling incident	DFIR report	0 disabling incidences
	PROTECTING AND RESTORING ECOLOGICAL INFRASTRUCTURE			Meet quality and compliance standards	99.9% compliance with SANS	Independent compliance testing reports	100% compliance with set standards
					91.8% compliance with disposal permit	Independent compliance testing reports	90% compliance with set standards
				Complete feasibility studies to reduce waste water discharge into the ocean	64.8 million m ³ /a	Annual Report	Feasibility to re-use the waste or dispose of waste water in an environmentally friendly manner
	REDUCE WATER DEMAND AND INCREASE SUPPLY	S07	To improve efficiency through technology and best practices	Implement technology to reduce cost of sales	43% (cost of sales as part of gross revenue)	Annual Financial Statements in Annual Report	5% reduction in costs of sales due to technological advances implemented
				Reduce water wastage from abstraction	2.72% of water loss from abstraction	Annual Report	2.5% of unaccounted water loss from abstraction
				Research and Development that informs operational efficiency	New	None	Conduct research on 5 initiatives and implement 4

Table 14: Strategic Objectives and Projected Targets

5 year Performance Targets	OPERATIONAL PERFORMANCE ACTIVITIES	Year 0 2020/2021 2 nd Q actual (unaudited)	Year 1 2021/2022	Year 2 2022/2023	Year 3 2023/2024	Year 4 2024/2025	Year 5 2025/2026	budget allocation
280 million m ³ /a water secured or stored in natural/ produced by human systems	Prepare Bulk Water Resource Master Plan	RB RECON 2019	Bulk Water Resource Master Plan finalised	Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models	R28m for planning Funding models to be determined in consultation with clients and the Board
	Prepare Bulk Infrastructure Master Plan	RB RECON 2019	Bulk Infrastructure Master Plan including appropriate funding models	Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models	R28m for planning Funding models to be determined in consultation with clients and the Board
90 million m ³ /a plant capacity	CAPEX programme implemented to increase plant production capacity	MW weir R80m MW weir to NWTP pipeline R150m NWTP design stage	Nsezi WTP upgrade	Nsezi WTP upgrade	Nsezi WTP upgrade complete			Weir: R73m Weir to NWTP pipeline R151m Nsezi WTP upgrade R325m
10% net profit margin maintained	Maintain net profit margin >10%	2020 2 nd Q: 29.87%	8%	10%	12.00%	12.56%	14.80%	
5% increase in gross revenue from Section 29 customers	Increase in volumes of water/ waste water to new/ existing customers	119 159	131 609	143 366	160 856	158 860	158 860	
2,5% increase in gross revenue from Section 30 customers	Increase Section 30 business with regional Water Services Authorities or other	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	
Maintain/ increase return on assets to 8%	Increase in the return on assets	13.81%	4 %	5%	8%	10%	12%	
95% of customer water quality standards achieved	Meet customer water requirements	New	93%	94%	95%	95%	95%	
20% of procurement spend within the area of operation	Emerging and Local Supplier Development	New	15%	15%	20%	20%	20%	
Achieve and maintain a BBBEE level 1 rating	Skills Development Plan and implementation	New	60% of budget spent	60% of budget spent	70% of budget spent	70% of budget spent	80% of budget spent	
	procurement budget spent on BBBEE level 1 companies	76.79%	75% budget spent	75% budget spent	80% budget spent	80% budget spent	80% budget spent	
	Successful Emerging Suppliers Developed by MW	New	1	1	1	1	1	

Table 14: Strategic Objectives and Projected Targets ...continued

5 year Performance Targets	OPERATIONAL PERFORMANCE ACTIVITIES	Year 0 2020/2021 2nd Q actual (unaudited)	Year 1 2021/2022	Year 2 2022/2023	Year 3 2023/2024	Year 4 2024/2025	Year 5 2025/2026	budget allocation
90% budget spend on local and regional CSI and municipal rural development in line with the mandate of MW	Targeted initiatives implemented according to policy and mandate	90% spent	90% spent	90% spent	90% spent	90% spent	90% spent	R25m for RD R6.5m for CSI
95% plant availability	Reduce down time of plant or critical plant assets	95%	95%	95%	95%	95%	95%	
3 instances of unplanned supply interruptions exceeding 24 hours	Reduce down time of plant or critical plant assets	3	3	3	3	3	3	
100% of operational and maintenance supervisory staff competent in x-cutting core skills	Initiate and maintain mentorship and coaching programmes at core levels	New	75% of O&M supervisory staff	75% of O&M supervisory staff	80% of O&M supervisory staff	90% of O&M supervisory staff	100% of O&M supervisory staff	
Unqualified Audit	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Clean audit opinion	Clean audit opinion	Clean audit opinion	
0 disabling incidences	Compliance with OHSA requirements	0	0	0	0	0	0	
100% compliance with set standards	97% compliance with drinking water standards	100%	100%	100%	100%	100%	100%	
90% compliance with set standards	90% compliance with waste water disposal standards	90%	90%	90%	90%	90%	90%	
Feasibility to re-use the waste or dispose of waste water in an environmentally friendly manner	Feasibility Studies to re-use waste produced from industry	None	Feasibility study conducted	-	-	-	-	Included in R28m for feasibility studies
5% reduction in costs of sales due to technological advances implemented	Implement efficiency research initiatives	0	0	1% decrease	2% decrease	2% decrease	2% decrease	
2.5% of avoidable water loss from abstraction	Planned and Preventative maintenance programme	4%	4%	4%	4%	3%	3%	
Implement 5 research and development initiatives	Conduct research to improve organisational efficiency and growth	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	R3.6m per annum

8. CHIEF EXECUTIVE UNIT

8.1. CHIEF EXECUTIVE UNIT

MANDATE OF THE CHIEF EXECUTIVE UNIT

The principal mandate of the Chief Executive Unit is to provide executive and administrative support to the Chief Executive and the Board. It performs overall oversight in ensuring the implementation of Mhlathuze Water strategic objectives through Strategy and Development, Risk Management, Internal Audit, Company Secretary, and Corporate Communications.

8.2. FUNCTIONS WITHIN THE CHIEF EXECUTIVE UNIT

OFFICE OF THE CHIEF EXECUTIVE

The office of the Chief Executive provides administrative support to the CE and manages the implementation of Corporate Social Investment initiatives as well as ensures that the organisation fulfils its social responsibility mandate. The office is also responsible for managing stakeholder relations, which are aimed at positioning the organisation as the reliable regional water and wastewater business partner of choice.

COMPANY SECRETARY

This function provides corporate governance and legal services support to the organisation. It is responsible for ensuring that the Board operates effectively and in accordance with the principles of Corporate Governance as provided in the King IV Report on Corporate Governance for South Africa 2016. It is also responsible for statutory compliance with amongst other, the Water Services Act, 1997(Act No. 108 of 1997); the Public Finance Management Act, 1999(Act No. 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

STRATEGY AND DEVELOPMENT

The Strategy and Development function is entrusted with the responsibility of facilitating and coordinating the

organisational strategic planning, monitoring and reporting. The function translates key priorities into actionable plans with clear activities, performance measurements and resource commitments. The function is also responsible for compiling and submitting statutory documents such as the organisation's five-year business plan, shareholders compact, annual operational plan, quarterly performance reports and annual reports.

RISK MANAGEMENT

The purpose of the risk management function is to identify potential challenges that the organisation might face and implement appropriate mitigating measures before they occur. This is done so that risk activities may be planned and invoked as needed across the life of the business to mitigate adverse impacts on achieving objectives. Effective risk management includes early and aggressive risk identification through the collaboration and involvement of relevant stakeholders on a continuous basis.

CORPORATE COMMUNICATIONS

The Corporate Communications function manages the corporate image and identity of Mhlathuze Water. It is also in charge of all media relations, events management, community relations and corporate publications (newsletters, annual reports). Amongst other things; the function is responsible for procuring and producing all marketing collateral e.g. company logos, branding, corporate clothing; and style of written communication. The function is responsible for website, intranet uploading; and all related activities. Marketing activities such as billboards advertising, editorials and exhibitions fall under this wing. The function also executes the strategic objectives by building and maintaining relationships with internal and external stakeholders.

INTERNAL AUDIT

Internal Audit is an independent and objective function responsible for planning, executing and reporting on operational, financial, non-financial, regulatory and compliance related internal audits. This function also recommends corrective actions so as to improve operations, enhance internal controls and reduce costs where possible. The function is also responsible for identification and evaluation of financial and non-financial risks, together with procedures to avoid or minimise their impact.

CORPORATE SOCIAL INVESTMENT

Mhlathuze Water is passionate about community and youth development within its area of operation. The CSI projects are external to the business and undertaken for the purpose of uplifting communities and have strong developmental approach.

The focus areas of the CSI strategy are as follows:

- Education;
 - Mhlathuze Water supports interventions that address effective delivery of quality education or/ and improvement of resources.
- Supply of potable water and sanitation facilities;
 - Mhlathuze Water provides water tanks to communities and schools, build boreholes and fast track the process of ensuring availability of water in rural areas.
- Economic development;
 - Mhlathuze Water partners with stakeholders in its area of operation to create opportunities to train women and youth to be economically independent
- Sports development
 - Mhlathuze Water provides support by addressing sport development and youth development
- Public health and community development
 - Mhlathuze Water may decide to provide public health and community development support where necessary depending on the needs of the community.

INSTITUTIONALISATION OF THE PLANNING, MONITORING AND REPORTING SYSTEM

Mhlathuze Water introduced a planning, monitoring and reporting system that assists the organisation in monitoring its performance and initiatives which contribute to service delivery outcomes. The planning, monitoring and reporting system was developed in compliance with the Framework for Managing Programme Performance Information, 2007 and

applicable National Treasury regulations. The reporting system involves collecting, analysing, and assessing the validity and accuracy of performance information; and reporting on performance information. The Planning, Monitoring and Reporting Policy was approved by the Accounting Authority in August 2018; and the Monthly, Quarterly and Annual Reporting Procedures was approved by EXCO in August 2018.

8.3. FUTURE PLANS

STAKEHOLDER ENGAGEMENT

Cognisant of the critical importance of meeting and even surpassing its customers' expectations, Mhlathuze Water will be placing a renewed focus on cultivating long-lasting and fruitful relationships with all its stakeholders. The goal is to get the various interest groups including employees, private sector, government and the communities to understand and embrace Mhlathuze Water's vision and the trajectory that the utility sees itself taking in the medium to long term. Equally so, through this process of engagement to better understand and respond to the aspirations of customers.

To do this, Mhlathuze Water has placed a focus on the delivery of quality and constant messages regarding the organisation. With the Chairperson of the Board and the Chief Executive at the forefront, the intention is to build symbiotic relationships with stakeholders that will transcend beyond just the delivery of water.

An assessment of the needs of the communities shows that with the requisite multi-stakeholder partnerships in place, the organisation can marshal its resources towards delivering more impactful corporate social responsibility initiatives and, ultimately, poverty reduction. Ultimately, in line with the imperative of using the services the organisation provides, Mhlathuze Water will strengthen its relationships with stakeholders based on an ethos of mutual respect and constant communication as well as leveraging on Mhlathuze Water's strengths.

8.4. CHIEF EXECUTIVE UNIT PRE-DETERMINED OBJECTIVES AND TARGETS

Table 15: Chief Executive Unit Pre-determined Objectives and Targets

Shareholder Compact Targets	Strategic Objective	To initiate and build relationships with stakeholders										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC10	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	9.00	7.00	7.00	7.00	8	7	7	8	8	8
SC12	Rural development support in line with the organisation's mandate	Number of projects implemented in municipalities	0.00	0.00	0.00	0.00	10	2	2	2	2	2
SC20	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	Number of CSI initiatives undertaken	5.00	4.00	5.00	0.00	20	4	4	4	4	4
Shareholder Compact Targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 1 st quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC4	Effective governance, compliance with legislation and financial sustainability	Number of unqualified external audit reports	2016/2017 Qualified opinion	2017/2018 Qualified opinion	2018/2019 Unqualified audit opinion with matters of emphasis	2019/2020 Clean audit	2024/2025 Clean audit opinion	2020/2021 Unqualified audit opinion	2021/2022 Unqualified audit opinion	2022/2023 Unqualified audit opinion	2023/2024 Clean audit opinion	2024/2025 Clean audit opinion
SC13	Meeting statutory submission deadlines	Number of approved business plans submitted as per compliance requirements	1.00	1.00	1.00	Strategic planning session held on 24 - 26 November 2020	5	1	1	1	1	1
		Number of approved Shareholder Compact submitted as per compliance requirements	1.00	1.00	1.00	2021/2022 Shareholders Compact template in place	5	1	1	1	1	1
		Number of approved annual reports submitted as per compliance requirements	1.00	1.00	1.00	1 Approved 2019/2020 Annual Report submitted	5	1	1	1	1	1

8.4. CHIEF EXECUTIVE UNIT PRE-DETERMINED OBJECTIVES AND TARGETS ...continued

Table 15: Chief Executive Unit Pre-determined Objectives and Targets ...continued

Shareholder Compact Targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 1 st quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC13	Meeting statutory submission deadlines	Number of approved quarterly reports submitted as per compliance requirements	4.00	4.00	4.00	MW 2020/2021 second quarter report	20	4	4	4	4	4
SC17	Board effectiveness	Percentage of attendance of Board members at Board meetings	100%	94.63%	84.27%	100%	80%	80%	80%	80%	80%	80%
SC18	Corrective measures for internal audit findings	Number of unresolved internal audit findings	5.00	9.00	2.00	3.00	0	0	0	0	0	0
		Number of repeat internal audit findings	31.00	8.00	0.00	0.00	0	0	0	0	0	0
Shareholder Compact Targets	Strategic Objective	To ensure long - term financial sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC9	Engagement in secondary activities	Percentage of growth in turnover secondary activities	(25.35%)	(10.00%)	(26.16%)	(39.61%)	2.5%	0.5%	0.5%	0.5%	0.5%	0.5%
SC19	Good Governance	Number of breaches of materiality and significant framework	8.00	0.00	0.00	0 Breaches of materiality & significant framework for 2019/2020	0 Breaches of materiality & significant framework for 2023/2024	0 Breaches of materiality & significant framework for 2020/2021	0 Breaches of materiality & significant framework for 2021/2022	0 Breaches of materiality & significant framework for 2022/2023	0 Breaches of materiality & significant framework for 2023/2024	0 Breaches of materiality & significant framework for 2024/2025

8.4. CHIEF EXECUTIVE UNIT PRE-DETERMINED OBJECTIVES AND TARGETS ...continued

Table 15: Chief Executive Unit Pre-determined Objectives and Targets ...continued

Mhlathuze Water Targets	Strategic Objective	To initiate and build relationships with stakeholders										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
MW1	Board performance assessment	Number of Board performance assessment conducted	-	-	-	Questionnaire not completed	5	1	1	1	1	1
MW2	Meeting statutory obligations	Percentage of Shareholder Compact targets achieved	68.00%	88.89%	72.97%	74.29%	80%	80%	80%	80%	80%	80%
MW3	MW positioned as the preferred water service provider	Number of stakeholder engagements held	4.00	4.00	8.00	3.00	40	8	8	8	8	8
MW4	MW positioned as customer focused organisation	Number of Stakeholder Indaba held	1.00	1.00	0.00	Concept document on 1 stakeholder Indaba presented at the EXCO meeting of 13 October 2020	5	1	1	1	1	1
MW5	MW positioned as a brand through Marketing initiatives	Number of marketing initiatives conducted	4.00	4.00	4.00	2.00	20	4	4	4	4	4
MW6	External stakeholders informed on MW programmes, projects and services through media engagements	Number of media initiatives conducted	16.00	35.00	22.00	5.00	80	16	16	16	16	16
Mhlathuze Water Targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2020/2021 Target	2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target
			2017/2018	2018/2019	2019/2020							
MW7	Effective internal controls	Number of three-year strategic rolling internal audit plan	-	1.00	1.00	1.00	5	1	1	1	1	1
MW8	Effective risk controls and management	Percentage Implementation of strategic risk further action plans	-	-	91.00%	100%	100%	100%	100%	100%	100%	100%
MW9		Percentage of implementation of fraud risk further action plans	-	-	75.00%	80.00%	100%	100%	100%	100%	100%	100%

9. CORPORATE SERVICES UNIT

9.1. MANDATE OF CORPORATE SERVICES UNIT

The Corporate Services Unit provides a range of corporate services functions at strategic and operational levels. The Unit manages Information Technology, Human Resources operations, Training and Development, Employee Relations, Employee Wellness, Fleet Management, Document Management, Legal Services and the individual Employee Performance Management System.

9.2. FUNCTIONS WITHIN THE CORPORATE SERVICES UNIT

HUMAN RESOURCES DEVELOPMENT

Human resources development has always been a priority of Mhlathuze Water for many years and it is still a priority to date. Specific initiatives have included training and development programmes for line managers, technical and administrative staff, general staff as well as learners from the communities within Mhlathuze Water's area of operation. Major focus is on capacity building through bursary schemes, graduate training, artisan training, process controller learnership, in-service training and internship programmes.

Mhlathuze Water analysed the organisation in order to determine the critical skills needed in the next financial five years so that training can be aligned to organisational needs. Of the critical skills identified, the following have proven to be scarce skills: Engineering skills (electrical, mechanical, civil, chemical, planning & design and automation an instrumentation); Project Management (planning & development, project accounting, and GIS); financial planning; cost accounting; asset management, Information technology contract management; risk management and corporate communications. Annual Workplace Skills Plans are being developed and implemented as part of the strategy to close the identified skills gaps.

HUMAN RESOURCE MANAGEMENT

Human Resources intends to be a strategic partner that helps Mhlathuze Water to provide:

- A professional service through accurate, consistent and best employment practices in all its activities, which are aimed at supporting the achievement of the organisation's strategic objectives;
- Attract and retain employees who share the same organisational vision;
- Set and manage standards of performance; and
- Promote a personal and career development environment for all employees so that they can reach their potential and therefore contribute fully to the achievement of the strategic objectives and instil a culture of service excellence.

INFORMATION TECHNOLOGY

The Information technology (IT) function is responsible for the delivery of services that support the Organisation's strategic plan and individual department's objectives successfully through the effective use of information technology. Its purpose is to ensure that the Organisation achieves optimum use of its IT resources. In addition, the function is tasked with the responsibility of providing cutting-edge information technology solutions including enabling communication tools that will optimise business systems in a reliable and secure manner. This includes the implementation of effective and efficient business systems that meet users' needs, the provision of a reliable IT infrastructure and environment, and creating capacity for proper information management and business intelligence. The function seeks to implement a single source integrated system as the key business system tool within the organisation.

DOCUMENT AND KNOWLEDGE MANAGEMENT

Mhlathuze Water keeps and manages official records to support its business operations, as well as to fulfil legal and administrative obligations. These records are managed from date of creation of documents to date of disposal thereof, in terms of the National Archives and Records Service Act 43 of 1996, as amended. The Document Management function, therefore, ensures that institutional records of historical, fiscal and legal value are identified and preserved; and that non-essential records are discarded in a timely manner according to established guidelines and legislation.

FACILITIES AND FLEET MANAGEMENT

Facilities and Fleet Management is assigned to the Corporate Services Department and the HOD oversees all aspects of this function while the Facilities Manager performs the various activities related thereto. Facilities management comprise all security, grounds and cleaning-hygiene related services. The management of the fleet also resides with this function. The current fleet size and shape is adequate for the purposes of service delivery. Mhlathuze Water operates a fleet of fifty four (54) vehicles which comprises a combination of small vans to heavy vehicles. Thirty nine (39) of the vehicles are owned by Mhlathuze Water while fifteen (15) are held under lease agreements.

LEGAL SERVICES

Legal Services function is responsible for providing effective and efficient legal services to the organisation in order to

ensure that the interests of the organisation are protected against any legal risk. The function provides effective and legally sound contracts in order to ensure that the interests of the organisation are protected against any legal risk. It is also responsible for drafting and vetting legally sound contracts and further handles and manages litigation matters affecting the organisation.

9.3. SITUATIONAL ANALYSIS

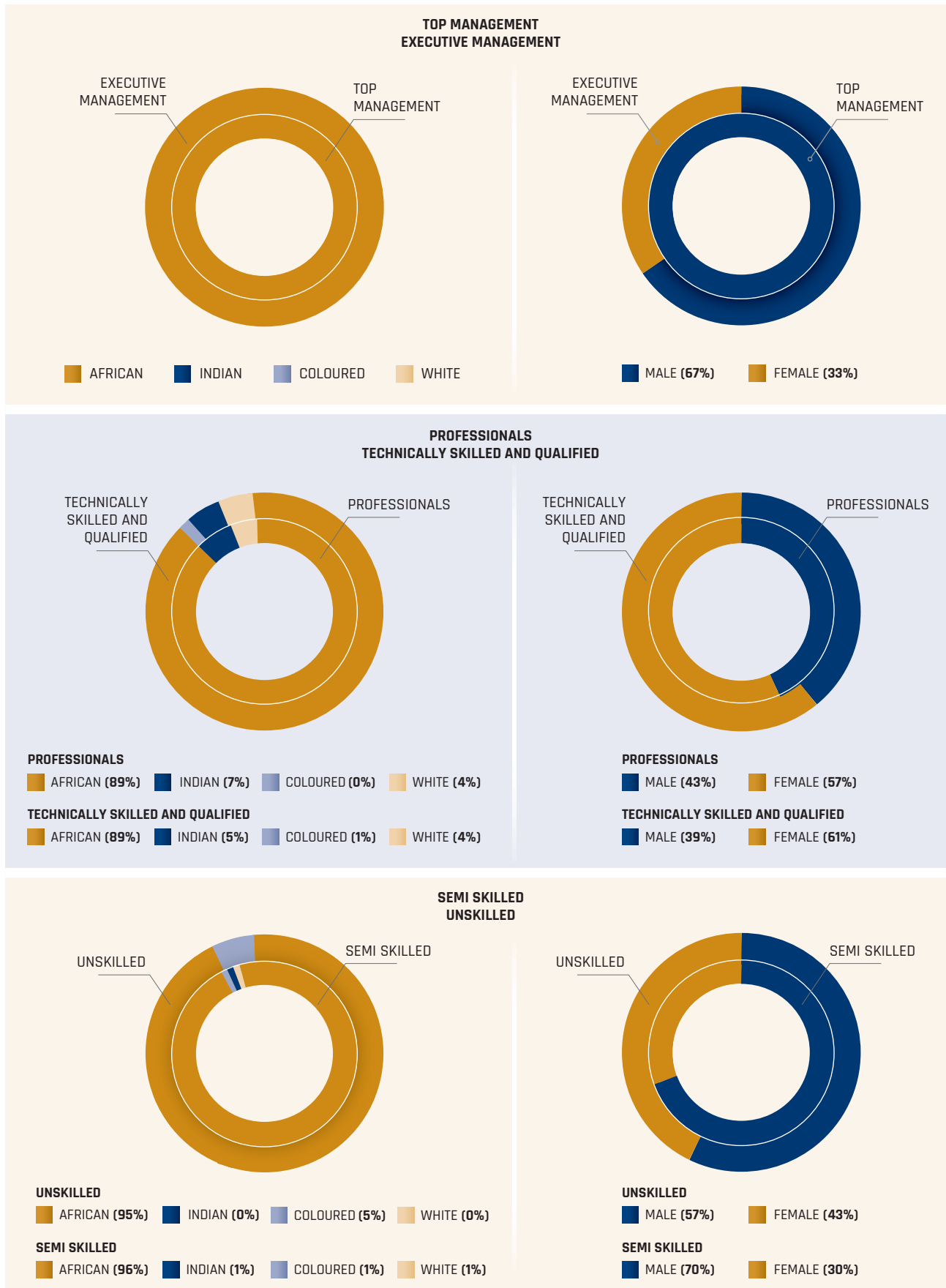
The Unit's strategic intent is driven mainly by Strategic Objective 4: To resource the organisation with the required skills and competence to deliver the strategic intent as well as Strategic Objective 5: To optimise business processes and systems. To contextualise the strategic objectives,

Table 16: SWOT Analysis

STRENGTHS	THREATS
Reputable employer	Ability to attract and retain qualified graduates in core competencies
Diversified workforce	Efficiency and productivity - COVID19
Access to various recruitment strategies	KM: Lack of platforms, or techniques to share and document knowledge
Range of successful core skills development programmes	IT: "Outdated" information management systems
KM: Expertise and knowledge in an essential service and related assets	OT: Operating outside IT Governance Frameworks
OPPORTUNITIES	WEAKNESSES
Improve on retention programmes	Knowledge management
Introduce re-skilling programmes to improve efficiency	Employment of people with disabilities
KM: Create knowledge hub	Retention of professional graduate trainees
IT: Access to technology to improve system performance	KM: Access to, and documentation of organisational knowledge

9.4. EMPLOYMENT PROFILE

Figure 4: Employment Profile



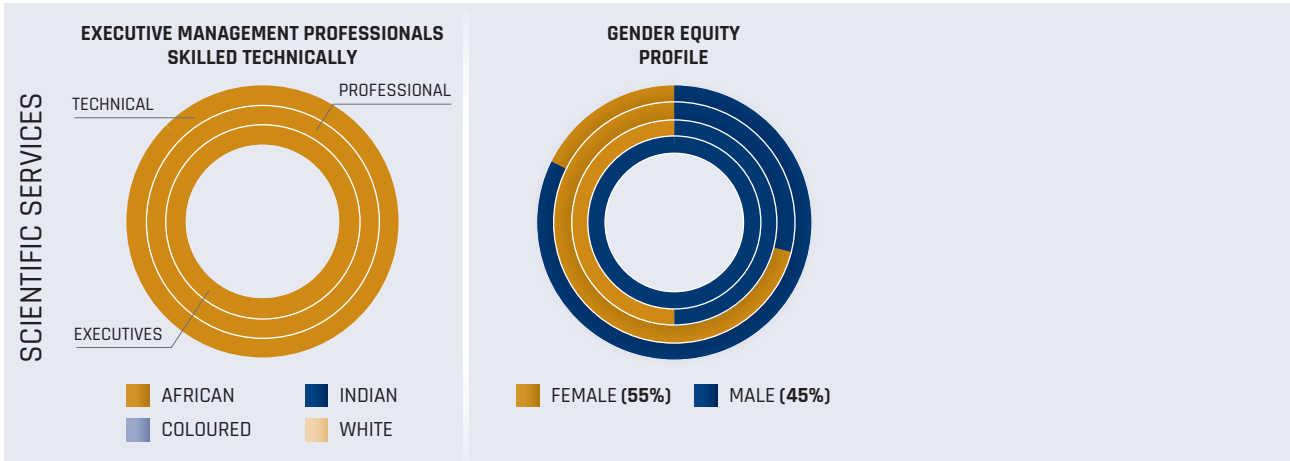
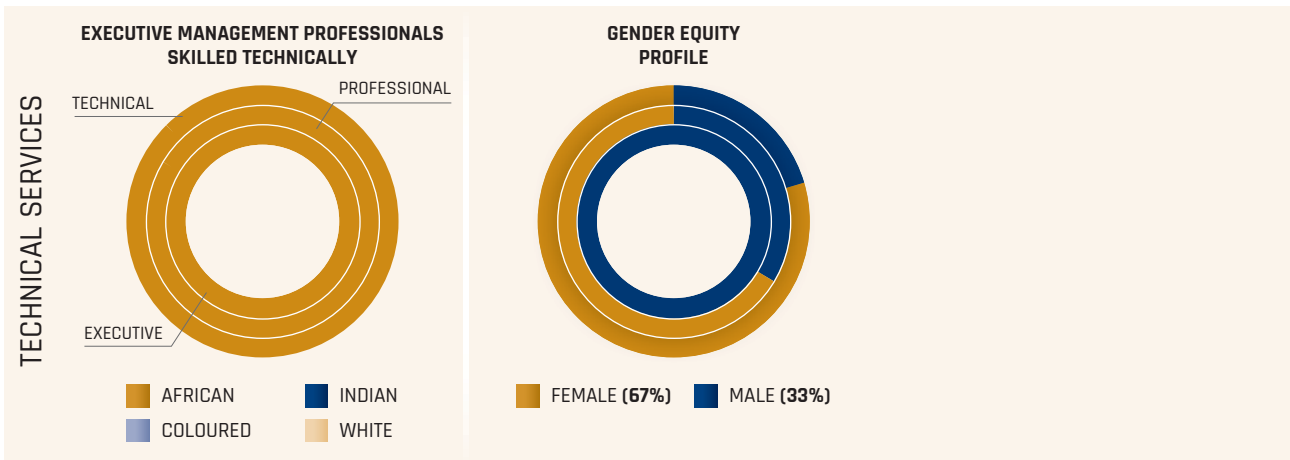
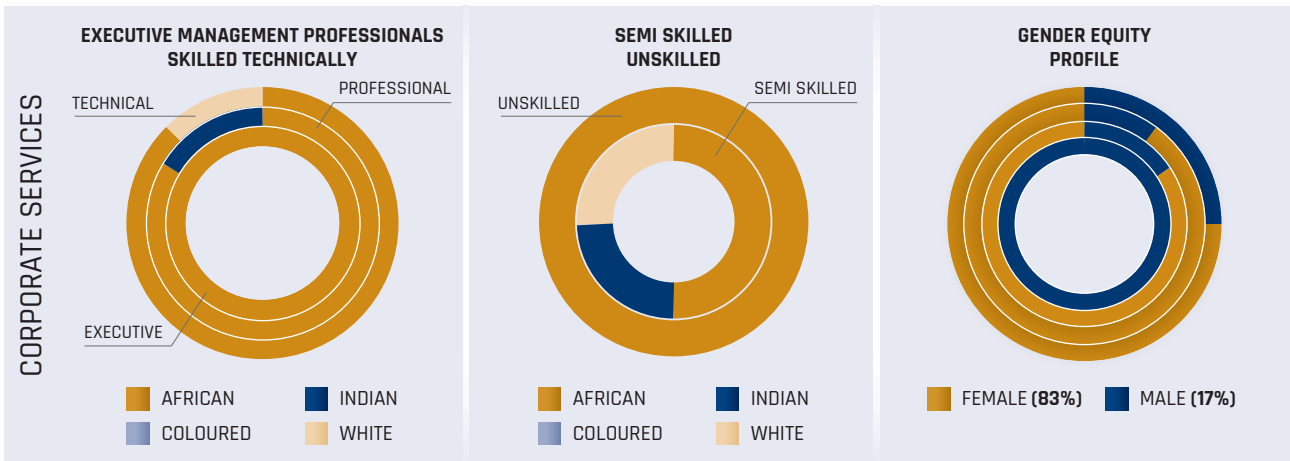
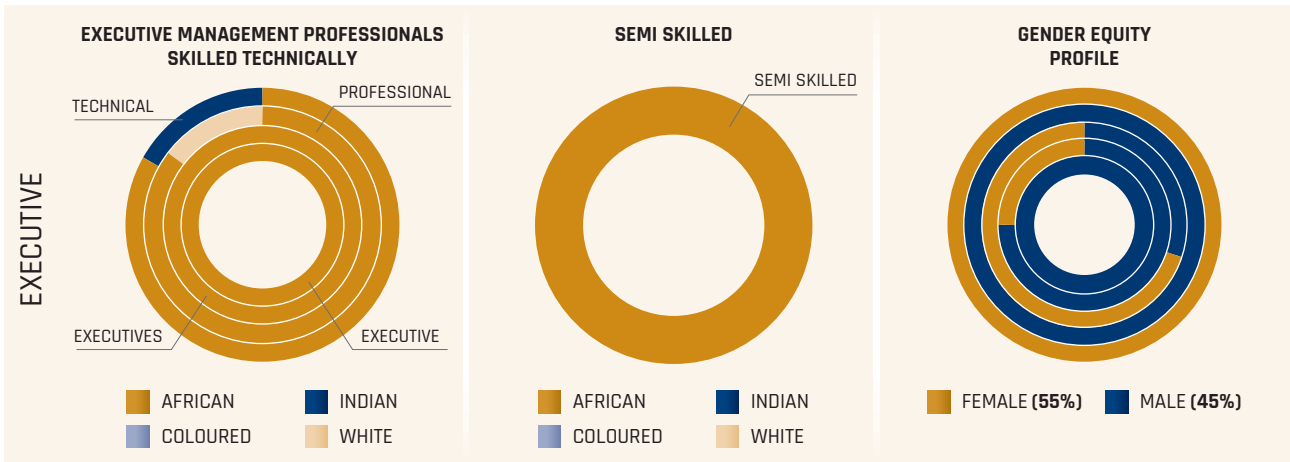
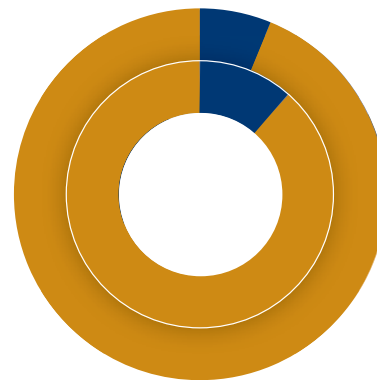
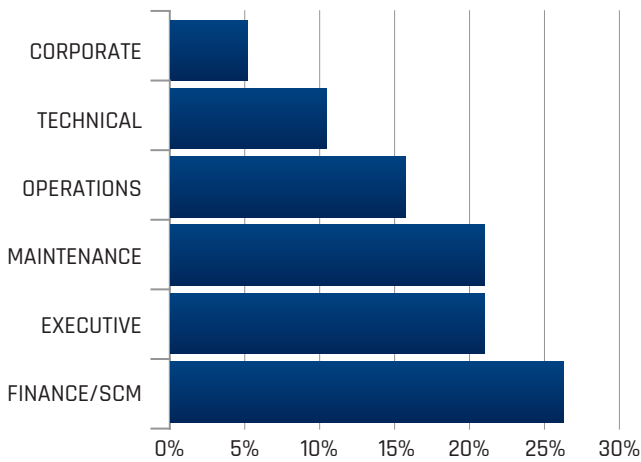


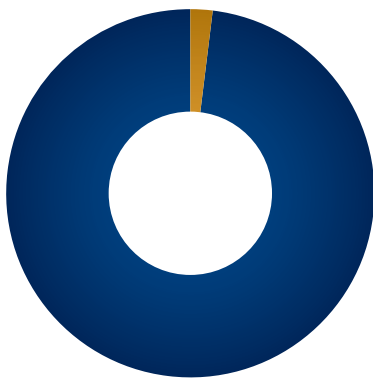
Figure 5: Proportionate Attrition

PROPORTIONATE ATTRITION



2020
 ■ ATTRITION (6%) ■ RETAINED (94%)
2019
 ■ ATTRITION (11%) ■ RETAINED (89%)

DISABILITY EMPLOYMENT



■ NON-DISABLED (98,6%)
 ■ PEOPLE LIVING WITH DISABILITIES (1,4%)

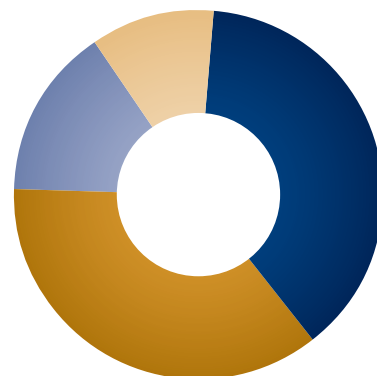
DISABILITY EMPLOYMENT

The overall annual target for persons with disabilities was 2% and the target was not achieved, since there were 3 employees who declared disabilities, which represented 1.4% of the staff complement.

STAFF RETENTION/ ATTRITION

Mhlathuze Water retained more staff on a year-to-year comparative basis. The highest attrition rate is within the Finance, Executive and Maintenance Units.

AGE PROFILE

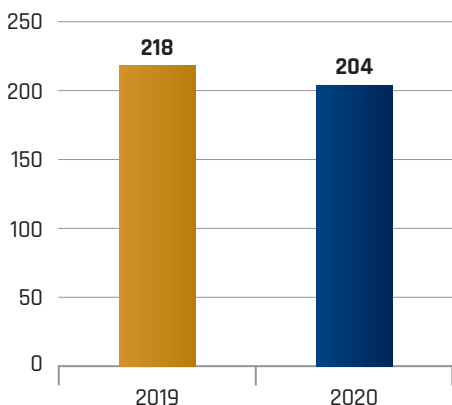


■ < 35 (38%) ■ 36-45 (36%)
 ■ 46-55 (15%) ■ 56-65 (11%)

AGE PROFILE

The highest concentration of employees are in the age bracket ≤35 years in the Elementary Occupational Group.

RETENTION OF STAFF



ARTISAN DEVELOPMENT PROGRAMME

The Artisan Development Programme is conducted in compliance with the Skills Development Act, 1988 (Act No. 97 of 1988). The primary objective of the programme is to build internal capacity in relevant trades as well as to contribute towards the National Skills Development Strategy. One employee from Maintenance section completed Phase 3 in Boiler making during 2018/2019 financial year. Twenty unemployed youth participated in this programme and were trained to be electrical artisans. They acquired electrical trade test certificates in August 2018.

GRADUATE DEVELOPMENT PROGRAM

The purpose of this programme is to equip graduates with skills and experience in order for graduates to become professionals and are able to register with ECSA. The three year programme requires graduates to work at Mhlathuze Water for a period equivalent to the training period to ensure Mhlathuze Water derives value from its contribution.

Three graduate trainees are currently participating in the programme. Two graduate trainees are sponsored and registered with UNISA to study Bachelor of Technology in Mechanical Engineering as per ECSA requirements for professional registration as a Professional Technologist (Pr. Tech.). The graduate trainees submit quarterly reports which are used to monitor progress towards meeting ECSA requirements. The third trainee will enrol for BTech studies in January 2020.

INTERNAL EXTERNAL BURSARY PROGRAMME

A range of internal and external students are in various stages of completing their studies in Mechanical Engineering Diploma and Civil Engineering Degree.

INTERNSHIP PROGRAMME

Eight interns were recruited in 2018/2019 financial year and completed the one year internship programme in December 2019. This programme aims to provide work experience to the newly qualified graduates in order to become employable.

LEARNERSHIP PROGRAMME

Furthermore, in order for Mhlathuze Water to continue to provide clean water of acceptable standard at all times, a need to upskill employees was identified. Therefore, the Learnership Programme on Water and Waste Water Treatment

was implemented. Learners receive a national qualification accredited by the EWSETA. This programme further equips internal employees to build their capacity for advancement opportunities in the organisation by assisting them to obtain up to NQF level 4 qualification.

COMPLIANCE TRAINING PROGRAMME

Various compliance training courses were conducted in the areas of chlorine handling, asbestos handling, isolation and permit, First Aid, Health and Safety ISO 14001 environmental management, ISO 9001 Quality, ISO 45001 Health and Safety, with 187 employees attending.

EMPLOYEE WELLNESS

The initiatives undertaken to promote the employees' Health and Wellness in 2018/2019 financial included:

- Wellness day in partnership with CareWorks and Old Mutual.
 - Informative presentations and discussions were held on various topics such as Financial Wellness, Voluntary Medical Male Circumcision (VMMC), TB and Sexually Transmitted Infections (STIs).
 - Employees undertook voluntary wellness screenings and testing on HIV Counselling and Testing, Cholesterol, Blood Pressure (BP) and Diabetics on the day.
- Voluntarily undertook wellness screenings
 - Employees undertook voluntarily wellness screenings in onsite Occupational Health and Wellness clinic.

LONG SERVICE RECOGNITION PROGRAMME

The long service recognition programme intends to recognise employees for their contribution in the organisation in the form of a long service incentive at five years intervals. The following number of employees qualified in the 2018/2019 financial year.

ICT REPORTING FRAMEWORKS

Due to the critical nature of IT, and the intellectual and other information resources that are exposed through technology and communication channels, IT governance now represents an essential component in ensuring the efficient and secure operation of the business.

Mhlathuze Water takes guidance on its Information, Communication and Technology operations and reporting on Governance and aligns its reporting with the King IV principles on IT governance.

9.5. HUMAN RESOURCE FUTURE PLANS

9.5.1. PROJECTED EMPLOYEE COMPLEMENT

The table below provides the projected employee complement over the next five years.

Table 17: Projected Employee Complement over the Next Five Years

Category	Actual 2018/2019	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026
Management	4	6	6	6	6	6	6
Other	204	219	219	219	219	219	219
Total	210	225	225	225	225	225	225

9.5.2. PROFESSIONAL REGISTRATION

Efforts are being made to improve the level of engineering capacity within Mhlathuze Water as projected. There are currently three employees who are registered with the Engineering Council of South Africa (ECSA), two of which are in possession of a Government Certificate of Competency (GCC) and one is a Candidate Engineer, as shown in the below table.

Table 18: Professional Registration

Category	Actual 2018/2019	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026
Pr. Eng.	1	2	2	2	2	2	2
Pr. Tech.	2	4	4	4	4	4	4
Candidate Engineer	1	3	3	3	3	3	3
Chartered Accountants (CA)	4	3	3	3	3	3	3

9.5.3. EMPLOYMENT EQUITY TARGETS

Mhlathuze Water has adopted a five-year Employment Equity Plan based on national population demographics, estimated retirement data, existing representation of designated groups and the prospects for hiring members of designated groups in specified occupational groups where they were underrepresented. Categories that need special attention are the representation of Coloured and White persons and People with Disabilities. The current target for Persons with Disabilities is 2% of the total complement, while the actual percentage is 1%. Recruitment efforts are being made to improve the representation in these respective categories. The table below shows the numerical goals for employment equity.

Table 19: 2020/2021 Numerical Goals

Occupational Levels	Male				Female				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	1
Senior management	2	1	0	0	1	1	0	0	0	0	5
Professionally qualified and experienced specialists	12	3	1	4	11	2	1	3	0	0	37
Skilled technical and academically qualified workers,	27	2	1	5	33	3	2	6	0	0	79
Semi-skilled and discretionary decision making	40	6	1	3	17	2	0	2	0	0	71
Unskilled and defined decision making	13	1	0	0	18	0	0	0	0	0	32
Total permanent	95	13	3	12	80	8	3	11	0	0	225
Total Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	95	13	3	12	80	8	3	11	0	0	225

Mhlathuze Water has continually and systematically reviewed all HR policies to identify barriers to members of designated groups and to ensure that designated group members have access to professional development opportunities. Some of the objectives of the new Employment Equity Plan will, among other things, consider and review positive incentives to encourage the implementation and achievement of equity goals and to incorporate equity and diversity training as a standard part of supervisory training for all those holding supervisory positions.

9.5.4. FIVE YEAR SKILLS DEVELOPMENT PLAN

The Skills Development Plan is a high-level plan aimed at the entire organisation. It prescribes the skills development framework for the upcoming years. Reviewing the skills development plan every year to coordinate and direct the implementation of the skills development interventions, is of utmost importance for our organisation. Tables hereunder is our skills development plan which provides a planned and structured approach to the type and amount of skills development for the five-year period based on the skills needs of Mhlathuze Water.

Table 20: 2020/2021-2024/2025 Skills Development Plan

Skills Development Programmes	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026
Learnerships	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers
Graduate Development	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme
External Bursaries	3 continuation of students enrolled in Engineering or other fields	4 new students enrolled in Engineering or other fields	4 continuation students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other required fields	4 continuation of students enrolled in Engineering or other required fields
Training Courses	40 training courses	40 training courses	40 training courses	40 training courses	40 training courses	40 training courses
Study Assistance	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded
Internships	8 interns	16 interns	16 interns	16 interns	16 interns	16 interns
In-service Trainees	4 trainees	4 trainees	4 trainees	4 trainees	4 trainees	4 trainees

9.5.5. ANNUAL WORKPLACE SKILLS PLAN

The workplace skills plan is developed and submitted to the Energy and Water SETA annually. The workplace skills plan is made of core, functional and behavioural competencies and is informed by the training needs analysis conducted annually to identify gaps in employees' skill levels. This also helps to adapt training to suit the Organisation's needs. In addition, a competency framework has been developed for Mhlathuze Water, the outcome of which has resulted in information for talent management, recruitment and selection, succession planning and employee development, among other things.

9.5.6. CORPORATE SERVICES PRE-DETERMINED AND TARGETS

Table 21: Corporate Services Pre-determined Objectives and Targets

Statutory targets and strategic targets	Strategic Objective	To resource the organisation with the required skills and competence										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC14	Optimal Staff Retention	Percentage of staff Turnover	6.99%	11.17%	5.89%	1.13%	8%	8%	8%	8%	8%	8%
SC15	Learners trained and equipped with skills	Number of learners trained and equipped with skills	6.00	8.00	5.00	5.00 Learners attending classes	25	5	5	5	5	5
	MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	18.00	6.00	3.00	Reminders on internal bursaries issued	15	3	3	3	3	3
	Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	2.00	2.00	4.00	4.00	4	4	4	4	4	4
MW10	MW internship programme that equips the youth with the required skills that will assist them to be professionals	Number of graduates appointed in the MW internship programme	12.00	8.00	8.00	Recruitment process was restarted as the decision was taken to recruit 16 interns instead of 8 Interns	16	16	16	16	16	16
MW11	Approved vacant positions filled within turnaround time on recruitment	Percentage of approved vacant positions filled within average of 90 days	-	-	-	-	100%	100%	100%	100%	100%	100%
MW12	Ensure management of business continuity	Number of employees participating in the Mentorship programme	-	-	-	-	8	8	8	8	8	8
Statutory targets and strategic targets	Strategic Objective	To ensure long - term financial sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC5	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of staff remuneration of total operating budget	31.00%	23.97%	28.26%	22.63%	30%	30%	30%	30%	30%	30%
MW13	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of skills development budget spent	37.05%	61.99%	41.71%	-	90%	90%	90%	90%	90%	90%

9.5.6. CORPORATE SERVICES PRE-DETERMINED AND TARGETS ...continued

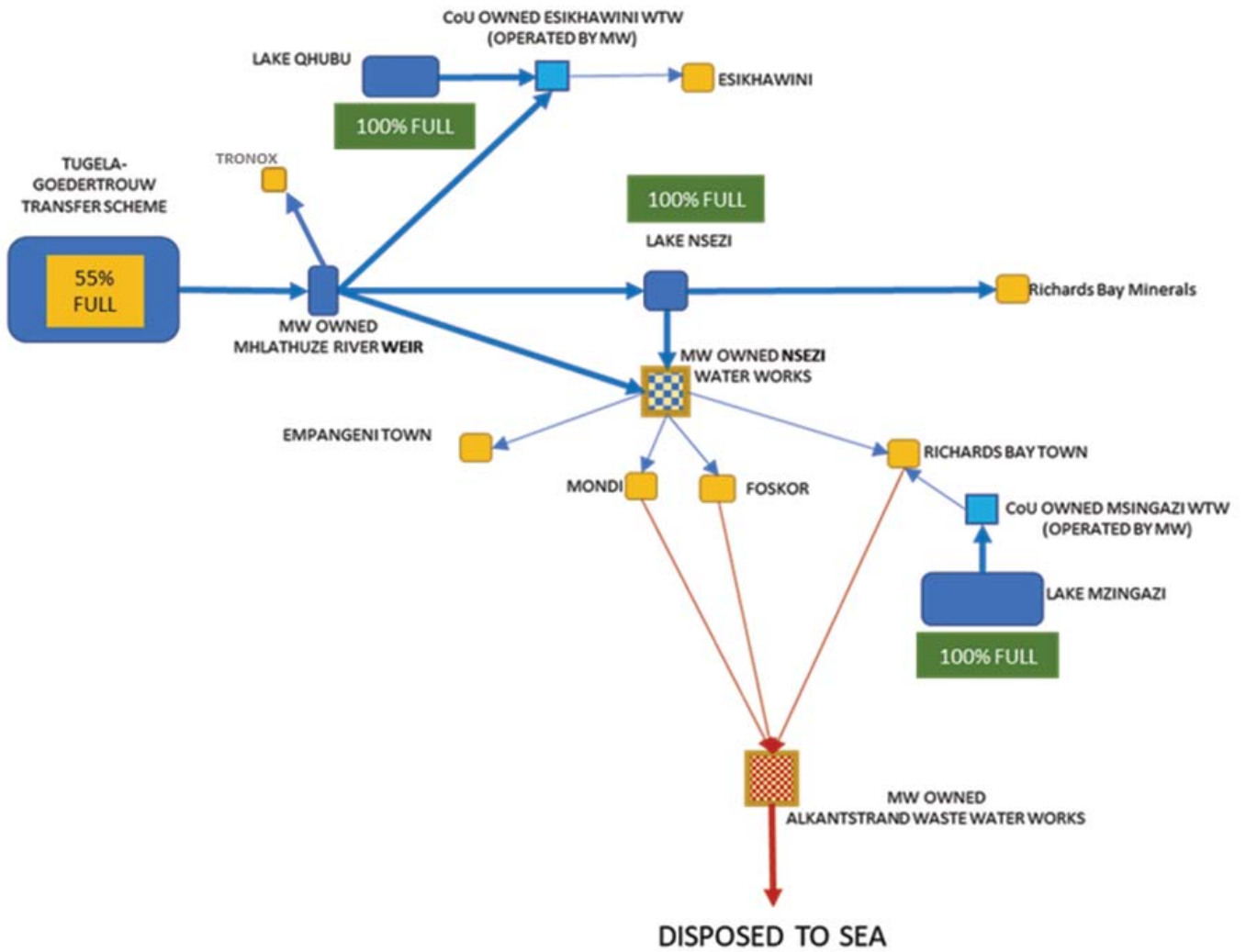
Table 21: Corporate Services Pre-determined Objectives and Targets ...continued

Statutory targets and strategic targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
MW14	Business continuity and reliable IT operations	Percentage of server availability based on operating hours	-	-	95.00%	-	95%	95%	95%	95%	95%	95%
MW15	Efficiency of the ERP system	Percentage of ERP user requirements implemented	-	-	-	-	95%	95%	95%	95%	95%	95%
MW16	Zero default judgements	Number of default judgements against the organisation	-	0.00	0.00	0.00	0	0	0	0	0	0
MW17	Service level agreements concluded with service providers	Percentage of service level agreements finalised within 30 days after appointment of the service provider	-	-	-	-	100%	100%	100%	100%	100%	100%
MW18	Compliance with financial disclosure	Percentage of compliance with financial disclosure	-	-	-	-	100%	100%	100%	100%	100%	100%
MW19	Compliance with facility management standards	Percentage of compliance with MW facility management standards	-	-	-	-	95%	95%	95%	95%	95%	95%
MW20	Ensure management of business continuity	Percentage implementation of knowledge & information management	-	-	-	-	95%	95%	95%	95%	95%	95%

11.1 OPERATIONS UNIT

MANDATE OF THE OPERATIONS UNIT

The Operations Unit is driven by the mandate of ensuring effective and uninterrupted water supply and wastewater disposal systems to meet the needs of customers and minimise the impact on the environment. To meet this, the Unit continuously assesses, develops and actions preventative and troubleshooting plans for maintenance and capital improvements to the organisation's assets over the short, medium and long term. The unit continuously evaluates all civil, electrical and mechanical maintenance and commissioning programmes in order to ensure that work is executed and performed to acceptable standards.



11.2. FUNCTIONS WITHIN THE OPERATIONS UNIT

OPERATIONS

Operations function is responsible for all operational activities in transfer pumps stations, water treatment plants and waste water systems in order to meet contractual requirements and legislative requirements. This function has the responsibility of ensuring that the organisation meets all customer requirements when delivering services. The function is also responsible for the operations and maintenance of water and wastewater infrastructure for Water Services Authorities and industries.

MAINTENANCE

The overall objective of the maintenance function is to ensure that the organisation's assets, primarily plant and machinery is maintained and in good working order so that the organisation can supply clients with water and waste water services as per contract agreements. The Maintenance function has implemented Information Technology to improve on the maintenance processes. This technology assists in computerised monitoring of plant operations to inform the organisations strategy on reliable maintenance and management related programmes.

DISASTER MANAGEMENT

A particular focus area for Mhlathuze Water would be to improve on disaster management as per the Disaster Management Act. The Operations Unit have conducted a disaster risk assessment for Mhlathuze Water's functional area; identify map risks and areas that are vulnerable to physical and human threats. A disaster management plan was prepared in order to co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; provide measures and indicate how it will invest in disaster risk reduction and climate change adaptation, including ecosystem and community-based adaptation approaches. Furthermore, the unit is to develop early warning mechanisms and procedures for risks reduction and response as identified in its functional area.

11.3. SITUATIONAL ANALYSIS

The effects of the devastating drought experienced in prior years resulted in a number of stakeholder interventions being initiated. Mhlathuze Water played a pivotal role in ensuring the continued engagements to realising successful implementation of drought alleviation and water conservation initiatives. The realization of these initiatives was through the collaboration with other stakeholders as follows: -

- **Continued Consultation with stakeholders regarding water use reduction:**

- Mhlathuze Water was an active participant in the Mhlathuze Catchment Joint Operating Committee (JOC). The role of the committee was to develop strategies to mitigate the impact of the drought including water conservation and demand management activities.

- **Continued Support to DWS in the upgrade of the Thukela-Goedertrouw Transfer Scheme:**

- The TGS upgrade is managed and funded by DWS. Construction activities for the pipeline, pump stations, abstraction works which includes, excavation, pipeline delivery and laying, foundation casting were underway however the project came to a halt during the year.

- **Working together with the CoU on the investigation into effluent reuse**

- Mhlathuze Water is working together with the CoU in investigating the feasibility of re-using wastewater and associated by-products. The project is advancing well with investigating industrial/ domestic effluent re-use options as a potential Public Private Partnership (PPP). The project aims at treating industrial and domestic effluent for reuse as water supply to industries. The proposed re-use plant is rated 75 MI/d to be situated between Empangeni and Richards Bay. The CoU commenced with land negotiations with the landowner and has also made significance progress on concluding the terms of contract with targeted off-takers. Mhlathuze Water is a partner to the CoU in that effluent currently being discharged to sea is planned to be supplied to this planned facility.

MHLATHUZE WATER: WEIR TO NSEZI TRANSFER SCHEME

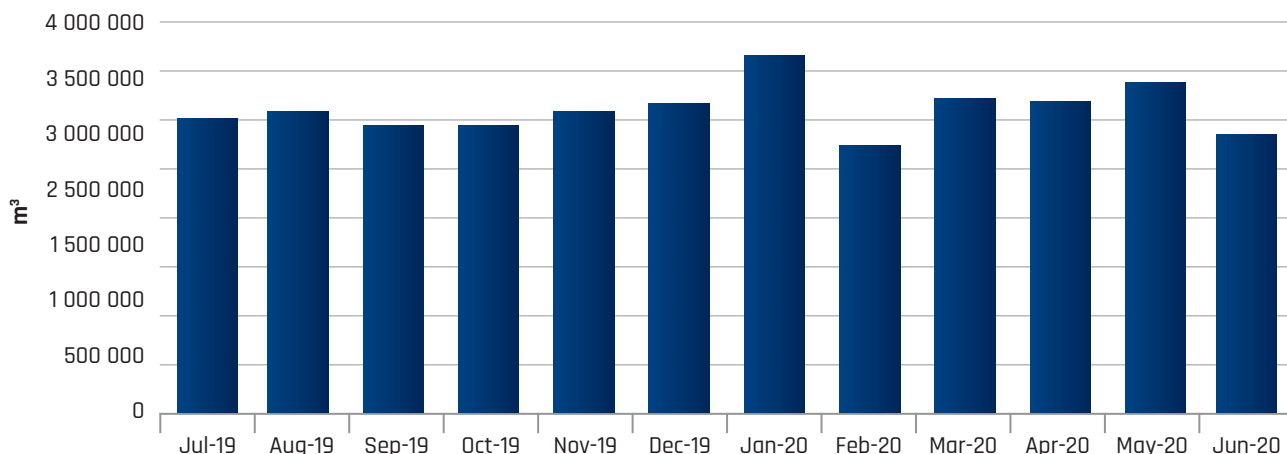
Mhlathuze Water continues to abstract water from the Mhlathuze River, which is fed by the Goedertrouw Dam that is augmented by the TGS. The raw water abstraction takes place at the Weir Pump Station, which is about 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this Pump Station are Mhlathuze Water (Nsezi Water Treatment Plant and Lake Nsezi), CoU (Esikhaleni Water Treatment Works), Tronox (Fairbreeze Mine) and Richards Bay Minerals (via Lake Nsezi). The design capacity of the Weir Transfer Scheme is 290 000m³ per day.

A total volume of 37 297 270 m³ of raw water was pumped from the scheme this financial year, which is 4% lower than the volume supplied in the previous financial year, with 98% being supplied to Nsezi WTP and the remainder to Tronox. No raw water was supplied to Lake Nsezi during the financial year since the lake was full. No raw water was supplied to the CoU for Esikhaleni owing to Lake Cubhu being full for the entire financial year.

To ensure continuous and reliable supply to customers, Mhlathuze Water has embarked on the following initiatives:

- Supplementing the existing weir with a new weir structure.
- Installation of 1500mm Ø Raw Water Pipeline from the Mhlathuze River Weir to the Shooting Range.

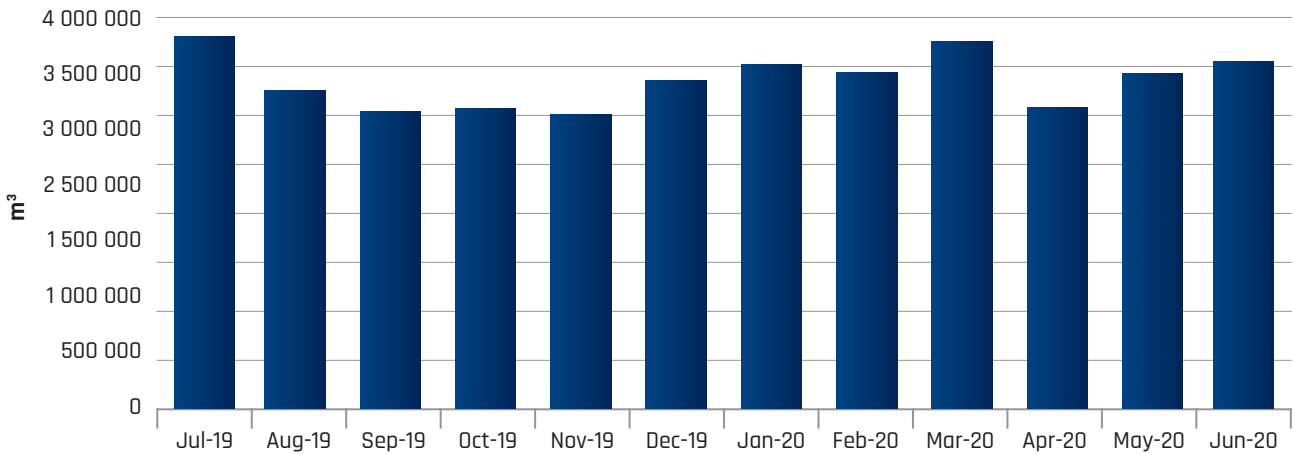
Figure 6: Total raw water abstracted from Mhlathuze River Weir



MHLATHUZE WATER: NSEZI WATER TREATMENT PLANT

A total of 41 911 939 m³ of raw water was supplied to Nsezi Water Treatment Plant, with 87% of this volume from Mhlathuze River and the remainder from Lake Nsezi. The total volume supplied by Nsezi WTP to customers during the financial year under review decreased by 14% year-on-year mainly due to less water supplied to the CoU (Richards Bay). The remainder of the customers were supplied as per demand within contracted volumes. Unaccounted water loss during the financial year was 1.53%, and was within the target of 5%.

Figure 7: Total treated water supplied from Nsezi WTP

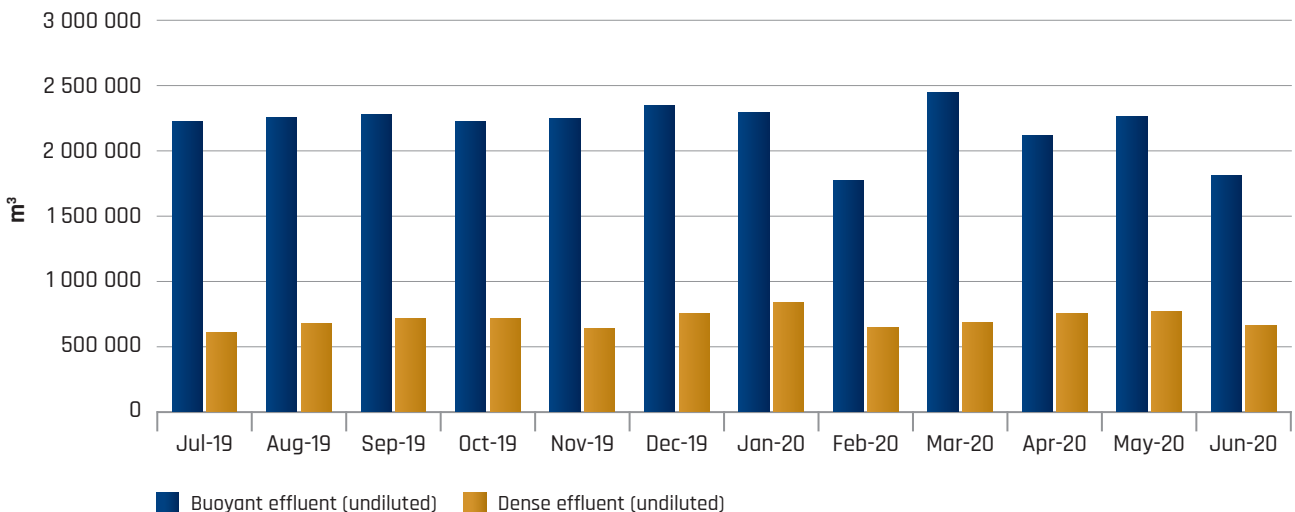


MHLATHUZE WATER: ALKANTSTRAND EFFLUENT DISPOSAL SCHEME

A total of 34 830 022 m³ was disposed offshore through the Waste Water Disposal System. 76% of this volume was discharged through the buoyant line and 24% through the dense line, which contributed to a 3% increase from the previous financial year.

There were planned shut downs during the year for a number of critical activities to be undertaken, such as, the replacement of delivery manifolds for 2 pumps on the buoyant effluent pump station as well as for repairs to be carried out on the dense effluent pipeline off-shore.

Figure 8: Total effluent disposed



• **MAINTENANCE, PLANT EFFICIENCY AND AVAILABILITY**

Maintaining Mhlathuze Water's infrastructure is of critical importance. This is on order to maintain its competitive advantage and ensure that maximum return on the investment is derived.

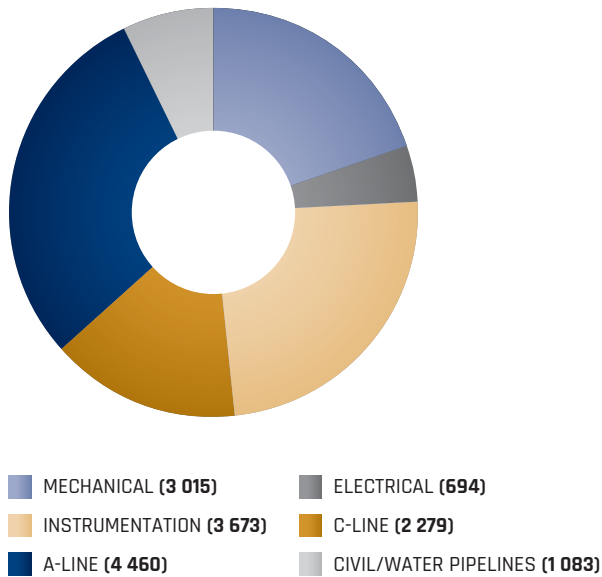
Proper maintenance strategies implemented allow for reliable infrastructure that reduce possible down time when breakdowns occur. This is done by means of regular operational maintenance and planned future capital refurbishment or replacement of assets.

Of utmost importance is the securing of appropriate levels of redundancy in all operations. Redundancy refer to the spare capacity available to meet customer demands should the need arise.

Figure 9: Major maintenance per section

During the 2019/ 2020 financial year, a total of R15 million was spent on mechanical, electrical, electronic and civil maintenance and repair work on all Mhlathuze Water owned plants and operations.

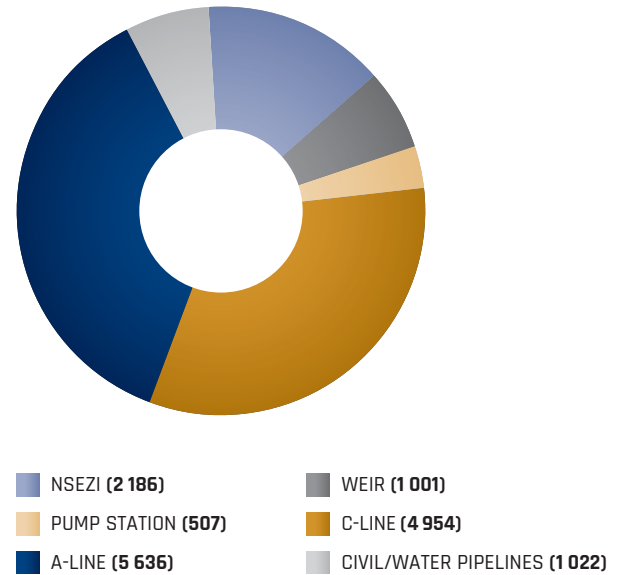
MAJOR MAINTENANCE (R'1000) PER SECTION



Due to these maintenance activities, Mhlathuze Water did not experience any unplanned water supply interruptions during the financial year. This was achieved through the implementation of well-structured maintenance strategies and the Computerised Maintenance Management System.

Notwithstanding the above reported maintenance and achievements, Mhlathuze Water have not met its targeted performance on maintenance related expenditure on property plant and equipment for the past 2 years. Operational measures have been put in place to drive this aspect such as closer attention being paid to the high-level maintenance plans.

MAJOR MAINTENANCE (R'1000) PER PLANT



• **EXTERNAL OPERATIONS AND MAINTENANCE PROJECTS**

As part of its growth strategy, the organisation is involved in a number of external operation and maintenance projects within its area of operation. These are discussed below.

- **RICHARDS BAY MINERALS**

Mhlathuze Water continues with the operation and quality monitoring of the five Water and Waste Water Package Plants at the mining ponds. The contract has been extended for a further 3 years to 2023.

Furthermore, Mhlathuze Water continues to operate the Water and the Waste Water Treatment Works at the Smelter for the next 2 years ending 31 January 2022.

- CITY OF UMHLATHUZE

Mhlathuze Water continued to manage, operate and maintain the CoU's Water and Waste Water Treatment Plants and associated bulk distribution infrastructure up until 31 January 2020 when the CoU took over the management, operation and maintenance of their installations. However, Mhlathuze Water continued providing certain support services as agreed with the CoU up until 30 June 2020.

- THUKELA-GOEDERTROUW TRANSFER SCHEME

Mhlathuze Water is responsible for the operation and maintenance of the Thukela-Goedertrouw Transfer Scheme, with a capacity of 1.2m³/s, on behalf of the DWS. This scheme is critical for providing water to the region, particularly during the drought. For the reporting period, a total of 4.388million m³ of raw water was abstracted by the scheme, and transferred to the Goedertrouw dam.

The operating and maintenance related cost associated with this scheme for the year under review was R50.8million. Following a number of challenges, the scheme has been consistently operating at half of its capacity from April following repairs conducted on equipment for Line 2 at Madungela and Line 3 at Mkhazazi as well as the repairs that were conducted on the air valves on the rising main from Madungela to Mkhazazi.

- JOZINI REGIONAL WATER TREATMENT PLANT AND BULK RETICULATION NETWORK.

Mhlathuze Water in 2017 completed the 40ml/day Jozini Water Works and regional bulk distribution system. Mhlathuze Water, since the completion of the construction of the Jozini bulk system on behalf of the Umkhanyakude District Municipality, has operated and maintained the system, serving 134 000 households. The operating and maintenance related cost associated with this scheme for the year under review was R12.9million.

The scheme includes a 40ml/day water works, 19 reservoirs and numerous pump stations over a bulk reticulation network spanning over 120 kilometres. For the reporting period, a total of 7.68million m³ of purified water was produced by the scheme and distributed via the bulk network.

11.4. FUTURE PLANS

RAW WATER SUPPLY

Mhlathuze River (via the Weir) is the primary source of raw water for Nsezi WTP. The primary supply is backed up by the Lake Nsezi raw water pumping system to Nsezi WTP. All the pumps are available for operation for the full plant capacity of 205MI/day. The reduction in supply consumed demand from Nsezi is largely due to enforcement of water restrictions, as well as more sustainable natural water sources such as Lake Cubhu which supplies Esikhaleni.

Mhlathuze Water supplies raw water (untreated) to 3 customers. The Tronox Mining pumping infrastructure scheme comprises a direct abstraction of river water, which is pumped through 6.1km of pipeline of varying sizes ranging from 700mm to 900mm (ID), into storage ponds at the mining site of Tronox South Africa at Hillendale. The pump station is located at the Mhlathuze Water Weir on the north bank of the Mhlathuze River and approximately eight kilometres north-east of the mining site. The system has a separate suction inlet behind the weir. Three pumps are installed in a 2 + 1 configuration. Mhlathuze Water completed a project of upgrading the Tronox Pump Station to meet the increase in raw water demands from 2019 onwards, despite Tronox reducing their demand during 2022 to 2023. Construction was completed at the beginning of the 2017/2018 financial year and the infrastructure is under a defects liability period. The pump station is currently capacitated to meet 10 years' mining demands, which includes the Fairbreeze Mine and Port Dunford Mining operations planned to commence in 2028. Mhlathuze Water continues to supply up to the Hillendale Balancing Dam and Tronox has their own system to pump water to Fairbreeze Mine. Tronox has approached Mhlathuze Water to request reduction in contracted demand. Discussions are underway.

The supply of raw water to Richards Bay Minerals (RBM) currently comprise the abstraction of raw water from Lake Nsezi. Mhlathuze Water plans to continue supplying water to RBM's new Zulti South Mine as per the water supply agreement that was concluded, however, this will only materialise once RBM has completed their infrastructure project.

Mhlathuze Water is currently contracted to supply 15 000m³ of raw water per day to supplement the City of uMhlathuze's Esikhaleni Water Treatment Plant as and when required. Mhlathuze Water plans to continue supplying raw water as per raw water demands shown in the graph that follows.

Figure 10: Future customer demand: bulk raw water

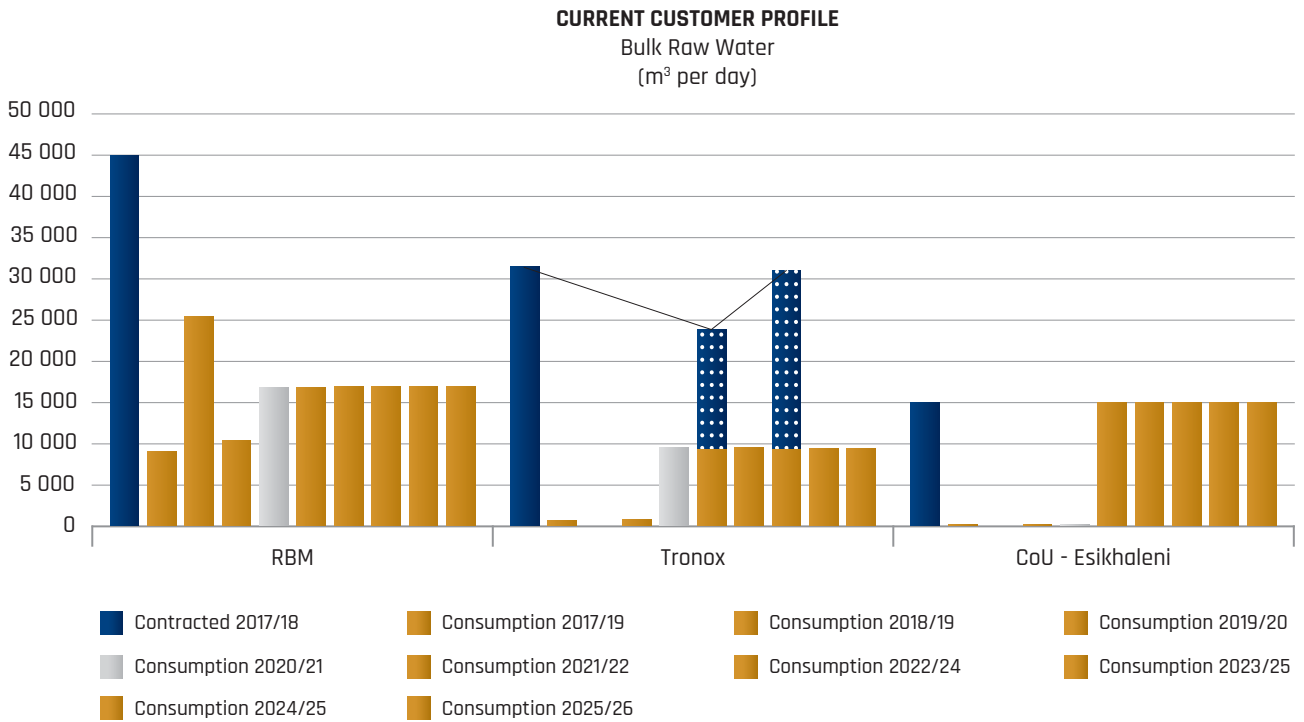
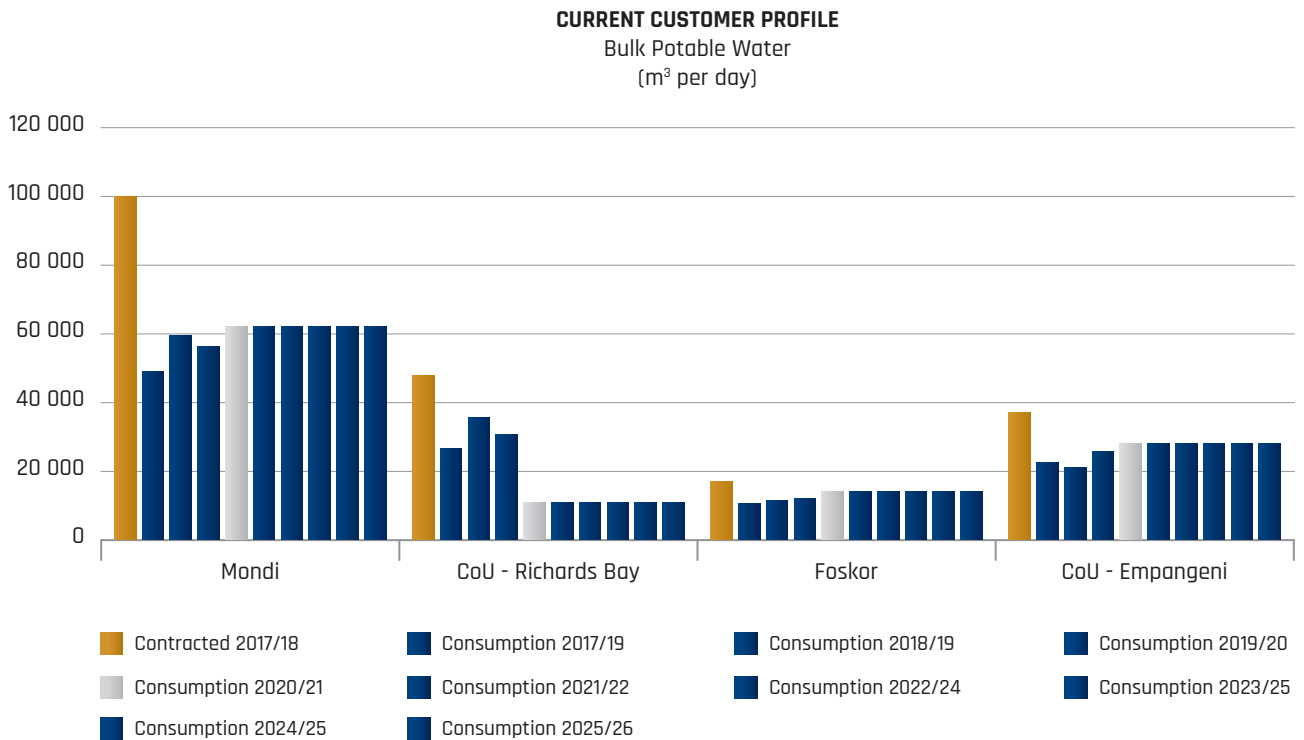


Figure 11: Future customer demand: bulk potable water



11.5. OPERATIONS AND MAINTENANCE

PRE-DETERMINED OBJECTIVES AND TARGETS

Table 22: Operations Unit Pre-determined Objectives and Targets

Alignment to Shareholders Compact	Strategic Objective	To improve efficiency through technology and best practices										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited estimated performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC2	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	2.72%	1.41%	1.52%	2,99%	2.5%	5%	4%	3%	2.5%	2.5%

Table 23: Maintenance Unit Pre-determined Objectives

Alignment to Shareholders Compact and strategic targets	Strategic Objective	To grow the provision of water services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited estimated performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC3	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24 hours	0	0	0	0	0	3	3	3	3	3
MW21	Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	97.18%	97.54%	99.58%	99.13%	95%	95%	95%	95%	95%	95%
MW22	Availability of the Thukela Goedetrouw (TG) Scheme	Percentage of scheme availability based on production volumes	-	-	-	50%	75%	75%	75%	75%	75%	75%

Statutory targets and strategic targets	Strategic Objective	To ensure long - term financial sustainability										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited estimated performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC5	Effective and Efficient Mechanisms to Ensure Financial sustainability and viability	Percentage of repairs and maintenance of PPE	5.01%	3.74%	2.68%	1,01%	3%	3.5%	3.5%	3.5%	3%	3%

12. SCIENTIFIC SERVICES

12.1. MANDATE OF THE SCIENTIFIC SERVICES UNIT

The mandate of the Unit is primarily to ensure the provision of reliable and authentic laboratory, quality and environmental management services to Mhlathuze Water and external stakeholders. It also carries the overall responsibility for the organisation's compliance with a range of industry related SHEQ Systems and standards applied to water quality; waste water discharge permits; quality assurance; health and safety; environmental compliance; and energy efficiency.

The section is also the hub for innovation, research, and development. These functions are absolutely necessary for the organisation to grow and provide alternative solutions to the growing regional water challenges.

12.2. FUNCTIONS OF THE SCIENTIFIC SERVICES UNIT

LABORATORY SERVICES

The state-of-the-art laboratory facility provides water quality sampling and testing services to the organisation, its clients and external clients. The facility is ISO 17025 accredited, and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology. Previously, the laboratory used manual techniques but over the last few years has transitioned to using modern automated technology. The techniques in use include amongst others:

- ICP – Mass Spectrometry
- Gas Chromatography - Mass spectrometry
- Ion chromatography; and
- Microscopy and defined substrate technology.

These enable the laboratory to offer an all-inclusive suite of services to test water for an extensive set of quality parameters. The laboratory uses a software-based Laboratory Information Management System (LIMS) to support its operations. The functionality of the LIMS system allows for sample management, instrument integration, electronic data exchange, and reporting.

SHEQ SYSTEMS

The aim is to integrate all management systems of the business into one coherent system to enable the organisation to achieve its mission. In order to ensure compliance with best practices and international standards, the section ensures that the organisation has certified management systems for Safety, Health, Environment and Quality. The specific areas of application are:

- **OHSAS 18001:** Health and safety management within the organisation to protect the health and safety of the workers;
- **ISO 14001:** Environmental management to limit adverse effects on the environment that may result from Mhlathuze Water's activities;
- **ISO 9001:** Quality management to ensure customer satisfaction. The focus is on compliance with customer needs and requirements; and
- **ISO 17025:** specifies the general requirements for the competence laboratory to carry out tests and/or calibrations, including sampling. It covers testing and calibration performed using standard methods, non-standard methods, and laboratory-developed methods.

The section is also in the process of obtaining certification for the following system:

- **ISO 50001:** An energy management system which specifies requirements for establishing, implementing, maintaining and improving an energy management system. The main purpose is to enable the organisation to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use and consumption.

Certification is a voluntary process but it demonstrates the organisation's commitment to transparency and accountability. Through compliance with ISO standards Mhlathuze Water has committed:

- to comply with all legislative requirements, and best practices to reduce liability;
- to improve environmental performance, and prevent pollution;
- prevent product/service defects and meet customer requirements; and
- a structured approach in managing OH&S risks, and reduce costs associated with the COID Act.

ENVIRONMENTAL SERVICES

The organisation recognises that there are activities that the business is involved in which have a negative impact on the environment. The section focuses on aligning the business activities towards environmental sustainability and promoting a shift towards the state of green economy through the implementation of the carbon footprint reduction initiatives. The core function of Environmental Services is to ensure that the organisation complies with applicable environmental legislation, regulations and other international best practices to ensure that the business avoids and/or minimises the environmental impacts of its activities. This includes the responsibility of ensuring that the organisation's waste management practices remain in line with provincial and national legislation and requirements. Water quality status reports for rivers and lakes/dams in the Mhlathuze River system are prepared on a regular basis.

Support to the Technical Unit is also provided by ensuring that the business obtains necessary environmental permits for relevant projects and other business operations e.g. Environmental Impacts Assessments (EIAs), Effluent Discharge Permit, etc. Other initiatives spearheaded are environmental awareness campaigns on the importance of conserving natural resources, as well as the commemoration of special environmental days.

RESEARCH, DEVELOPMENT & INNOVATION (RDI)

The organisation has established an RDI section. The functions of the section are:

1. Lead, facilitate and promote RDI within Mhlathuze Water;
2. Develop a research agenda for the organisation;
3. Facilitate collaborative research with external organizations;
4. Develop programmes and initiatives to build internal RDI capacity;
5. Strengthen networks and relationships with other stakeholders; and
6. Review, update and implement MW's RDI strategy.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety provides an effective and efficient support to the organisation through the provision of safety and security management services. This implies providing a working environment that is:

- conducive and accommodating to all,
- free from any form of threat or risk to the occupational health of employees,
- free from any form of threat to the organisation's property; and
- ensuring compliance with Occupational Health and Safety Legislative requirements and other requirements.

Mhlathuze Water has a risk based medical surveillance programme that was implemented as a preventative measure to protect employees against all sorts of workplace health hazards. All employees are placed under a medical surveillance programme. Employees who are occupationally exposed undergo periodic medical examinations annually. Employees working at head office and related services undergo medical examination every three years. In addition to the above, other medical examinations and vaccinations were conducted at Mhlathuze Water.

12.3. SITUATIONAL ANALYSIS

COMMEMORATION OF ENVIRONMENTAL DAYS, GENERAL AWARENESS AND EDUCATION

The organisation conducts awareness and education campaigns on environmental protection as well as water and energy conservation. The employees of Mhlathuze Water participate in most of these initiatives.

The table below outlines activities undertaken internally and externally each financial year.

Table 24: Environmental awareness campaigns and events

Events	Activities
Arbour Day	An article was published in the Newsplash about the importance of planting trees and protection of indigenous vegetation.
Wetlands Day	An article was published in the Newsplash (internal newsletter) about the importance of protecting and conserving wetlands.
World Environmental and Oceans Day	Mhlathuze Water commemorated both Environmental and Oceans Day by conducting visits to all MW installations to sensitise all staff members on the importance of conserving the environment as well as energy and water conservation. It was also emphasized that waste needs to be managed by ensuring that most of it is recycled as much as possible.
Water Week	Water week was celebrated by visiting Boardwalk Mall in Richards Bay. This initiative provided an opportunity for staff to engage with shoppers on water conservation and environmental conservation issues.

WATER QUALITY MANAGEMENT

Mhlathuze Water is committed to providing its customers with a sustainable supply of potable water and to ensure that wastewater discharges do not have deleterious effects to the environment or downstream users. This is achieved through implementing rigorous and system-wide water quality management programmes, auditing, compliance reporting, water quality assessments and the implementation of water safety plans.

Each year, water quality monitoring programmes are reviewed for all operational sites to ensure they continue to provide sufficient information that meets legislative requirements, customer bulk supply agreements and water treatment process requirements, as well as, to take into account the risks that have previously been identified in the system.

An Incident Management Protocol, which is aligned to the requirements of South African National Standard

(SANS241:2015) is in place. The protocol provides a framework for responding to water quality incidents in a structured manner and also includes stakeholder communication during such incidents.

POTABLE WATER QUALITY PERFORMANCE

Water quality at Nsezi Water Treatment Plant complies with SANS 241, which requires water quality to be evaluated and reported against six risk categories:

- (1) Acute Health: Microbiological;
- (2) Acute Health: Chemical;
- (3) Chronic Health;
- (4) Aesthetic;
- (5) Operational;

The current monitoring exceeds the minimum requirements so as to cater for other operational requirements and contractual obligations with certain industrial consumers. Performance during 2018/2019 is detailed below.

Table 25: Compliance report - SANS 241:2015 for Nsezi Water Treatment Plant

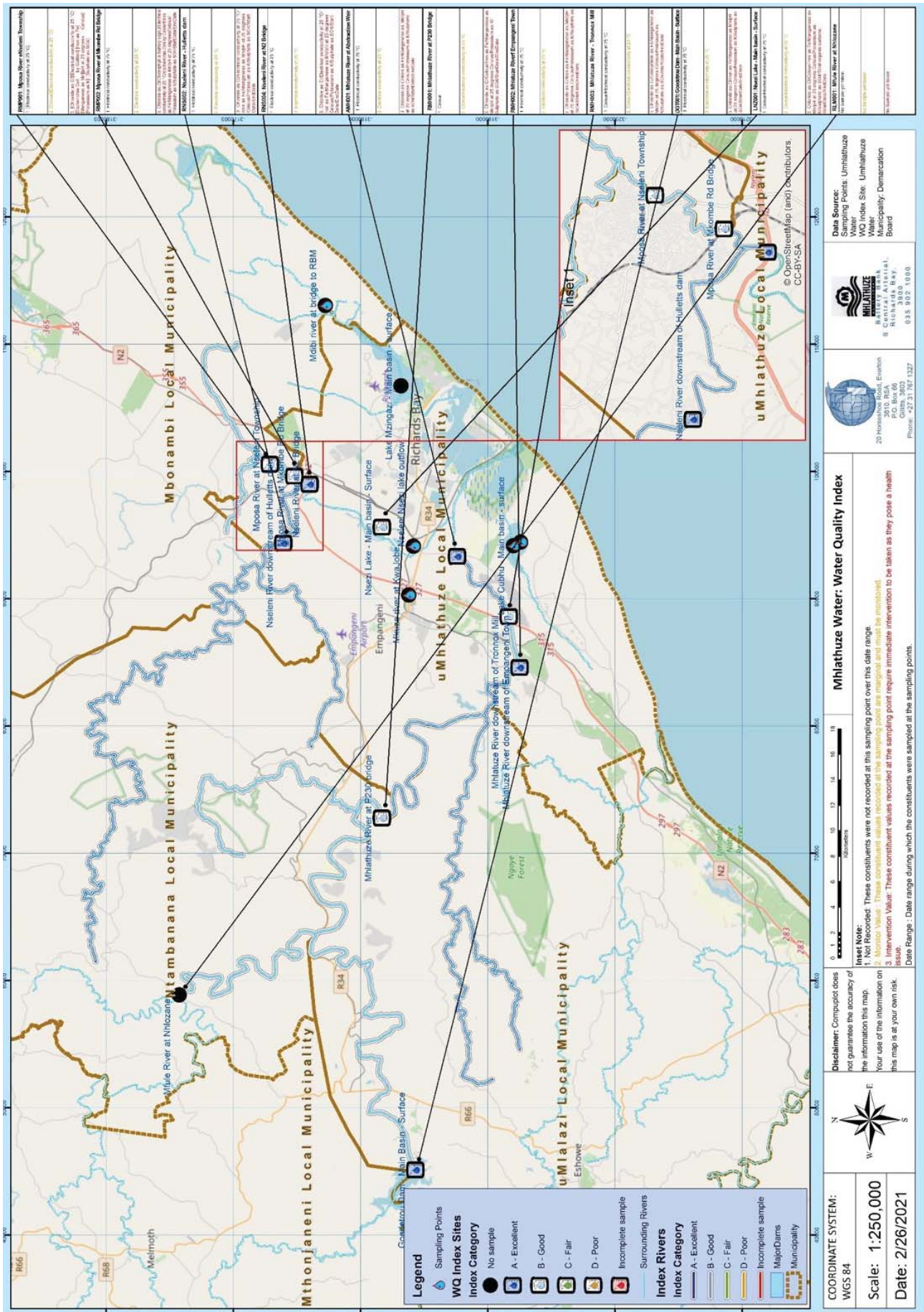
Risk Category	Performance 2019	Performance 2020	SANS Target (for excellent water quality for population > 100 000)	Comment
Aesthetic	100%	100%	≥ 95	Target exceeded
Acute Chemical Health	100%	100%	≥ 99	Target exceeded
Chronic Chemical Health	99.88%	99.9%	≥ 97	Target exceeded
Acute Microbiological Health	99.73%	99.7%	≥ 95	Target exceeded
Operational	99.87%	99.9%	≥ 95	Target exceeded

WATER QUALITY MONITORING PROGRAMME

A water quality-monitoring programme is in place to monitor rivers and dams in the catchment area on an on-going basis. The quality of the water resources in the Mhlathuze Water catchment area is shown temporally and spatially with the aid of Water Quality Index (map). Various water quality parameters were identified and these are weighted and scored to give the overall index, which is related to the water quality in the area.

Catchment quality monitoring indicators used are as follows:

Very good	>85
Good	71-85
Fair	55-70
Poor	<55



As at the end of June 2019 there was a slight increase in turbidity due to the rains. Goedertrouw water quality was good and Mfule was excellent. The Nseleni River was fair mainly due to illegal waste dumping in the surroundings areas.

WASTEWATER QUALITY MONITORING

WASTEWATER DISPOSAL COMPLIANCE

Mhlathuze Water owns and operates one of the largest offshore wastewater disposal system in South Africa. The system comprises of two pipelines (buoyant A-line and dense C-line). These pipes extend about four kilometres out to sea, discharging industrial wastewater from neighbouring industries in Richards Bay as well as surrounding areas, sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze. The organisation has a permit to discharge wastewater offshore in terms of Section 69 of the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).

ENVIRONMENTAL MANAGEMENT

Mhlathuze Water is committed to the sustainable use of resources, thus contributing broadly speaking, towards the Millennium Development Goal of "ensuring environmental sustainability". The organisation has developed and is currently implementing an environmental sustainability policy which is aimed at achieving the following:

- Foster a culture of sustainability and reducing Mhlathuze Water's ecological footprint;
- Incorporate principles and understanding of sustainability into all activities, services, operations and stakeholder engagements; and
- Incorporate sustainability performance alongside other key performance indicators of the organisation.

The organisation is committed to protecting, conserving and efficiently using the natural resources in a sound sustainable manner through the implementation of sustainability priorities i.e. water, energy, waste, biodiversity conservation.

ENVIRONMENTAL INCIDENTS

An incident is an unplanned or undesired event that adversely affects the organisation's operations. Environmental incidents include property damage, water contamination, effluent and chemical spillages, or near miss events that could have resulted in any of these.

All environmental incidents should be internally reported and properly investigated to ensure necessary mitigation measures are put in place to prevent their reoccurrence. Additionally, some incidents (reportable) must be reported to the relevant authorities (DEA, DWS, Municipalities, etc.).

A reportable incident is any type of incident that has a legal reporting requirement to the Environmental Authorities in terms of the National Environmental Management Act (NEMA) (section 30) and/ or National Water Act (NWA) (section 20).

Incidents are identified through direct observation and indirect observation:

- Direct observation includes site inspections and/or seeing the actual incident occur.
- Indirect observation refers to identifying incidents through audit, review and monitoring reports, pre-compliance notices, a directive, rectification process (NEMA Section 24 (g)), enforcement action and/or prosecution from authorities.

To ensure incidents are dealt with correctly and thoroughly, several critical steps must be followed in term of set procedures. These help to mitigate environmental damage and other related potential side effects of the incidents.

Incident management systems with protocols in place ensure proper and timeous response to all incidents. Mhlathuze Water continually strives to be environmentally sustainable in all its operations. There has been an increase in the number of reportable environmental incidents for the reporting period 2018/19 and 2019/20 from 2 to 4 incidents and all related to effluent pipeline.

WASTE MANAGEMENT

Mhlathuze Water has developed a Waste Management Plan which is aimed at reducing waste in line with waste management principles, viz. recycle, recover, reuse and / or avoid on all sites of operation. A baseline study was undertaken in order to determine how much waste is being generated and recycled in order to reduce waste disposed as much as possible, which resulted in the following recommendations:

- Waste separation at source
- Recycling of paper, metals, used toner cartridges, glass bottles, wooden pallets

CARBON FOOTPRINT AND EMISSIONS REDUCTION INITIATIVES

The organisation has determined its Carbon Footprint and developed a Carbon Management Plan. The exercise provided an improved understanding of the organisation's Carbon Footprint with a view to transition to a more environmentally sustainable entity in the face of global climate change risk. Mhlathuze Water's direct carbon emissions (scope 1) arise from fuel usage for vehicles and generators, while indirect carbon emissions (scope 2) are primarily due to electricity usage, and to a minor extent flights.

ELECTRICITY CONSUMPTION PER AREA/ INSTALLATION

Monitoring of carbon footprint is undertaken on a monthly basis and data is recorded with the following focus areas: electricity usage, vehicle (fuel usage) as well as water usage at the pump stations/ plants.

ENVIRONMENTAL AUTHORISATION AND COMPLIANCE MONITORING

Environmental Impact Assessments are conducted for all construction projects to ensure that environmental impacts are managed. Where environmental impacts are identified, Environmental Management Plans are developed to mitigate the risk. Projects involving a change of land use, construction or upgrading of infrastructure and storage/handling of hazardous substances are amongst a number of listed activities that are required to follow the Environmental Impacts Assessment process. The service is outsourced to external service providers but the organisation monitors and audits these to ensure compliance with the Environmental Management Plans during project implementation.

WATER CONSERVATION

In response to climate change, Mhlathuze Water is currently exploring measures to improve water use efficiency. The following has been undertaken thus far:

- General awareness to all staff through induction, toolbox talks and internal magazine.
- Conducting water audits to assist in establishing new ways to conserve water in the installations.
- Water leaks are timeously repaired.

Awareness campaigns promoting water conservation are continuously done amongst Mhlathuze water's employees. These are also conducted to sensitise the community members of uMhlathuze Local Municipality, through road shows and school visits.

ENVIRONMENTAL FORUMS

Mhlathuze Water participates in number of relevant environmental forums such as Catchment Management Forum (CMF). The forum's main objectives are to have engagements on water related matters as well as other associated topics of interest.

The organisation established an Effluent Pipeline Forum in line with the requirements of the Coastal Waters Discharge Permit (effluent disposal permit). The forum serves as a communication tool for customers and interested and affected parties. It is also a platform to transparently deliberate on permit compliance matters with the general public. Meetings were held quarterly.

SYSTEMS MANAGEMENT

ISO 17025:2005: LABORATORY SYSTEM ACCREDITATION

Mhlathuze Water maintained its ISO 17025 accreditation for the Scientific Services Laboratory. The current certificate of accreditation is valid until 30 April 2022. Key objectives of the laboratory in support of Mhlathuze Water's primary business are:

- To provide assurance that water produced is suitable for drinking thereby assuring that public health is protected. Furthermore, the service gives assurance that the effluent disposed complies with permit requirements.
- To produce scientific data for the development and optimisation of infrastructure, and
- To assess the status of water resources in the catchment area.

There were no audits that were required to be conducted during the reporting period.

SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY MANAGEMENT SYSTEMS (SHEQ)

In order to ensure compliance with best practices and international standards, the organisation has certified management systems for Safety, Health, Environment and Quality. SHEQ systems aim to integrate all components of the business into a coherent system to enable the organisation to achieve its mission.

The specific areas of application are:

- OHSAS 18001: Health and safety management within the organisation to protect the health and safety of the workers;
- ISO 14001: Environmental management to limit adverse effects on the environment that may result from Mhlathuze Water's activities; and
- ISO 9001: Quality management to ensure customer satisfaction. The focus is on compliance with customer needs and requirements.

All three certifications are maintained and are valid until November 2021. There were no audits that were required to be conducted during the reporting period.

12.4. FUTURE PLANS

COMMERCIALISATION OF LABORATORY SERVICES

While it's appreciated that the laboratory was established to support Mhlathuze Water's core business of providing water services, and notwithstanding that this is still the primary mandate, the organisation will go on a new drive to commercialise the services offered by the laboratory. This will assist in offsetting some of the costs of running the facility by generating additional revenue and also make use of the spare capacity that is available.

A substantial capital investment has been made over the last several years to ensure that the laboratory is adequately

resourced to cover a significant scope of analyses required. This included ensuring that the required redundancy is available to provide for uninterrupted services. Due to the location of Richards Bay, it is not possible to get immediate backup during breakdowns, hence sufficient backup equipment is critical to meet customer expectation on a continuous basis.

RESEARCH, DEVELOPMENT & INNOVATION (RDI)

An RDI Policy has been developed and approved by the Board. Furthermore, a strategy is being finalised. The Strategy is meant to give direction to the organisation's approach to RDI, in as far as it applies to its primary business of water services provision. For starters, ten (10) RDI projects have been identified for implementation starting during the latter part of 2019/20 and continuing through to the outer years.

IMPROVE COMPLIANCE WITH THE COASTAL WATER'S DISCHARGE PERMIT

The Department of Environmental Affairs issued a new Permit to Mhlathuze Water in August 2017. Key issues with regards to the Permit and compliance are:

- Progressively stricter quality limits were applied over a 3-4-year period. Ultimate limits came into force from January 2020;
- Overall compliance for 2018/2019 was 91.87%;
- Overall compliance for 2019/2020 was 90.33%.
- Regular engagements will continue to be held with contributors to improve compliance.
- The organisation will continue to implement financial penalties for contributors to the system who do not comply with water quality requirements.
- Further to the above, the future initiative with the CoU to re-use buoyant effluent as well as plans to find alternative uses for the dense (gypsum) effluent will impact positively on the noncompliance matters.
- The organisation also launched research in the treatment of effluent in order to further reduce the impact of the effluent discharged to sea.

12.5. SCIENTIFIC SERVICES PRE-DETERMINED OBJECTIVES AND TARGETS

Table 26: Scientific Services Pre-determined Objectives and Targets

Statutory targets and strategic targets	Strategic Objective	To be pro-active on issues relating to health, safety, security and the environment										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC1	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	99.60%	99.95%	99.92%	99.00%	97%	97%	97%	97%	97%	97%
MW23	Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	97.63%	91.87%	90.08%	87.26%	100%	100%	100%	100%	100%	100%
MW24	ISO 9001, 14001 & OHSAS 18001 standard certification	Number of compliance certifications maintained	3.00	3.00	3.00	1 Internal audit report to maintain ISO 14001 certification approved	3	3	3	3	3	3
MW25	ISO 50001 standard certification	Number of compliance certifications obtained	-	-	-	Implementation plan developed	1	1	1	1	1	1
MW26	ISO 17025 laboratory management system accreditation maintained	Number of accreditations retained on laboratory management system	1.00	1.00	1.00	1 Independent audit report to maintain ISO 17025 accreditation approved by GM: Scientific Services	1	1	1	1	1	1
MW27	Annual Marine Impact Assessment conducted as per the CWDP	Number of annual marine impact assessments conducted	-	-	-	-	5	1	1	1	1	1
MW28		Percentage of recommendations implemented in accordance with the marine impact assessment conducted	-	-	-	-	100%	100%	100%	100%	100%	100%

12.5. SCIENTIFIC SERVICES PRE-DETERMINED OBJECTIVES AND TARGETS ...continued

Table 26: Scientific Services Pre-determined Objectives and Targets ...continued

Statutory targets and strategic targets	Strategic Objective	To improve efficiency through technology and best practices										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
MW29	Improve Knowledge Hub, evidence and innovation through research and development	Number of Research & Development initiatives implemented	-	-	1.00	0.00	5	1	1	1	1	1
MW30		Number of Research & Development initiative recommendations implemented	-	-	-	-	4	-	1	1	1	1
MW31		Number of research papers finalised	-	-	0.00	1	5	1	1	1	1	1
MW32	To reduce the cost of sales through implementation of technology and efficiencies	Percentage reduction in cost of sales	-	-	-	-	5%	-	-	1%	2.5%	5%
Statutory targets and strategic targets	Strategic Objective	To grow the provision of water services										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
MW33	Engagement in secondary activities (Section 30 activities)	Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	-	-	(38.18%)	(55.84)	25%	5%	5%	5%	5%	5%
Statutory targets and strategic targets	Strategic Objective	To be pro-active on issues relating to health, safety, security and the environment										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC21	Health & safety of employees	Disabling injury frequency rate (DIFR)	0.31	0.91	0.00	0.00	0.45	0.45	0.45	0.45	0.45	0.45

13. TECHNICAL SERVICES UNIT

13.1. MANDATE OF THE TECHNICAL SERVICES UNIT

The key mandate of the Technical Services Unit is to design, optimise, install, and extend the required infrastructure to provide sustainable water and waste water services that meet the requirements of customers.

One of the key areas of focus of the unit is the conceptualising, planning and managing the construction of expansion related infrastructure for water and waste water related services. This involves the determination of requirements for water services through requests by customers, or as decided by regional consultation with Water Services Authorities and Regional Water Service Providers.

13.2. FUNCTIONS WITHIN THE TECHNICAL SERVICES UNIT

PLANNING

The Planning section is responsible for the identification and packaging of projects from the feasibility-study stage in-line with the organization's business development model (concept & viability), design and procurement documentation. The professional services are either sourced from external service providers or conducted in-house depending on the nature of the required service.

The Planning section is also tasked with driving business case studies for the exploration and solution option/s analysis of alternative water sources together with waste water re-use

projects. The functions of the section also extend to providing support to the Department of Water and Sanitation in the form of reviewing the water control and water catchment areas within Mhlathuze Water's area of Operation.

PROJECT MANAGEMENT

The section is responsible for the implementation and project management (in-year monitoring and reporting) of capital projects for internal and externally (Implementing Agent services in terms of section 30 of the Water Services Act) funded projects. Projects are implemented in line with approved Infrastructure Implementation Plan/s. The Organizational Capital budget project implementation plans are informed by the conditional assessment of plant assets together with water-supply contract agreements, as well as water demands from new customers.

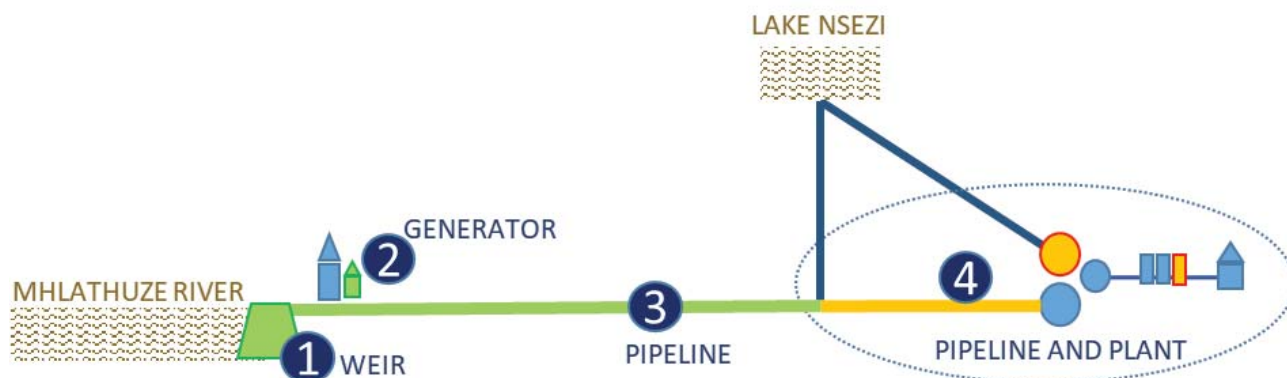
13.3. SITUATIONAL ANALYSIS

BULK WATER AND SANITATION INFRASTRUCTURE MASTER PLAN

Mhlathuze Water successfully completed the development of the Bulk Water and Sanitation Master Plan. The Master Plan provides an integrated overview of all actions, initiatives and projects that Mhlathuze Water must undertake in order to effectively meet current and future bulk water and sanitation demands for its customers. The Bulk Water and Sanitation Infrastructure Master Plan also makes provision for reserves in order to accommodate for future demand resulting from growth and development within Richards Bay and surrounding areas.

PRIMARY INFRASTRUCTURE DEVELOPMENT ACTIVITIES

Mhlathuze Water, as part of its core business, made multi-year budgets available for the implementation of water key multi-year infrastructure project upgrades and expansions.



To ensure continuous and reliable supply to customers, Mhlathuze Water embarked on the implementation of following projects:

• **ALTERATIONS AND STRENGTHENING OF WEIR STRUCTURE (1):**

- **Project scope:** Alterations and additions to the existing Mhlathuze weir. The execution of which includes: new mass concrete ogee spillway; bulk earthworks; new inlet channel to existing pump station; installation of permanent sheet piles; construction of a fish ladder; stabilization of riverbed and banks with excavation and placement of riprap.
- **Overall budget:** R 66 826 451.54
- **Completion:** project reached practical completion in March 2019
- **Impact and benefit to Mhlathuze Water:** The project benefits to the organisation is a strengthened and more stable weir structure. By replacing the old structure prolonged the useful life of a critical asset that is used to transfer raw water to the Nsezi Water Treatment Plant as well as Nsezi Lake.

• **INSTALLATION OF A STANDBY DIESEL GENERATOR AS A BACK-UP POWER SUPPLY (2):**

- **Project scope:** construction of the standby generator building. Supply, installation and commissioning of a new standby generator.
- **Overall budget:** R 16 014 210.40
- **Project Completed:** The project was completed in June 2019
- **Impact and benefit to Mhlathuze Water:** By installing the backup power supply enables Mhlathuze Water to have uninterrupted supply of raw water to the Nsezi Water Treatment Plant, The Nsezi Lake, Tronox as well as Esikawini Water Treatment Plant.

• **REPLACEMENT OF 1 500MM Ø RAW WATER PIPELINE FROM MHLATHUZE RIVER TO SHOOTING RANGE (3):**

- **Project scope:** upgrade of the existing 1200mm diameter pipeline to a 1500mm diameter continuously welded mild steel pipeline from the Mhlathuze Weir to the Nsezi offtake.
- **Overall budget:** R 151 00 000
- **Expenditure as at 30 June 2019:** R 68 708 488.00
- **Planned completion date:** The project was completed in February 2020

- **Impact and benefit to Mhlathuze Water:** Increasing the diameter of the pipeline enables Mhlathuze Water to transfer maximum capacity under its abstraction license to the Nsezi Water Treatment Plan in order to meet future demand. It further enable Mhlathuze Water to transfer larger volumes of water from the weir to the Nsezi Lake in the event that excess raw water is available in the system (weir overflowing/spilling).

• **PLANT AUGMENTATION (INDEPENDENT 170 MI/D PLANT) (4):**

- **Project scope:** Installation of one new clarifier and four new filters. The scope will be refined once the consultant has reviewed the design
- **Overall budget:** R 320 000
- **Commencement date:** January 2021
- **Project status:** Project is in the design stage.
- **Planned completion date:** June 2023
- **Impact and benefit to Mhlathuze Water:** The project will benefit Mhlathuze Water in that it would be able to produce maximum volumes of purified and clarified water under its abstraction licence. This is in order to meet future demand and business development initiatives.

SECONDARY INFRASTRUCTURE DEVELOPMENT ACTIVITIES (SECTION 30)

UMKHANYAKUDE DISTRICT MUNICIPALITY: JOZINI REGIONAL WATER SUPPLY PROJECT

Mhlathuze Water successfully commissioned a 40MI/day Water Treatment Plant with associated bulk infrastructure. This project is aimed at servicing rural areas that were not served with potable water, except for limited streams and boreholes. Mhlathuze Water has entered into an agreement with the uMkhanyakude District Municipality and the Department of Water and Sanitation to undertake the operations and maintenance of the scheme until such time the municipality is fully capacitated to take over the running of the scheme. The project has reached practical completion with only 3 pump-stations yet to be commissioned due to ESKOM power-related challenges.

13.4. FUTURE PLANS

SECTION 29

AUGMENTATION OF NSEZI WATER TREATMENT PLANT (4)

The objective of the project is to refurbish and upgrade the existing Water Treatment Plant, in order to increase the output from 205MI/d to 265MI/d by the 2020/2021 financial year. The project is at the design phase, following the completion of the study. It is envisaged that the construction phase will commence at the end of the 2019/2020 financial year.

The refurbishment project includes a series of works:

- The alterations and additions to strengthen the Mhlathuze Weir structure
 - This project is currently underway as documented above, due to the identified risk of the Weir structure washing away in the event of severe floods. This project is planned for completion during the 2019/2020 financial year.
- The raw water pipeline from Mhlathuze River Weir Pump station to the Shooting Range then to the Nsezi WTP
 - The existing pipeline has reached its lifespan expectancy, and severe wear and tear on the coating and its lining pose a risk of water supply interruption with continued use. This project is due to commence in 2019 and is planned for completion during 2020/2021.
- The Nsezi Water Treatment Plant capacity augmentation project
 - There are several factors that have been identified during the business analysis process looking into the future of the organisation. The infrastructure required for the capacity augmentation project is as follows:
 - 60MI/day clarifier
 - rapid gravity sand filters and
 - DAF bypass pipeline
 - Backup-power generation

ALKANTSTRAND WASTE DISPOSAL PUMP STATION

The dense effluent part (C-line) situated at the Alkantstrand Effluent Disposal Pump station and it operates on a 24 hour basis. Unlike the buoyant effluent that can gravitate to sea when there is a power interruption (planned or unplanned), the C-line require a constant and dedicate source of electricity to operate and dispose of the dense effluent. Any interruption

to power at the pumps station demands an immediate shutdown of Foskor.

Such interruptions has resulted in and further increases the risk of environmental contamination of the dense effluent spilling to the harbour seawater intake point. With fluctuating and more frequent power supply interruptions to the Alkantstrand Effluent Disposal pump station, it has become increasingly important to have an adequate back-up power supply to the C-line disposal system specifically.

The objective of the major capital expansion projects scheduled is to commission a back-up power generation unit in order to continue operating the pump station in the event of power interruptions by either Eskom or the City of uMhlathuze network.

The need for this is twofold:

- Firstly, the availability of a back-up power unit would enable the pump station to continue disposing of specifically the dense effluent. This will be an added value to the contributing customers as it would not require unplanned operational shut downs, resulting in substantial loss in revenue.
- Secondly, the availability of these power units would prevent or at least significantly reduce the risk of environmental contamination. Unplanned power interruptions, result in operational challenged at the pump station and resultant environmental contamination.

A further major capital project planned is the refurbishment of the former dense effluent disposal system known as the B-line. A projected capital upgrade project is scheduled, subject to a detailed design project has been concluded.

Mhlathuze Water operate a dense effluent discharge system. The dense effluent is diluted with seawater at Foskor and transported via land pipelines to the Alkantstrand Pump station. At the Alkantstrand Pump station, the dense effluent is further diluted with sea water and pumped/ discharged to sea via an approximately 5km long ocean pipeline.

Prior to 2008 the dense effluent line was referred to as the B-Line. The B-line was replaced with the C-line in 2008. There were plans mooted to decommission the B-line, however, it is understood that Foskor requested to retain the line as a backup (redundancy) to the new C-line. This will also allow Mhlathuze Water to integrate the two systems in order to maximise operational benefit and perform major maintenance work on these ocean lines without causing unnecessary interruption to production activities of contributing customers.

WASTE WATER RE-USE

In partnership with the City of uMhlathuze, Mhlathuze Water is working together with the City of uMhlathuze (CoU) in investigating the feasibility of re-using waste water and associated by-products. The project is advancing well with investigating industrial/domestic effluent re-use options as a potential Public Private Partnership (PPP). The project aims at treating industrial and domestic effluent for re-use as water supply to industries. The proposed reuse plant is rated 75 MI/d to be situated between Empangeni and Richards Bay.

ABSTRACTION FROM THE TUGELA RIVER (MANDINI)

Mhlathuze Water intends to initiate its Tugela River abstraction license by conducting a feasibility study. The intention is to abstract raw water from the Tugela River (130 MI/D) and distribute this water via pipeline to industrial and domestic customers in the its area of operation:

- **Project scope:** Conduct the feasibility and design of the proposed abstraction works on the Tugela River. This is to commission Mhlathuze Water's 47.3million m³/annum water use licence issued in 2005. The intention would be to supply Tronox: Fairbreeze as well as the King Cetshwayo domestic demand from this supply point.
- **Overall budget:** Feasibility and design estimated to be R5million
- **Commencement date:** August 2021
- **Project status:** Project is in the planning.
- **Planned completion date:** June 2022

- **Impact and benefit to Mhlathuze Water:** The project will benefit Mhlathuze Water in that it would relieve pressure on the Mhlathuze Weir Supply system that is already allocated to its maximum demand. It would further add a second raw water source to the supply of potential new and existing customers. It would enable Mhlathuze Water to meet future demand and business development initiatives.

SECTION 30

BULK WATER RESOURCE MASTER PLAN

In order to effectively play the role of business partner of choice for water services authorities in the region, Mhlathuze Water in partnership with the Department of Water and Sanitation will prepare, resource and implement a Bulk Water Resource Master Plan.

The purpose and aim of this plan would be to consolidate the future demand versus future supply of not just the immediate area of Richards bay (City of uMhlathuze Local Municipality), but the region as a whole, that include King Cetshwayo, Umkhanyakude, Zululand and Amajuba District Municipalities.

A number of strategic interventions have been identified in the Richards Bay Reconciliation Study conducted by the Department. These are illustrated in the schematic below and summarised in the table that follow. The budgets and scheduled timeframes for these projects have been set by the Department.

Figure 12: Strategic Interventions Identified in the Richards Bay Reconciliation Study

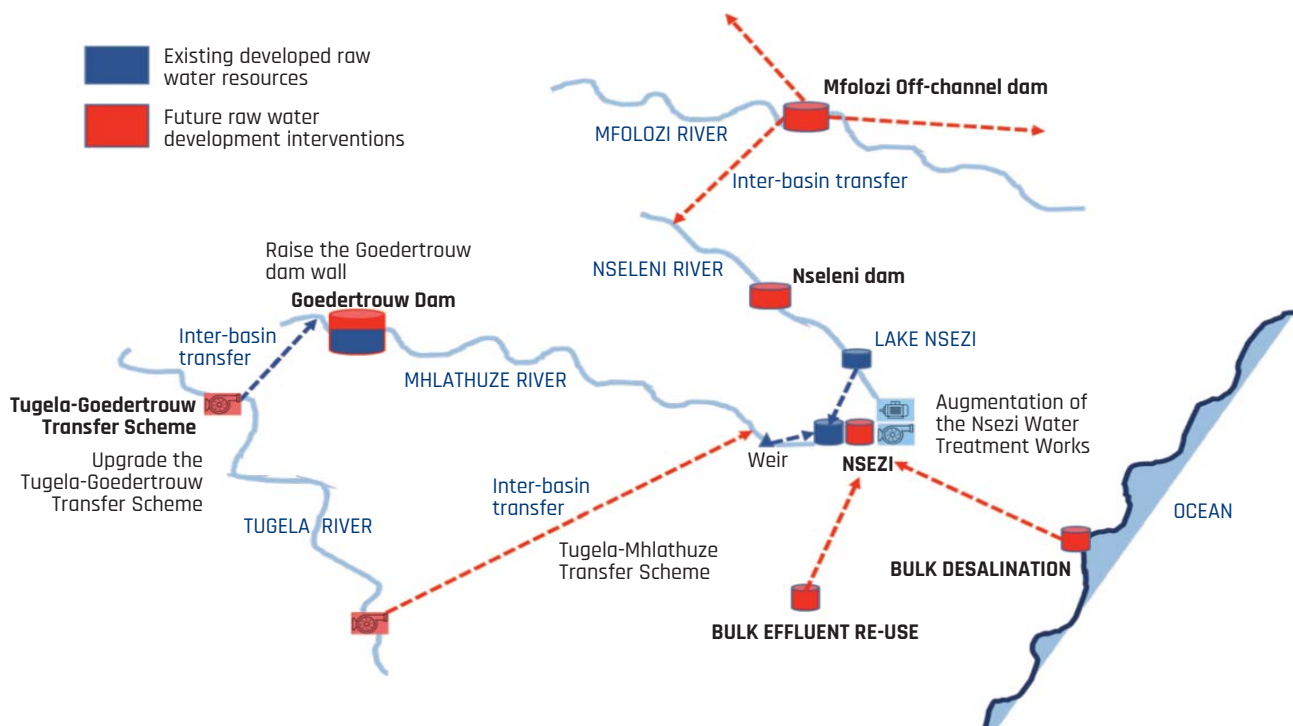


Table 27: Strategic Interventions Identified in the Richards Bay Reconciliation Study

Project	Completion of the upgrade to the Tugela-Goedertrouw dam inter-basin transfer scheme in order to double the transfer capacity.
Funder	DWS
Client	DWS
Budget	estimated R650million
Status	Project was on hold since 2017/18 for 18 months due to a contractual dispute between the contractor and DWS. Since September 2020 DWS resolved the contract dispute and approached Mhlathuze Water to complete the outstanding works.
Project	Raising of the Goedertrouw Dam wall
Funder	DWS
Client	DWS
Budget	estimated R130million over a 3 year period commencing in 2022/23
Status	Not started, Subject to feasibility and budget allocation. The dam can be raised by 2.8metres which will result in an increase in storage capacity from the existing volume of 301million m ³ to 336million m ³ .
Project	Constructing an earth dam on the Nseleni River
Funder	DWS
Client	DWS
Budget	estimated R300million over a 3 year period commencing in 2022/23
Status	Not started, Subject to feasibility and budget allocation. An additional yield of 120million m ³ /a can potentially be added to the system with a capacity of 55million m ³
Project	Constructing the coastal pipeline from Tugela River north to Richards bay in 2023/2024
Funder	DWS
Client	DWS
Budget	Estimate for 20 million m ³ /a R1billion Estimate for 40 million m ³ /a R2,4billion
Status	Not started, Subject to feasibility and budget allocation. With the uncertainty surrounding the quantity of water that will be available for transfer to the Mhlathuze catchment, as well as the timing of its availability, scenarios with 20 million m ³ /a, and 40 million m ³ /a were investigated.
Project	Constructing the Mfolozi Off Channel Storage Dam
Funder	DWS
Client	DWS
Budget	estimated R1.3 to R1.8 billion over a 5 year period commencing in 2023/24
Status	Not started, Subject to feasibility and budget allocation. The studies indicate that an additional yield of 369million m ³ /a can potentially be added to the system for an off channel dam size of 30million m ³ with a transfer capacity of 2.0 m ³ /s. This is also a proposal to potentially alleviate water pressure in the next 5 years in the Zululand and Umkhanyakude District Municipalities.
Project	Bulk desalination
Funder	DWS
Client	DWS
Budget	estimated R2,5 billion over a 5 year period commencing in 2024/25
Status	Economics of scaled indicate that the larger the plant the lower the unit cost of the water produced. The intention is to construct a 60 m ³ /d plant.

13.5. TECHNICAL SERVICES PRE-DETERMINED OBJECTIVES AND TARGETS

Table 28: Technical Services Pre-determined Objectives and Targets

Statutory targets and strategic targets	Strategic Objective	To grow the provision of water services											
		Output	Performance Indicator	Baseline				5 year target	Estimated performance				
				Audited actual performance			Unaudited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
				2017/2018	2018/2019	2019/2020							
SC8	Capital expenditure Programme in line with Infrastructure Master Plan	Percentage of Capital projects completed within targeted dates	100%	95.00%	66.66%	0.00%	100%	100%	100%	100%	100%	100%	
SC8	Capital Expenditure Programme	Percentage of CAPEX spend against budget	80.75%	99.49%	36.28%	1,19%	90%	90%	90%	90%	90%	90%	
SC11	Implementation of Ministerial directives	Percentage of Ministerial directives ¹ implemented against allocated budget	100%	100%	-	100%	100%	Nil	100%	100%	100%	100%	
SC16	Temporary jobs created	Number of temporary jobs created through MW programmes	155	208	224	31	40	40	Nil	Nil	Nil	Nil	
MW34	MW Infrastructure Master plan entailing emerging infrastructure requirements	Number of approved MW bulk infrastructure master plans developed	-	-	-	-	1	1	Nil	Nil	Nil	Nil	
MW35	Bulk resource Master plan entailing emerging infrastructure requirements	Number of approved MW bulk resource master plans developed	-	-	-	-	1	1	Nil	Nil	Nil	Nil	

¹ Ministerial Directives are issued by the Minister as and when required. These are multi-year projects that can only be implemented once DWS has confirmed the budget allocation for the financial year. No new Ministerial Directives were issued since 2019/2020 financial year.

14. FINANCE UNIT

14.1. MANDATE OF FINANCE UNIT

The Finance Unit provides efficient and effective financial resources; financial planning and budgeting; financial structures; asset management; financial services; procurement; and financial risk management in line with the requirements of the Public Finance Management Act of South Africa. The Unit's core business is ensuring financial viability and sustainability of the organisation, thereby contributing to delivery on the organisation's mandate.

14.2. FUNCTIONS WITHIN THE FINANCE UNIT

FINANCIAL ACCOUNTING

The function is responsible for maintaining accurate financial records that comply with relevant accounting standards (i.e. GRAP, Treasury Regulations). It is also responsible for presentation of complete, valid and accurate financial data to allow better decision making for management. The function ensures accurate billing and collection of debts, timeous payment of creditors and efficient employee-related remuneration.

MANAGEMENT ACCOUNTING

The function is responsible for providing an accurate budget and financial forecasts, determine relevant cost effective tariffs, provide management and financial information, monitor and report on variances, analyse financial feasibility and meet financial obligations to generate accurate and relevant information and mobilise resources to achieve

accurately informed and supported decision makers and a financially resourced organisation in order to contribute to the sustainable delivery on mandate.

ASSET MANAGEMENT

This function monitors and maintains tangible (property, plant and equipment) and intangible assets (software) for the organisation. It is also responsible for a systematic process of acquisition, maintenance, and disposal of assets in a cost-effective manner. It maintains the Asset Register in compliance with GRAP 17 and all relevant organisational policies. It also reviews the use of assets to ensure a greater return on investment and ensures that assets are adequately insured.

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management unit is responsible for procurement activities, BEE spending, CPG monitoring, contract management, monitoring of non-conformances, deviations, irregular expenditure, bid committees, as well as inventory management. It is responsible for all other supply chain operational activities, including ensuring that procurement of goods, services, and construction work is done in a fair, competitive, cost-effective, transparent and an equitable manner, as required in terms of the PFMA and applicable Treasury regulations.

The Enterprise and Supplier Development function is responsible for driving business transformation, as part of supporting establishment and participation of black players in the economy in line with BBBEE Act, in order to stimulate economic growth and creation of jobs in communities. It is also responsible for implementation and monitoring of the five pillars of enterprise and supplier development strategy as approved by the board. The five pillars are as follows:

- Strengthening institutional arrangement - partnering with companies that are operating within SMME space;
- Incubation support system;
- Investigating establishment of ESD Development Fund;
- Structured joint venture; and
- Targeted payment system

14.3. KEY PERFORMANCE HIGHLIGHTS

Mhlathuze Water is projected to continue to have a sound financial status as demonstrated by the following ratios. The debt-equity ratio in 2021 to 2024 is expected to increase and decreases thereafter in line with Mhlathuze Water's loan raising strategy and repayments. The current ratio is projected to be above 2 in the 5 year business plan period due to the extensive capital expenditure projected to be implemented according to the approved capital programme. This reflects Mhlathuze Water's ability to meet its obligations as they become due. The gross profit margin percentage is expected to slightly reduce in FY2023 and then remain consistently just above 60% in the remaining years.

Table 29: Key performance highlights and six years projected budget

Financial Ratios	Audited	Audited	Audited	Budget					
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Risks									
Gross Profit Margin	62.24%	61.62%	64.31%	60.72%	63.65%	58.84%	61.86%	62.49%	62.04%
Debtors Collection Period	43.36	44.77	38.29	45.00	45.00	45.00	45.00	45.00	46.00
Staff Remuneration as a % of Operating Expenditure	27.38%	23.97%	28.26%	28.40%	28.84%	26.54%	26.23%	25.97%	26.51%
Net Profit Margin	22.33%	20.00%	23.95%	8.07%	17.15%	13.24%	15.35%	14.74%	14.87%
Repairs and Maintenance as a % of Property, Plant & Equipment	3.74%	3.74%	2.68%	5.57%	5.01%	4.13%	3.97%	4.09%	3.90%
Financial Risks									
Current Ratio	2.87	2.50	3.12	3.60	2.22	2.27	2.89	2.27	3.19
Debt-equity Ratio	0.15	0.12	0.09	0.14	0.20	0.24	0.26	0.22	0.19

14.4. FUTURE PLANS AND FIVE YEAR PROJECTIONS

INTRODUCTION

With Richards Bay area hit by the drought season for the past financial years, Mhlathuze Water continued to realise steady growth on financial performance. To remain financial viable, the steady growth is expected to be sustained for the next 5 years. Mhlathuze Water has further invested in infrastructure to mitigate the drought effects in the area and ensure sustainable water services are provided to our customers.

The current economic conditions and drought impact has encouraged our customers to find innovative ways to minimise water use and improve quality of water disposals. This has resulted in customers requesting amendments to their current agreements with Mhlathuze Water. To mitigate the risk of revenue loss, Mhlathuze Water has embarked on diversifying and expanding the business footprint by targeting municipalities and industry customers in its area of operation to expand its Section 30 activities.

VOLUMES

BULK RAW WATER

Consumption volumes are projected to increase as demonstrated by the increase in raw water consumptions in FY2022/23. The table below provide details of our key stakeholders contracted for Bulk Raw Water and projected consumption.

Table 30: Raw Water

MHLATHUZE WATER									
CONTRACTED DEMANDS AND CONSUMPTION VOLUMES									
Figures m ³ /day									
Mhlathuze Transfer Scheme - Contracted Demands									
Raw Water									
	Audited			Budget	Projections				
Maximum Demand	2018	2019	2020	2021	2022	2023	2024	2025	2026
RBM - North	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Tronox	31,460	48,000	48,840	48,840	48,840	48,840	48,840	48,840	48,840
CoU - Esikhaleni	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
RBM - Zulti South	-	-	-	-	-	28,000	28,000	28,000	28,000
Tongaat Hulett	-	-	-	-	-	2,740	2,740	2,740	2,740
Total	91,460	108,000	108,840	108,840	108,840	139,580	139,580	139,580	139,580
Mhlathuze Transfer Scheme - Consumption Volumes									
Raw Water									
	Audited			Budget	Projections				
Consumption	2018	2019	2020	2021	2022	2023	2024	2025	2026
RBM - North	3,296	5,923	10,385	10,385	10,385	10,385	10,385	10,385	10,385
Tronox	283	1,848	890	890	890	890	890	890	890
CoU - Esikhaleni	73	-	229	229	229	229	229	229	229
RBM - Zulti South	-	-	-	-	-	22,350	22,350	22,350	22,350
Tongaat Hulett	-	-	-	-	-	2,740	2,740	2,740	2,740
Total	3,652	7,771	11,504	11,504	11,504	36,594	36,594	36,594	36,594

POTABLE WATER

An increase in consumption volumes of potable water in FY2023 will be realised, which will then lead to a steady increase for the next 3 years is expected. Mhlathuze Water is in engagement with potential customers. The table below provide details of our key stakeholders contracted for Bulk potable and projected consumption.

Table 31: Potable Water

MHLATHUZE WATER									
CONTRACTED DEMANDS AND CONSUMPTION VOLUMES									
Figures m ³ /day									
Nsezi Water Treatment Plant - Contracted Demands									
Potable Water									
	Audited			Budget	Projections				
Maximum Demand	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mondi	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
CoU - Richards bay	48,000	48,000	48,000	48,000	60,000	60,000	60,000	60,000	60,000
Foskor*	17,000	17,000	17,000	17,000	30,000	30,000	30,000	30,000	30,000
CoU - Empangeni	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000
RBIDZ	-	-	-	-	-	20,000	20,000	20,000	20,000
Phinda Power Producers	-	-	-	-	-	3,000	3,000	3,000	3,000
CoU - eSikhaleni	-	-	-	-	-	-	20,000	20,000	20,000
Total	202,000	202,000	202,000	202,000	227,000	250,000	270,000	270,000	270,000

* Clarified water

CONTRACTED DEMANDS AND CONSUMPTION VOLUMES									
Figures m ³ /day									
Nsezi Water Treatment Plant - Consumption Volumes									
Potable Water									
	Audited			Budget	Projections				
Consumption	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mondi	17,860	22,105	52,000	56,272	56,272	56,272	56,272	56,272	56,272
CoU - Richards bay	9,748	12,563	48,000	30,714	30,714	30,714	30,714	30,714	30,714
Foskor*	3,871	4,257	37,000	12,196	12,196	24,000	24,000	24,000	24,000
CoU - Empangeni	8,221	7,903	17,000	25,903	25,903	25,903	25,903	25,903	25,903
RBIDZ	-	-	-	-	-	18,000	18,000	18,000	18,000
Phinda Power Producers	-	-	-	-	-	3,000	3,000	3,000	3,000
CoU - eSikhaleni	-	-	-	-	-	-	20,000	20,000	20,000
Total	39,700	46,828	154,000	125,085	125,085	157,889	177,889	177,889	177,889

* Clarified water

EFFLUENT DISPOSAL

The table below provides details of our key stakeholders contracted for Bulk Waste Water.

Table 32: Effluent Disposal

MHLATHUZE WATER									Permits	
CONTRACTED DEMANDS - EFFLUENT DISPOSAL									Buoyant effluent	158,983
Figures m ³ /day									Dense effluent	30,000
BUOYANT EFFLUENT										
	Audited			Budget	Projections					
CONSUMER	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Mondi	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	
CoU - Richards Bay	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
South 32 - Bayside	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
South 32 - Hillside	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	
Mpact	8,000	8,000	8,000	8,000	6,000	6,000	6,000	6,000	6,000	
Foskor	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Tronox	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	
Isizinda Aluminum	333	333	333	333	-	-	-	-	-	
John Ross Interchange	-	-	5,500	5,500	5,500	5,500	5,500	5,500	5,500	
TOTAL	153,483	153,483	158,983	158,983	158,650	158,650	158,650	158,650	158,650	
DENSE EFFLUENT										
	Audited			Budget	Projections					
CONSUMER	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Foskor	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
TOTAL	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	

TARIFFS

Municipal Finance Management Act (56 of 2003) Section 42 and Circular 23 provide guidance on process to be followed on preparation of tariffs. Mhlathuze Water consulted with the Water Service Authority in its area of operation as required by the aforementioned requirements.

FINANCIAL ASSUMPTIONS

In preparation of the proposed tariff increase the following assumptions are considered to ensure Mhlathuze Water financial viability

Table 33: Planning Financial Assumptions

Year ending 30 June				Existing	Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026
CPI	5.60%	5.70%	5.30%	3.41%	3.41%	4.50%	4.60%	4.80%	4.80%
Tariff growth - Raw Water: City*	10.24%	7.42%	12.99%	0.00%	9.24%	4.63%	4.64%	4.64%	4.65%
Other*	14.43%	11.48%	15.10%	3.86%	6.24%	4.66%	4.67%	4.68%	4.69%
Tariff growth - Potable Water: City*	10.20%	8.00%	12.86%	0.00%	9.00%	7.48%	8.32%	8.43%	8.55%
Other*	14.16%	11.98%	13.95%	8.07%	9.19%	5.25%	6.03%	6.07%	6.11%
Tariff growth - A Line Effluent*	7.00%	8.36%	12.23%	11.49%	8.19%	5.88%	5.88%	5.88%	5.88%
Tariff growth - B Line Effluent*	7.00%	9.97%	14.77%	11.82%	10.12%	6.36%	6.00%	6.00%	6.00%
Raw water ex Govt. Schemes*	15.13%	13.85%	14.14%	0.00%	4.39%	4.40%	4.40%	4.41%	4.42%
Average Loan Pool Rate**	10.64%	10.61%	10.64%	9.75%	10.60%	10.60%	10.60%	10.60%	10.60%
Expected Rates - New Funding***	10.00%	10.25%	10.25%	10.75%	11.60%	11.60%	11.60%	11.60%	11.60%
Electrical Power - Eskom	2.20%	5.53%	5.00%	8.76%	5.00%	5.00%	5.00%	5.00%	5.00%
High then moderate to CPI									
Electrical Power - Municipality****	6.20%	9.53%	9.00%	12.76%	9.00%	9.00%	9.00%	9.00%	9.00%
High then 4% above Eskom									
Chemicals*****	10.00%	9.50%	9.50%	11.38%	11.38%	11.38%	11.38%	11.38%	11.38%
Emoluments Increases	7.50%	7.50%	7.50%	8.00%	6.70%	6.70%	6.70%	6.70%	6.70%
Staff Complement*****									
Staff	204	219	219	219	219	219	219	219	219
Management	4	6	6	6	6	6	6	6	6
Total	210	225	225	225	225	225	225	225	225

* CPI was obtained from statistical release P0141 (October 2020) and in consultation with DWS and www.focus-economics.com;

**Increase is driven by projected expenditure increase;

***Average Loan Pool is based on existing long term loans and expected Loan Rates based on estimated cost should Mhlathuze Water obtain new loans from the market;

**** Electricity - based on the proposed Eskom increase, which however has not yet been approved by NERSA and admin cost charged by the Municipality;

*****Chemicals - based on current contracts and future projected procurement, which may further be impacted by foreign currency exchanges depending on the inputs to each chemical required.

Foreign Exchange Rates - ZAR/\$ - Historic average annual rates were obtain from https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Economics_Unit/Forecast_and_data/Daily_Rates/Annual_Average_Exchange_Rates.pdf and forecast rates were obtained from <https://longforecast.com/dollar-to-rand-forecast-2017-2018-2019-2020-2021-usd-to-zar>

*****Staff cost - based on average increase from the Amanzi Bargaining Council.

OPTIMISING CHEMICAL USAGE

Chemical optimisation is an on-going operational activity. Dosing matrix is used to guide on the dosages to be applied in the plant for different water quality ranges. This also ensures that operations are within the required quality parameters.

The internal limit for pH is 8 - 9 to maintain the required standard operations must ensure that the adjust dosages are such that the pH remains between 8.2 - 8.5 as this does assist in ensuring that the quality limit is maintained while optimising the use of the chemical. Similarly with other quality parameters. The Monthly jar tests are conducted as well hourly operational quality monitoring. Chemical usage is also dependent on the volumes treated as well as the quality of raw water received i.e. might treat the same volume for two consecutive months but use more aluminium sulphate in one month when compared to the other simple because it rained and the turbidity increased hence more consumption.

TARIFF COMPOSITION

Mhlathuze Water tariffs consist of the following elements:

- A-Factor – fixed cost
- C-Factor – capital cost
- Tc-Factor – variable cost
- TRWP – government levies and raw water charges

Mhlathuze Water collects levies on behalf of DWS (TRWP). Upon collection, these levies are transferred to DWS. Mhlathuze Water does not have any control over the calculation of these levies. These levies are implemented as gazetted.

PROPOSED TARIFF INCREASES

To ensure that Mhlathuze Water remains financially viable, reasonable tariff increases were proposed which take into account the current economic conditions. The financial increases for FY2022 are indicated in tables 5 to 8. In FY2021, the Minister of Human Settlements, Water and Sanitation approved a zero increase in tariffs in an effort to cushion the impact of the COVID-19 pandemic on the value chain, during these tough economic times. This has resulted in higher proposed tariff increases in FY2022 to allow for the delayed operational activities and repairs and maintenance to infrastructure to be implemented.

Table 34: Raw Water

MHLATHUZE WATER									
TRANSFER SCHEME - WEIR		AUDITED							
		2017/18	2018/19	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Proposed Tariff increases	Municipality	10,24%	11,66%	0,00%	9,24%	4,63%	4,64%	4,64%	4,65%
	Industries	13,93%	12,99%	6,39%	6,24%	4,66%	4,67%	4,68%	4,69%
		R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³
Capital Charges	Municipality	0,1009	0,1084	0,1228	0,1449	0,1526	0,1606	0,1691	0,1780
	Industries	0,116	0,1292	0,1719	0,1788	0,1882	0,1981	0,2086	0,2195
Fixed Operation and maintenance	Municipality	0,4011	0,4355	0,5013	0,6116	0,6442	0,6786	0,7149	0,7530
	Industries	0,4412	0,4967	0,6398	0,7136	0,7517	0,7919	0,8342	0,8787
Variable Cost Electricity & Chemicals	Municipality	0,0744	0,0753	0,0845	0,0845	0,0867	0,0888	0,0910	0,0933
	Industries	0,076	0,08	0,0873	0,0895	0,0917	0,0940	0,0964	0,0988
Tariff Excluding Government Levies	Municipality	0,5764	0,6192	0,7087	0,8411	0,8835	0,9281	0,9750	1,0244
	Industries	0,6332	0,7059	0,8990	0,9819	1,0317	1,0840	1,1391	1,1970
Government Levies	Municipality	1,1236	1,2657	1,4502	1,5138	1,5804	1,6500	1,7228	1,7989
	Industries	1,1236	1,2657	1,4502	1,5138	1,5804	1,6500	1,7228	1,7989
Total Tariff	Municipality	1,7	1,8849	2,1589	2,3549	2,4638	2,5780	2,6978	2,8233
	Industries	1,7568	1,9716	2,3492	2,4957	2,6120	2,7340	2,8618	2,9959

Table 35: Clarified Water

MHLATHUZE WATER										
TRANSFER SCHEME - NSEZI	AUDITED					PROJECTION				
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Proposed Tariff increases	Industries	14.23%	13.09%	14.57%	5.24%	7.49%	4.98%	5.59%	5.63%	5.67%
		R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³
Capital Charges		0.3314	0.3635	0.4293	0.4841	0.5340	0.5728	0.6030	0.6348	0.6682
Fixed Operation and maintenance		0.2746	0.3138	0.3699	0.4050	0.4550	0.4834	0.5136	0.5456	0.5796
Variable Cost Electricity & Chemicals		0.2517	0.2844	0.2966	0.3357	0.3726	0.3819	0.4208	0.4637	0.5110
Tariff Excluding Government Levies		0.8577	0.9617	1.0958	1.2248	1.3616	1.4381	1.5374	1.6441	1.7588
Government Levies		1.1117	1.2657	1.4560	1.4502	1.5138	1.5804	1.6500	1.7228	1.7989
Total Tariff		1.9694	2.2273	2.5518	2.6750	2.8754	3.0185	3.1873	3.3669	3.5578

Table 36: Potable Water

MHLATHUZE WATER										
TRANSFER SCHEME - NSEZI	AUDITED					PROJECTION				
		2017/18	2018/19	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	
Proposed Tariff increases	Municipality	9.35%	9.59%	0.00%	9.00%	7.48%	8.32%	8.43%	8.55%	
	Industries	12.29%	12.48%	9.61%	9.19%	5.25%	6.03%	6.21%	6.11%	
		R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	
Capital Charges	Municipality	1.0088	0.9595	1.1235	1.2125	1.3492	1.4743	1.6109	1.7603	
	Industries	1.0627	1.0386	1.3832	1.5257	1.6366	1.7228	1.8136	1.9092	
Fixed Operation and maintenance	Municipality	1.1716	0.8494	0.9931	1.0873	1.1987	1.3214	1.4567	1.6059	
	Industries	1.2261	0.8964	1.1572	1.3000	1.3811	1.4673	1.5589	1.6561	
Variable Cost Electricity & Chemicals	Municipality	0.7935	0.7838	0.8095	0.8780	0.9351	1.0678	1.2193	1.3923	
	Industries	0.7951	0.8126	0.9591	1.0646	1.0912	1.2024	1.3249	1.4599	
Tariff Excluding Government Levies	Municipality	2.9739	2.5927	2.9261	3.1779	3.4830	3.8635	4.2870	4.7585	
	Industries	3.0839	2.7476	3.4995	3.8903	4.1089	4.3925	4.6974	5.0253	
Government Levies	Municipality	1.1236	1.2756	1.4502	1.5138	1.5804	1.6500	1.7228	1.7989	
	Industries	1.1236	1.2756	1.4502	1.5138	1.5804	1.6500	1.7228	1.7989	
Total Tariff including Government Levies	Municipality	4.0975	3.8683	4.3763	4.6917	5.0633	5.5134	6.0097	6.5574	
	Industries	4.2075	4.0232	4.9497	5.4041	5.6893	6.0425	6.4202	6.8242	
Total Tariff including Raw Water	Municipality	4.1300	4.4875	5.0818	5.5328	5.9468	6.4415	6.9847	7.5818	
	Industries	4.1900	4.7292	5.3995	6.3860	6.7209	7.1265	7.5593	8.0212	

Table 37: Buoyant Effluent

MHLATHUZE WATER										
TRANSFER SCHEME - BUOYANT EFFLUENT	AUDITED					PROJECTION				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Proposed Tariff increases	7.00%	8.36%	12.23%	11.49%	8.19%	5.88%	5.88%	5.88%	5.88%	
	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	
Capital Charges	0.5367	0.5743	0.6278	0.7291	0.7364	0.7752	0.8161	0.8591	0.9043	
Fixed Operation and maintenance	0.8369	0.8955	0.9648	1.2635	1.4194	1.5073	1.6006	1.6997	1.8050	
Total Tariff	1.4698	1.5926	1.9926	1.9926	2.1558	2.2825	2.4167	2.5588	2.7093	

Table 38: Dense Effluent

MHLATHUZE WATER										
TRANSFER SCHEME - DENSE EFFLUENT	AUDITED					PROJECTION				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Proposed Tariff increases	7.00%	9.97%	14.77%	11.82%	10.12%	6.36%	6.00%	6.00%	6.00%	
	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	R/m ³	
Capital Charges	1.0341	1.1065	1.1554	1.3546	1.3681	1.4676	1.5450	1.6264	1.7121	
Fixed Operation and maintenance	3.6296	3.8837	4.2314	5.5582	6.2441	6.6288	7.0372	7.4708	7.9311	
Total Tariff	4.6637	4.9902	5.3868	6.9128	7.6122	8.0964	8.5822	9.0972	9.6432	

PROJECTED REVENUE

Below are projected primary and secondary revenue and expenditure for FY2022 based on current contractual agreements and expected future demands informed by current engagements. The increase in Bulk Water Revenue is supported by an increase in volumes and tariffs. The Waste Water segment increase in revenue is solely based on tariff increases as there is no volume increases projected.

Section 30 of the Water Service Act enables Mhlathuze Water to undertake any other activities provided it does not impact negatively on the primary activity. Mhlathuze Water anticipates an increase in Section 30 revenue driven by an increase in a number of projects which are in the advanced stages of negotiation. Most of these projected are expected to be implemented in FY2022.

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
Volumes (m³)/day	54 598	70 900			125 498
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions					
Sale of goods and services	376,515	215,490	80,263	61,977	734,245
Cost of Sales	159,050	56,136	49,563	12,180	276,929
Bulk purchases	62,584	-	-	-	62,584
Electricity and water	33,510	24,266	45,224	-	103,000
Chemicals	18,946	-	-	904	19,850
Employee related costs	12,965	9,389	4,339	11,276	37,969
Depreciation	31,045	22,481	-	-	53,526
Gross Profit	217,465	159,354	30,700	49,797	457,316
Other income	7,020	5,083	-	-	12,103
Expenditure	183,469	132,153	30,700	24,048	370,370
Employee related costs	75,399	54,599	-	-	129,998
Remuneration of board members	4,377	3,170	-	-	7,547
Depreciation and amortisation	4,142	2,999	-	-	7,141
Finance costs	2,689	1,947	-	-	4,636
Lease rentals on operating lease	1,882	1,363	-	-	3,245
Repairs and maintenance	30,399	22,013	23,281	8,464	84,157
Other expenses	63,265	45,108	7,419	15,584	131,376
Electricity and water	825	598	-	-	1,423
Chemicals	491	356	-	-	847
Operating surplus	41,016	32,284	-	25,749	99,049
Loss on disposal of assets	-	-	-	-	-
Surplus for the year	41,016	32,284	-	25,749	99,049
Assets					
Segment assets	1,269,416	398,087	-	17,537	1,685,040
Centralised services					82,149
Total assets as per statement of financial position					1,767,188
Liabilities					
Segment liabilities	36,568	63,992	-	17,296	117,856
Centralised services					177,784
Total liabilities as per statement of financial position					295,640
Other information					
Capital expenditure	252,126	72,624	-	-	324,750
Centralised services					44,618
					369,368

FORECAST OF CAPITAL EXPENDITURE FOR PRIMARY ACTIVITIES

To ensure that Mhlathuze Water meets its strategic objectives one and seven which are to grow the provision of water services and improve efficiency through technology and best practise, Mhlathuze Water plans to invest in capital project to meet the desired outcomes. Major expenditure is expected to be incurred from 2021 to 2023 on expansion, augmentation & upgrade projects. Upon completion of the major projects, a massive decrease in capital expenditure is expected. The planned capital projects will be funded from reserves and long term borrowings.

The following projects can be highlighted as impactful in the tariff calculations:

- Mhlathuze Weir Structure completed in October 2019 and capitalised in March 2020;
- Pipeline from Weir to Nsezi Water Treatment Plant completed in March 2020 and capitalised in June 2020; and
- The Nsezi Water Treatment Plant Augmentation project which is currently being implemented.

The table below provides details on planned projects for the next 5 years, per scheme:

STATEMENT OF CAPITAL EXPENDITURE BUDGET

Table 39: Projected Statement of Capital

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
BULK RAW WATER SUPPLY										
Mhlathuze Transfer Scheme										
New Weir	2 754	44 912	12 632	3 256	-	-	-	-	-	3 256
Civil & Buildings Refurbishments	-	-	-	200	200	150	150	220	240	1 160
Weir Pump Refurbishment	-	-	-	800	1 700	870	890	900	-	5 160
Replacement of MV Switchgear	-	-	-	1 400	-	-	-	-	-	1 400
Replacement of Flow meters	-	-	-	1 000	500	500	-	-	-	2 000
Package Plant	-	-	-	-	120	-	-	-	-	120
Desktop Turbidity Meter	-	-	-	-	120	-	-	-	-	120
PH Meter	-	-	-	-	50	-	-	-	-	50
Conductivity Meter	-	-	-	-	50	-	-	-	-	50
Weir Stability Measures	332	-	-	-	-	-	-	-	-	-
Pipeline from Weir to Shooting range	3 693	67 663	75 213	-	-	-	-	-	-	-
Weir Generator	12 445	6 398	-	-	-	-	-	-	-	-
Refurbishment Cost	403	415	-	-	-	-	-	-	-	-
Total	19 628	119 388	87 845	6 656	2 740	1 520	1 040	1 120	240	13 316
FY2021-2025 Business Plan	-	-	-	6,656	1,500	1,250	850	-	-	10,256
Difference between the two Business Plan	-	-	-	-	1,240	270	190	1,120	240	3,060
BULK PURIFIED & CLARIFIED WATER SUPPLY										
Lake Nsezi WTP										
Augmentation (Independent 170 M/D Plant)	-	-	-	28 600	236 901	109 509	-	-	-	375 010

Table 39: Projected Statement of Capital...continued

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
AC Mitigation System for Empangeni Pipeline	-	60	65	9 000	-	-	-	-	-	9 000
Civil & Buildings Refurbishment	-	-	283	150	200	200	200	920	345	2 015
Speed Drives	-	-	-	-	3 000	-	-	-	-	3 000
Polymer Tank Bund Wall at Nsezi WTW	-	-	-	4 000	-	-	-	-	-	4 000
Replacement of Flow Meters	-	-	-	500	500	-	-	-	-	1 000
Nsezi WTW Control Room and Plant Laboratory Refurbishment	-	-	-	650	-	-	-	-	-	650
Replacement of Compressors and Receivers	-	-	-	800	-	-	-	-	-	800
Replacement of Switchgear	-	-	-	800	-	-	-	-	-	800
Nsezi Security Fence	-	-	-	6 000	-	-	-	-	-	6 000
Permanent bottling plant structure	-	-	-	-	500	-	-	-	-	500
Resurfacing of Nsezi Access Road	-	-	-	-	2 000	-	-	-	-	2 000
Battery Tripping Plant	-	-	-	-	400	-	-	-	-	400
Replacement of Suction Valves	-	-	-	-	600	-	-	-	-	600
Replacement of Floatation Scraper System	-	-	-	-	750	750	750	750	-	3 000
Replacement of DN1000 Empangeni Pump Station Suction Manifold	-	-	-	-	-	1 000	-	-	-	1 000
Lay flat Hoses	-	-	-	-	20	-	-	-	-	20
Portable Pneumatic Chemical Transfer Pump	-	-	-	-	50	-	-	-	-	50
Submersible Pump	-	-	-	-	60	-	-	-	-	60
Nsezi Pilot Plant	-	-	-	-	100	2 900	-	-	-	3 000
Nsezi WTP Empangeni Pump Station	1 816	-	-	-	-	-	-	-	-	-
LV Upgrade of Tronox Pump Station incl. MCC	830	-	-	-	-	-	-	-	-	-
Nsezi 20ML Balancing Reservoir	8 166	-	-	-	-	-	-	-	-	-
2 nd Nsezi 20ML Balancing Reservoir	5 931	-	-	-	-	-	-	-	-	-
Nsezi Refurbishment	675	-	-	-	-	-	-	-	-	-
Civil and Buildings for Maintenance	588	-	-	-	-	-	-	-	-	-
Replace Mondi Vertical spindle Turbine Pumps/ Mondi Pump Upgrade	17 795	-	-	-	-	-	-	-	-	-
Scada Ph 2	16 868	-	-	-	-	-	-	-	-	-
Tronox Pumpstatio Upgrade-Eletrical & Mechanical Works MW16/2015	-	708	-	-	-	-	-	-	-	-

Table 39: Projected Statement of Capital...continued

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Supply & Installation of Mondi Portable Water Pumps at Nsezi WTW MW000211	-	576	-	-	-	-	-	-	-	-
2 nd Nsezi 20ML Balancing Reservoir- Tie - ins	-	-	-	-	-	-	-	-	-	-
Nsezi WTP Empangeni Pump Station	-	459	-	-	-	-	-	-	-	-
Scada Phase 2	-	1 208	-	-	-	-	-	-	-	-
Nsezi Refurbishment	-	568	-	-	-	-	-	-	-	-
5 Generators	-	-	-	-	-	-	-	141 600	-	141 600
Nsezi WTP Augmentation Phase 2	-	-	-	-	-	-	47 761	63 298	-	111 059
Total	52 669	3 579	348	50 500	245 081	114 359	48 711	206 568	345	665 564
FY2021-2025 Business Plan	-	-	-	138,904	149,698	109,709	200	-	-	398,511
Difference between the two Business Plan	-	-	-	-88,404	95,383	4,650	48,511	206,568	345	267,053
P/S N01 SHARED BETWEEN A&B LINE										
Conductivity Meter	-	-	-	-	50	-	-	-	-	50
Floor Meter	-	-	-	-	20	-	-	-	-	20
pH Meter	-	-	-	-	50	-	-	-	-	50
Portable Gas Monitors X10	-	-	-	250	-	-	-	-	-	250
Replacement of Rotary Screens	-	-	-	1 000	1 500	-	-	-	-	2 500
Total	-	-	-	1,250	1,620	-	-	-	-	2,870
FY2021-2025 Business Plan	-	-	-	250	120	-	-	-	-	370
Difference between the two Business Plan	-	-	-	1,000	1,500	-	-	-	-	2,500
BUOYANT EFFLUENT DISPOSAL										
A Line										
Electric Actuator	-	-	-	-	1 350	-	-	-	-	1 350
Battery Tripping Plant	-	-	-	-	80	-	-	-	-	80
Refurbishment of Pumps	-	-	-	-	700	700	800	800	900	3 900
Replacement of Switchgear	-	-	-	800	-	-	-	-	-	800
PLC Installation	-	-	-	-	5 000	-	-	-	-	5 000
Replacement of Suction Piping	-	-	-	1 000	500	-	-	-	-	1 500
Landline Pipeline Refurbishment	-	-	-	500	500	500	180	250	340	2 270
Offshore Pipeline Refurbishment	-	-	-	4 000	8 000	1 000	1 000	-	-	14 000
Surge Tower 1 and 2 Earth Mat Installations	-	-	-	-	400	-	-	-	-	400
Generator	-	-	-	-	13 452	-	-	-	-	13 452
Refurbishment of plant and machinery	149	-	-	-	-	-	-	-	-	-

Table 39: Projected Statement of Capital...continued

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Refurbishment A-Line Pump Bases	1 589	23	-	-	-	-	-	-	-	-
Civil & Buildings Refurbishment	-	6	56	-	-	-	-	-	-	-
Refurbishment	-	124	-	-	-	-	-	-	-	-
Total	1 738	153	56	6 300	29 982	2 200	1 980	1 050	1 240	42 752
FY2020-2024 Business Plan	-	-	-	6,300	4,000	1,500	1,000	-	-	12,800
Difference between the two Business Plan	-	-	-	-	25,982	700	980	1,050	1,240	29,952
B LINE CONNECTIONS										
Civil & Building Refurbishments (552)	-	-	76	-	320	340	160	300	180	1 300
Replacement of Defective DN500 GRP landline	-	-	-	-	600	-	-	-	-	600
Upgrade of B-Line (Mech, Elect and Instrument)	-	-	-	18 000	-	18 000	-	-	-	36 000
Refurbishment Cost - 552	70	-	-	-	-	-	-	-	-	-
Total	70	-	76	18,000	920	18,340	160	300	180	37,900
FY2020-2024 Business Plan	-	-	-	18,000	15,000	3,000	-	-	-	36,000
Difference between the two Business Plan	-	-	-	-	-14,080	15,340	160	300	180	1,900
DENSE EFFLUENT DISPOSAL										
Dense Effluent Diffuser Replacement	-	-	-	-	-	-	20 000	10 000	-	30 000
Refurbishment of Offshore Pipeline	-	-	-	2 000	5 000	2 000	1 500	-	-	10 500
Booster Pump station	-	-	-	-	-	7 500	-	-	-	7 500
Speed Drives	-	-	-	-	5 000	5 000	-	-	-	10 000
Electric Actuator	-	-	-	-	1 300	-	-	-	-	1 300
Replacement of Pressure Pumping System	-	-	-	-	1 500	-	-	-	350	1 850
Replacement of C line Screen Valves and Gearbox	-	-	-	-	-	1 600	-	-	-	1 600
Replacement of C line Pedestals	-	-	-	-	350	350	350	400	400	1 850
Refurbishment of Delivery Screen	-	-	-	-	500	-	-	-	-	500
Replacement of C line VSD Air Conditioners	-	-	-	-	250	-	-	-	-	250
Replacement of C line Bearing Houses	-	-	-	-	350	350	350	400	400	1 850
PLC and HMI	-	-	-	-	5 000	-	-	-	-	5 000
SCADA Replacement	-	-	-	-	5 000	-	-	-	-	5 000

Table 39: Projected Statement of Capital...continued

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Standby Generator Replacement	-	-	-	-	400	-	-	-	-	400
VSD Switchgears Replacement	-	-	-	-	2 000	-	-	-	-	2 000
Generator	-	-	-	-	13 452	-	-	-	-	13 452
Upgrading C line VSD power supply circuit Breakers	-	-	630	-	-	-	-	-	-	-
Refurbishment 554	31	-	46	-	-	-	-	-	-	-
Total	31	-	676	2,000	40,102	16,800	22,200	10,800	1,150	93,052
FY2021-2025 Business Plan	-	-	-	2,000	1,500	9,500	1,500	-	-	14,500
Difference between the two Business Plan	-	-	-	-	38,602	7,300	20,700	10,800	1,150	78,552
CENTRALISED SERVICES										
Acquire, Enhance, Upgrade and Integrate Core Financial and Related Business Systems	-	-	-	30 000	18 000	-	-	-	-	48 000
Central Renovations	-	50	292	300	200	150	250	385	240	1 525
Strategic Stock	-	-	-	7 500	5 000	5 000	5 000	5 000	-	27 500
Office Expansion at MW Head Office	-	-	-	-	-	14 690	-	-	-	14 690
Alternative Potable Water Supply	-	-	703	3 000	-	-	-	-	-	3 000
Upgrade of Standby Generator	-	-	-	2 000	-	-	-	-	-	2 000
Backup and Recovery Hardware and Servers	-	-	-	8 000	-	-	-	-	-	8 000
Electric Fence	-	-	-	-	3 000	-	-	-	-	3 000
Mhlathuze Catchment Study & MW Master Plan Review	-	-	-	-	3 500	-	-	-	-	3 500
Vehicles	-	-	-	-	7 100	-	-	-	-	7 100
Autotitrator	-	-	552	-	-	1 500	-	-	-	1 500
Inductively Coupled Plasma Emission Spectrometer (ICP OES)	-	-	955	-	-	-	-	3 000	-	3 000
Discrete Analyser	-	-	-	-	-	-	-	-	2 500	2 500
Ion Chromatograph	-	-	789	-	-	-	1 450	-	-	1 450
Replacement of Fume Extraction Fan	-	-	-	2 000	-	-	-	-	-	2 000
Modification of Stores Building	-	-	-	-	3 000	-	-	-	-	3 000
Tender & ESD Facility	-	-	-	-	750	-	-	-	-	750
Replacement of Workshop/Stores UPS	-	-	-	-	1 000	-	-	-	-	1 000
Vehicles	-	-	-	8 500	-	-	-	-	-	8 500

Table 39: Projected Statement of Capital...continued

Projected Statement of Capital Expenditure	Actual	Actual	Actual	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	2018	2019	2020	2021	2022	2023	2024	2025	2026	2022 -2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
CCTV	-	-	-	7 654	2 405	-	-	-	-	10 059
Small Items	7 576	2 444	1 189	683	663	570	250	620	200	2 986
Urgent Capital 2014/2015	16	-	62	-	-	-	-	-	-	-
Polymeras Chain Reaction Instrument	-	-	931	-	-	-	-	-	-	-
Gas Chromatograph with a Mass Spetra Detector	149	1 889	-	-	-	-	-	-	-	-
Total	7 741	4 383	5 473	69,637	44,618	21,910	6,950	9,005	2,940	155,060
FY2021-2025 Business Plan	-	-	-	68,173	23,376	5,321	6,520	5,620	-	109,010
Difference between the two Business Plan	-	-	-	1,464	21,242	16,589	430	3,385	2,940	46,050
SUB-TOTAL	82 023	127 503	94 878	154 343	365 063	175 129	81 041	228 843	6 095	1 010 514
Expansion	34,806	120,640	87,845	9,256	4,870	14,690	-	-	-	28,816
Rehabilitation	20,851	1,822	1,852	32,900	41,140	17,960	26,580	15,325	3,395	137,300
Equipment	7,741	4,333	5,181	27,587	64,152	14,970	6,700	8,620	2,700	124,729
Information technology communication	-	-	-	38,000	18,000	-	-	-	-	56,000
Augmentation & upgrade	18,625	708	-	46,600	236,901	127,509	47,761	204,898	-	663,669
Total Capital before Interest	82,023	127,503	94,878	154,343	365,063	175,129	81,041	228,843	6,095	1,010,514
Capitalised interest	-	-	-	4,543	4,305	12,203	7,898	-	-	28,949
Total Capital after Interest	82,023	127,503	94,878	158,886	369,368	187,332	88,939	228,843	6,095	1,039,463

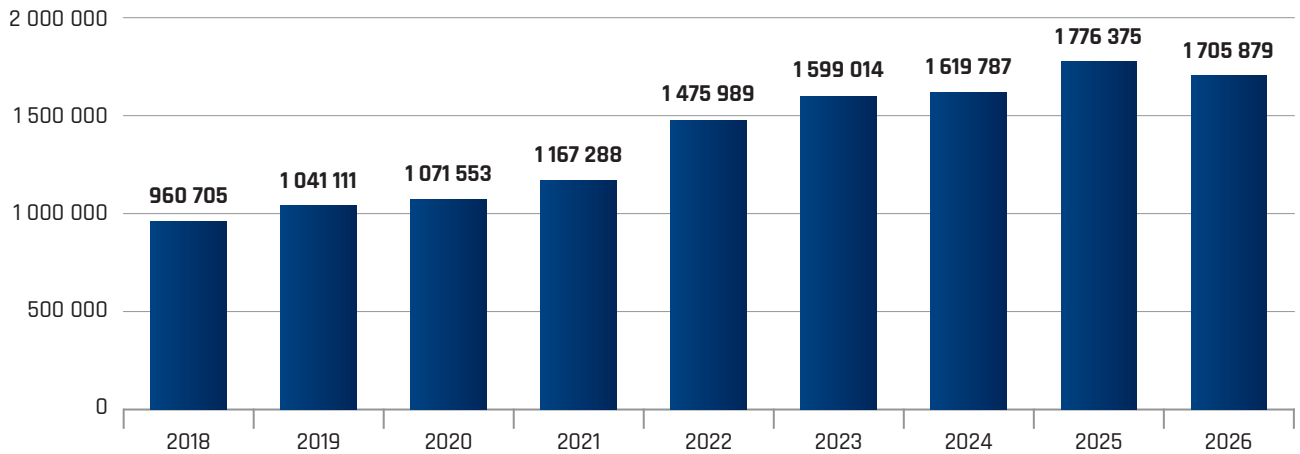
PROJECTED STATEMENT OF FINANCIAL POSITION

The Non-Current Assets of Mhlathuze Water have constantly increased in the past years and are projected to continue growing in line with the planned capital projects and decrease in the outer years due to minimal capital investments projected.

Table 40: Statement of Financial Position

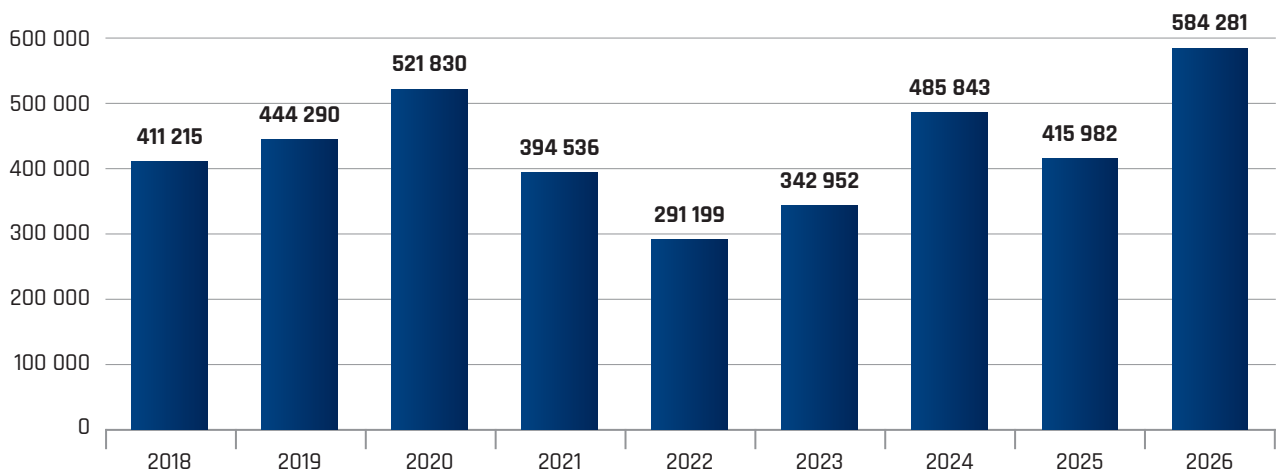
FIVE YEAR PROJECTIONS - STATEMENT OF FINANCIAL POSITION									
Projected Statement of Financial Position for Year ending 30 June	Audited 2018	Audited 2019	Audited 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS									
Current Assets									
Inventories	32,828	36,565	32,079	30,829	29,629	29,378	29,129	28,880	28,629
Receivables from exchange transactions	112,858	141,567	117,345	94,899	90,523	101,241	112,629	120,929	126,773
VAT receivable	-	3,071	-	5,339	1,911	1,891	2,278	2,490	2,591
Cash and cash equivalents	265,529	263,086	372,407	263,469	169,136	210,441	341,807	263,683	426,288
	411,215	444,290	521,830	394,536	291,199	342,952	485,843	415,982	584,281
Non-current assets									
Property, plant and equipment	955,813	1,038,654	1,069,830	1,135,565	1,426,266	1,549,291	1,570,064	1,726,652	1,656,156
Intangible assets	4,892	2,457	1,723	31,723	49,723	49,723	49,723	49,723	49,723
	960,705	1,041,111	1,071,553	1,167,288	1,475,989	1,599,014	1,619,787	1,776,375	1,705,879
Total assets	1,371,920	1,485,401	1,593,383	1,561,824	1,767,188	1,941,966	2,105,630	2,192,357	2,290,160
LIABILITIES									
Current liabilities									
Short term interest bearing borrowings	22,782	22,692	10,839	10,345	10,345	20,345	30,345	38,345	33,172
Payables from exchange transactions	94,369	131,391	129,075	74,711	96,252	104,738	110,728	115,612	119,408
VAT Payable	1,389	-	4,819	-	-	-	-	-	-
Employee benefit liability	16,645	16,825	15,865	18,171	19,625	21,195	22,891	24,722	26,700
Income received in advance	7,965	7,026	6,828	6,335	5,235	4,968	4,479	4,225	3,765
	143,150	177,934	167,425	109,561	131,457	151,246	168,443	182,904	183,045
Non-current liabilities									
Long term interest bearing borrowings	79,006	56,897	46,552	36,699	126,354	196,009	235,664	189,320	161,320
Employee benefit liability	32	-	-	-	-	-	-	-	-
Income received in advance	63,189	57,103	50,480	43,065	37,829	32,861	28,382	24,157	20,392
	142,227	113,999	97,032	79,763	164,183	228,870	264,046	213,477	181,712
Total liabilities	285,378	291,934	264,457	189,325	295,640	380,116	432,489	396,381	364,757
Net assets									
Reserves									
Capital replacement reserve	235,802	242,418	249,675	249,675	243,964	236,995	231,030	234,868	239,183
Business development reserve	17,601	18,805	21,775	21,775	21,775	21,775	21,777	21,775	21,773
Self-insurance reserve	9,514	10,165	5,855	10,874	10,874	10,874	10,874	10,874	10,874
Maintenance reserve	5,124	5,475	10,874	5,855	5,855	5,855	5,855	5,855	5,855
Loan Obligation reserve	-	-	7,959	7,959	13,670	20,636	26,602	22,766	19,449
Environmental reserve	2,370	1,605	1,952	1,952	1,952	1,952	1,952	1,952	1,952
Accumulated surplus	816,131	915,000	1,030,837	1,074,408	1,173,458	1,263,760	1,375,051	1,497,887	1,626,318
Total net assets	1,086,542	1,193,467	1,328,926	1,372,498	1,471,548	1,561,847	1,673,141	1,795,977	1,925,405
Total net assets and liabilities	1,371,920	1,485,401	1,593,383	1,561,824	1,767,188	1,941,966	2,105,630	2,192,357	2,290,160

Figure 13: Non-Current Assets



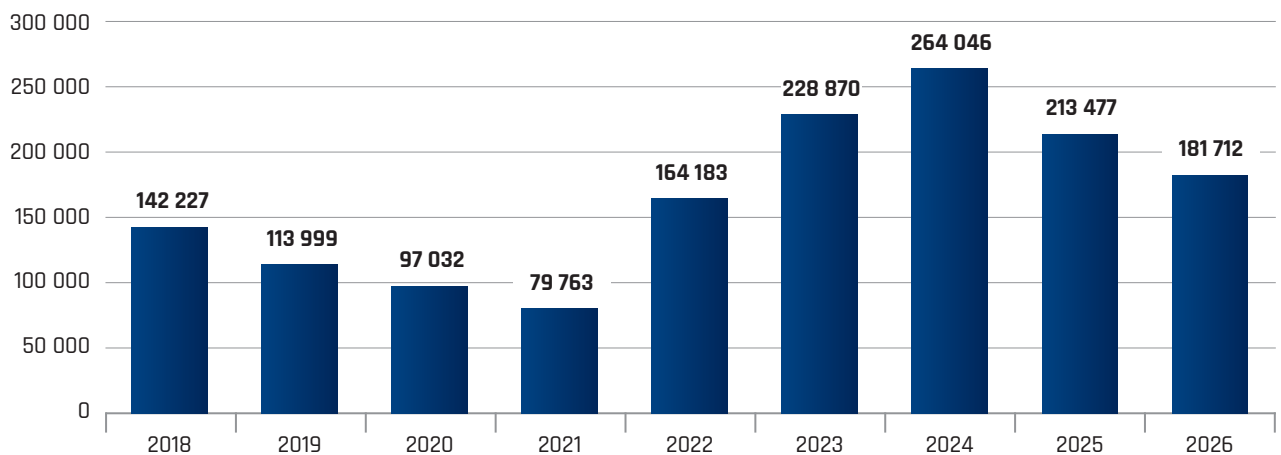
Non-Current Assets are projected to decrease over the years in line with projected capital expenditure.

Figure 14: Current Assets



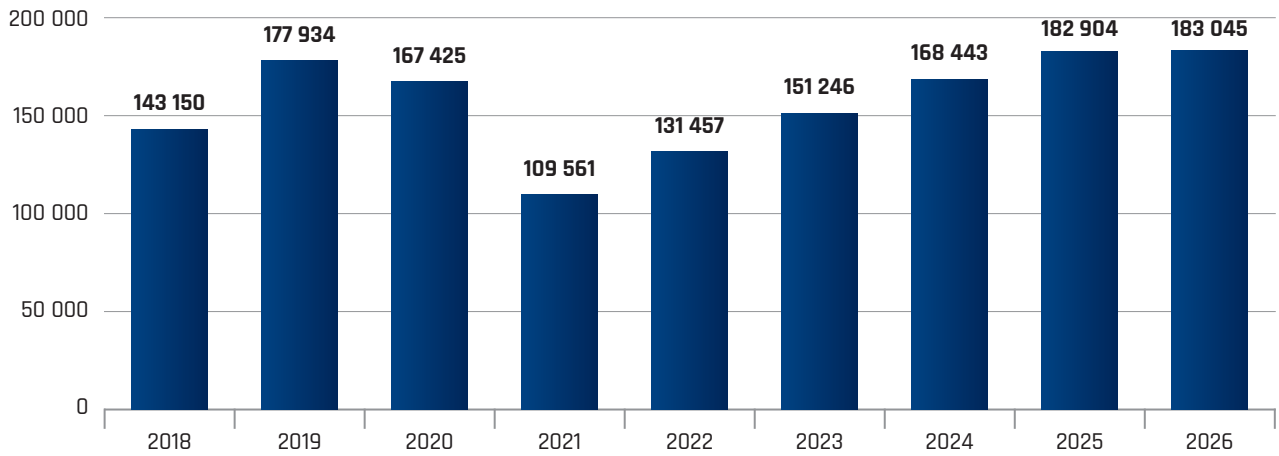
The current assets are projected to increase in line with the projected implementation of capital projects and increase in the outer years in line with decrease in planned capital projects.

Figure 15: Non-Current Liabilities



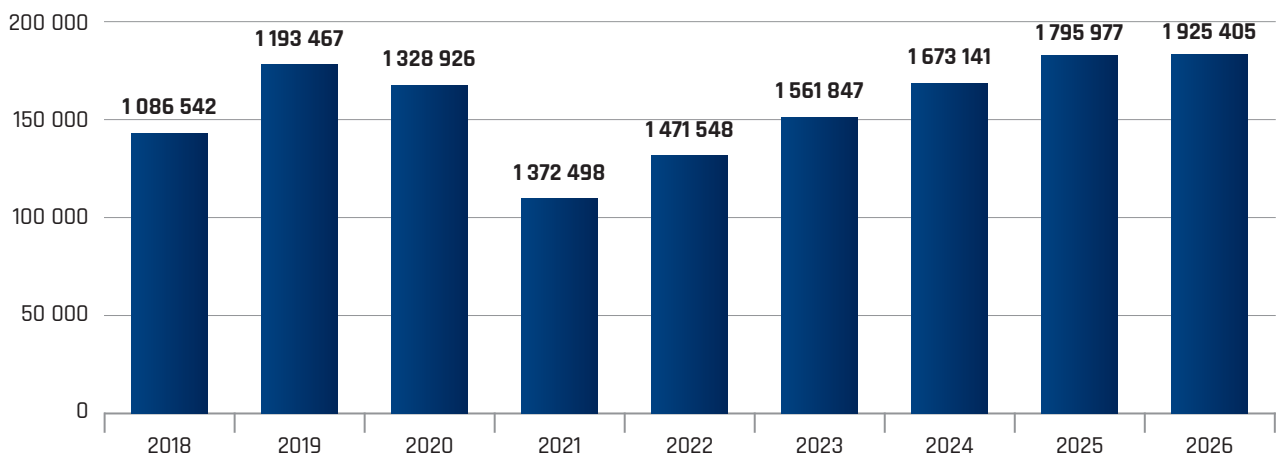
The non-current liabilities are expected to increase in FY2022 in line with the planned borrowing, thereafter decreasing as the projected loans mature.

Figure 16: Current Liabilities



The current liabilities are projected to constantly increase over the 5 year period.

Figure 17: Net Assets Reserves



The Net Assets Reserves are projected to constantly increase as a result of expected surplus.

PROJECTED STATEMENT OF COMPREHENSIVE INCOME

The increase in sales volume is projected to increase in line with new customer requirements and upgrade of plant capacity. The increase in sales volume is expected to result in an increase in revenue. The operating expenditure is projected to increase as per Financial Assumptions.

Table 41: Statement of Financial Performance

FIVE YEAR PROJECTIONS - STATEMENT OF FINANCIAL PERFORMANCE									
Projected Statement of Financial Performance for the year ended 30 June	Audited 2018	Audited 2019	Audited 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Volume (m ³ /day)									
Potable	39,700	46,828	154,000	125,085	125,085	157,889	177,889	177,889	177,889
Raw	3,652	7,771	11,504	11,504	11,504	36,594	36,594	36,594	36,594
Waste	183,483	183,483	188,983	188,983	188,650	188,650	188,650	188,650	188,650
Revenue from exchange transactions									
Sale of goods and services	402,338	478,840	512,489	539,788	592,005	686,021	775,113	833,143	870,576
Cost of Sales	(151,941)	(183,765)	(182,881)	(212,034)	(215,185)	(282,352)	(295,596)	(312,475)	(330,450)
Bulk purchases	(44,378)	(63,069)	(58,538)	(60,272)	(62,584)	(100,070)	(116,522)	(121,663)	(127,041)
Electricity and water	(43,101)	(46,327)	(46,508)	(60,248)	(57,776)	(74,956)	(78,704)	(82,639)	(86,771)
Chemicals	(12,223)	(14,795)	(13,770)	(15,428)	(18,946)	(26,737)	(29,779)	(33,168)	(36,943)
Employee related costs	(13,769)	(13,283)	(14,650)	(20,951)	(22,354)	(23,852)	(25,450)	(27,155)	(28,975)
Depreciation	(38,469)	(46,290)	(49,416)	(55,134)	(53,525)	(56,737)	(45,141)	(47,849)	(50,720)
Gross Profit	250,397	295,075	329,608	327,755	376,820	403,670	479,517	520,668	540,126
Total Secondary activities	3,404	9,887	13,586	5,518	25,750	10,357	5,292	5,702	6,145
Sale of goods and services - Secondary activities	136,666	233,109	151,459	229,945	142,241	135,153	138,437	147,730	157,693
Expenditure - Secondary activities	(133,262)	(223,222)	(137,873)	(224,428)	(116,491)	(124,796)	(133,145)	(142,027)	(151,548)
Other income	17,392	19,962	18,002	13,808	12,103	8,563	3,504	2,746	5,856
Sundry income	1,436	2,610	998	-	-	-	-	-	-
Interest received - investment	15,956	17,352	17,003	13,808	12,103	8,563	3,504	2,746	5,856
Expenditure									
Employee related costs	(93,107)	(95,588)	(106,740)	(125,465)	(129,998)	(139,162)	(148,972)	(159,473)	(170,715)
Remuneration of board members	(620)	(3,274)	(4,700)	(6,747)	(7,547)	(8,076)	(8,641)	(9,246)	(9,690)
Depreciation and amortisation	(7,851)	(9,785)	(5,984)	(7,142)	(7,142)	(7,570)	(23,024)	(24,406)	(25,870)
Impairment of Assets	(59)		(7,670)						
Finance cost	(6,021)	(5,625)	(4,201)	(5,316)	(4,636)	(3,546)	(12,836)	(20,752)	(17,296)
Lease rentals on operating lease	(2,805)	(2,740)	(3,267)	(3,296)	(3,246)	(3,392)	(3,548)	(3,718)	(3,896)
Debt impairment	-	(20)	(1)	-	-	-	-	-	-
Repairs and maintenance	(18,908)	(30,109)	(25,561)	(54,380)	(52,412)	(54,770)	(57,290)	(60,040)	(62,921)
General expenses	(51,104)	(63,940)	(61,169)	(98,946)	(108,373)	(113,390)	(120,202)	(126,007)	(129,534)
Electricity and water	(1,914)	(2,076)	(2,180)	(1,368)	(1,423)	(1,487)	(1,556)	(1,630)	(1,709)
Chemicals	(797)	(829)	(847)	(847)	(847)	(898)	(951)	(1,009)	(1,069)
Total expenditure	(183,185)	(213,985)	(222,320)	(303,508)	(315,624)	(332,290)	(377,019)	(406,280)	(422,700)
Operating surplus	88,009	110,939	138,875	43,572	99,049	90,300	111,293	122,836	129,427
Gain/(loss) on disposal of assets	(4,014)	(4,014)	(2,547)	-	-	-	-	-	-
Surplus for the year	81,949	106,925	136,328	43,572	99,049	90,300	111,293	122,836	129,427

PROJECTED STATEMENT OF CASH FLOW

The table below provides an overview of the projected Statement of Cash for the next 5 years. Mhlathuze Water intends to utilise external funding for major capital projects and subsidise shortfall with internal funding.

Table 42: Statement of Projected Cash Flow

STATEMENT OF CASH FLOW									
Year ending 30 June	Audited 2018	Audited 2019	Audited 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025	Budget 2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities									
Receipts									
Sale of goods and services	577,818	678,824	683,587	559,841	733,386	805,488	897,682	968,347	1,018,661
Interest received	15,955	17,352	17,003	13,808	12,103	8,563	3,504	2,746	5,856
	593,773	696,176	700,591	573,648	745,489	814,051	901,186	971,093	1,024,517
Payments									
Cash paid to employees	(143,959)	(147,383)	(147,301)	(146,416)	(152,352)	(163,014)	(174,422)	(186,628)	(199,689)
Cash paid to suppliers	(292,812)	(382,236)	(316,244)	(362,498)	(403,120)	(498,512)	(543,278)	(574,648)	(605,660)
Finance costs	(6,021)	(5,625)	(7,670)	(5,316)	(4,636)	(3,546)	(12,836)	(20,752)	(17,296)
Finance costs capitalised	(6,436)	(4,434)	-	(3,668)	(4,305)	(12,203)	(7,898)	-	-
	(449,228)	(539,678)	(471,215)	(517,898)	(564,414)	(677,274)	(738,433)	(782,028)	(822,645)
Net cash flows from operating activities	144,545	156,498	229,375	55,751	181,075	136,777	162,753	189,065	201,871
Net cash flows from investing activities									
Purchase of property, plant and equipment	(79,909)	(137,437)	(97,950)	(124,343)	(347,063)	(175,129)	(81,041)	(228,843)	(6,095)
Proceeds from sale of property, plant and equipment	-	852	94	-	-	-	-	-	-
Purchase of intangible assets	(895)	(156)	-	(30,000)	(18,000)	-	-	-	-
	(80,804)	(136,741)	(97,856)	(154,343)	(365,063)	(175,129)	(81,041)	(228,843)	(6,095)
Cash flows from financing activities									
Proceeds (Repayment) of Long term borrowings	(22,199)	(22,198)	(22,199)	(10,346)	89,655	79,655	49,655	(38,345)	(33,172)
Net cash flows from financing activities	(22,199)	(22,198)	(22,199)	(10,346)	89,655	79,655	49,655	(38,345)	(33,172)
Net increase/(decrease in cash and cash equivalents	41,542	(2,442)	109,320	(108,938)	(94,333)	41,304	131,367	(78,123)	162,604
Cash and cash equivalents at beginning of year	223,987	265,529	263,087	372,407	263,469	169,136	210,439	341,807	263,684
Cash and cash equivalents at end of year	265,529	263,086	372,407	263,469	169,136	210,441	341,807	263,683	426,288

PROJECTED BORROWINGS

LONG-TERM BORROWINGS: TERMS AND CONDITIONS

Mhlathuze Water currently has unsecured long-term borrowings from Rand Merchant Bank, Interest and Capital payments are paid bi-annually, and MW has complied with all contractual terms as per the loan agreement.

INFORMATION ON PROPOSED DOMESTIC BORROWINGS

New borrowings, as outlined in table below, will be sourced on the local finance market in the form of loans with fixed interest rates in FY2022, FY2023 and FY2024. New funding will be sourced via an open tender process.

Table 43: Maturity Profile of Debt Payments and Borrowings

Maturity Profile of Debt Repayments and Borrowings									
	Audited	Audited	Audited	Projected					
	2018	2019	2020	2021	2022	2023	2024	2025	2026
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening Long Term Borrowings	(123,988)	(101,788)	(79,589)	(57,391)	(47,044)	(136,699)	(216,354)	(266,009)	(227,665)
New Borrowings	-	-	-	-	(100,000)	(100,000)	(80,000)	-	-
Scheduled Repayments	22,110	22,199	22,198	10,347	10,345	20,345	30,345	38,345	33,172
Closing Loan Pool	(101,788)	(79,589)	(57,391)	(47,044)	(136,699)	(216,354)	(266,009)	(227,665)	(194,492)

Table 44: Amortisation of Proposed Long Term Loan

Proposed Long Term Borrowing	Proposed Year of Borrowing	Proposed Term of Borrowing	Projected Interest Rate	Estimated Capital Repayment Over the Term	Estimated Interest Payment over the Term	Estimated Total Repayment over the Term
R'000			%	R'000	R'000	R'000
100,000	2022	10 Years	8.54	100,000	44,796	144,796
100,000	2023	10 Years	8.54	100,000	44,796	144,796
80,000	2024	10 Years	8.54	80,000	32,250	115,249

INFORMATION ON PROPOSED FOREIGN BORROWING

No foreign borrowings are envisaged during this period. Appropriate approvals will be sought should foreign financing be required.

DEBT GUARANTEES BY THE GOVERNMENT

The government has not guaranteed any of Mhlathuze Water's borrowings and it is not anticipated that any guarantees will be required for future borrowings.

CONFIRMATION OF COMPLIANCE WITH LOAN COVENANTS

Mhlathuze has never defaulted on any interest payments or scheduled debt repayments from inception in 1981 to date. It is not foreseen that it will deviate from this track record.

Table 45: Proposed Borrowing Limits for period 2022 to 2024

Financial Year	Amount R'000
2022	136,699
2023	216,354
2024	266,009

The authorised limit of R223 million for the financial year 2021 was approved by the Minister of Finance and published in the Government Gazette No. 43474 on 26 June 2020.

The authorised borrowing limits are set to expire on 30 June 2021. The application for new borrowing limits has been initiated.

GOING CONCERN

In 2018/19, the Minister of Human Settlements, Water and Sanitation resolved to put the implementation of the Institutional Reform and Rehabilitation (IRR) Program on hold in order to allow for proper consultation with all stakeholders. The Board of Mhlathuze Water was appointed for a 4 year term period commencing on the 5th of December 2018. National Treasury has approved borrowing limits of up to R223 million (2020/21 financial year) for Mhlathuze Water.

Mhlathuze Water made an assessment of the COVID-19 pandemic on its own operations, suppliers and customers as follows:

- Mhlathuze Water's major customers are in essential goods and services, their operations were still on-going during the lockdown periods and the bulk water supply and effluent disposal was not affected negatively;
- Mhlathuze Water's customers have not indicated severe financial difficulties that may provide reasonable doubt and that may significantly affect their credit risk;
- Mhlathuze Water is operating on contracted volumes and a significant portion of revenue is fixed and none of the key customers have indicated intent to decrease contracted volumes or cease operating;

There was no significant decrease in either the water volumes sold or the effluent disposal during the current period year as a result of the COVID-19 pandemic. None of Mhlathuze Water's customers have indicated major operational constraints as a result of the COVID-19 pandemic.

Based on the above assessment, Mhlathuze Water remains a financially viable and a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

14.5. FINANCE UNIT PRE-DETERMINED OBJECTIVES

Table 46: Finance Unit Pre-determined Objectives

Statutory targets and strategic targets	Strategic Objective	To ensure long-term financial sustainability										
		Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Audited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
			2017/2018	2018/2019	2019/2020							
SC5	Effective and Efficient Mechanisms to Ensure Financial sustainability and viability	Current ratio	2.78	2.50	3.39	3.76	3.50	2.00	2.00	2.00	2.50	3.50
		Percentage of primary gross profit margin	62.24%	61.62%	64.37%	63.40%	60.00%	60.00%	58.50%	60.00%	60.00%	60.00%
		Percentage of primary net profit margin	19.52%	20.27%	26.29%	29,87%	14.00%	12%	11%	13%	14%	14%
		Debt equity ratio	0.16	0.12	0.08	0,07	0.15	0.19	0.23	0.23	0.19	0.15
		Percentage of return on assets	6.42%	7.79%	11.08%	13,81%	7.50 %	5.00 %	5.00%	6.50%	7%	7%
		Number of days to collect primary activities debts	43.36 days	44.77 days	38.29 days	48,95 days	Primary activities debts collected within 45 days	Primary activities debts collected within 45 days	Primary activities debts collected within 45 days	Primary activities debts collected within 45 days	Primary activities debts collected within 45 days	Primary activities debts collected within 45 days

Table 46: Finance Unit Pre-determined Objectives...continued

Statutory targets and strategic targets	Strategic Objective	To ensure long-term financial sustainability											
		Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
				Audited actual performance			Audited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
				2017/2018	2018/2019	2019/2020							
SC7	Manage costs within approved budget	Percentage expenditure over approved operational budget	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
MW 36	Effective and efficient mechanisms to ensure financial sustainability and viability	Number of days to collect secondary activities debts	-	101 days	138.69 days	189,89 days	Secondary activities debts collected within 90 days	Secondary activities debts collected within 90 days	Secondary activities debts collected within 90 days	Secondary activities debts collected within 90 days	Secondary activities debts collected within 90 days	Secondary activities debts collected within 90 days	
MW 37	Approved tariff increase	Approved tariffs by the Minister	15 March	15 March	15 March	-	15 March	15 March	15 March	15 March	15 March	15 March	

Table 47: Supply Management Section Pre-determined Objectives

Statutory targets and strategic targets	Strategic Objective	To initiate and build relationships with stakeholders											
		Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
				Audited actual performance			Audited 2 nd quarter performance		2021/2022 Target	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target
				2017/2018	2018/2019	2019/2020							
SC6	Increase BBBEE expenditure relative to operational projects	Percentage of total procurement spent on BBBEE service providers	53.14%	72.29%	78.65%	76,79%	55%	55%	55%	55%	55%	55%	
MW 38	SMMEs paid within turnaround time	Percentage of SMME invoices paid within 14 days of receipt	-	75.00%	75.00%	100%	100%	100%	100%	100%	100%	100%	
MW 39	Invoices paid within 30 days of receipts	Percentage of invoices paid within 30 days of receipt	-	-	-	100%	100%	100%	100%	100%	100%	100%	
MW 40	Emerging suppliers developed through the incubation programme	Number of new emerging suppliers developed through the incubation programme	-	-	-	-	10	1	2	2	2	3	

ANNEXURE A

SHAREHOLDER COMPACT: APPENDIX 1 (PERFORMANCE OBJECTIVES AND TARGETS)

Performance Perspective	Output	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets										
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2017/18 Projected Target	2017/18 Actual	2018/19 Projected Target	2018/19 Actual	2019/20 Projected Target	2019/20 Actual	2020/2021 Projected Target	2020/2021 2 nd Quarter actual	2021/2022 Projected Target		
Organisational Efficiency and Effectiveness	1	Compliance with SANS 241:2015 water quality standard for potable water	MO A, OP1, Ta) & c). MO B, OP2, Ta)	SG1 (SO1.1, 1.2, 1.3) SG2 (SO3.2)	SO 6	Water quality standard met	Percentage compliance to water quality standard	%	97%	99.90%	97%	99.95%	97%	99.92%	97%	99,00%	97%	
	2	Manage avoidable water losses	MO A, OP1, Ta) MO B, OP2, Ta)	SG2 (SO2.1) SG3 (SO 3.1, 3.2)	SO 7	Reduced avoidable water losses in treatment and distribution systems	Percentage of avoidable water losses on water abstracted	%	5%	2.72%	5%	1.41%	5%	1.52%	5%	2,99%	5%	
	3	Reliability of water supply	MO A > G OP1, Ta), b) & c). OP2, Ta)	SG2 (SO 2.1, 2.4) SG3 (SO 3.1)	SO 1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of instances of unplanned supply interruptions exceeding 24 hours	Number	3	0	3	0	3	0	3	0	3	
Financial Performance	4	Effective governance, compliance with legislation and financial sustainability	MO A > G	SG1 (SO1.2) SG3 (SO3.2)	SO 5	Unqualified audit report	Number of unqualified external audit reports	Unqualified audit report	Unqualified audit report	Unqualified audit opinion with no matters of emphasis	Qualified audit opinion	Unqualified audit opinion with no matters of emphasis	Unqualified audit opinion with matters of emphasis	Unqualified audit opinion with no matters of emphasis	Clean audit opinion	Unqualified audit opinion	Clean audit	2020/2021 Unqualified audit opinion
	5	Effective and efficient mechanisms to ensure financial sustainability and viability	MO A B & D OP1, Ta), b) & c). OP2, Ta)	SG1 (SO1.2) SG3 (SO3.2)	SO 2	Improved viability and sustainability	Current Ratio	Ratio	1.90	2.78	2	2.50	3.7	3.39	3	3.62	2	
							Percentage of primary gross profit margin	%	80%	57%	60%	62%	46%	64.37%	60%	63,94%	60%	
							Percentage of primary net profit margin	%	6%	16%	10%	20%	15%	26.29%	7.50%	27,77%	12%	
							Debt equity Ratio	Ratio	0.33%	16%	0.33%	0.21	0.15	0.08	0.21	0.08	0.19	
							Percentage of return on assets	%	2.9%	6.42%	4%	7.79%	4.3%	11.08%	4%	12,82%	5%	
							Number of days to collect primary activities debts	Number	45 days	43 days	45 days	44.7 days	45 days	38.29 days	45 days	48.95 days	45 days	
							Percentage of repairs and maintenance of PPE	%	2%	5.01%	2%	3.74%	3%	2.68%	4%	0,63%	3,5%	
Percentage of staff remuneration of total operating budget	%	30%	31%	30%	23.97%	30%	28.26%	30%	25,35%	30%								

ANNEXURE A ...continued

SHAREHOLDER COMPACT: APPENDIX 1 (PERFORMANCE OBJECTIVES AND TARGETS) ...continued

Performance Perspective	Output	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets									
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2017/18 Projected Target	2017/18 Actual	2018/19 Projected Target	2018/19 Actual	2019/20 Projected Target	2019/20 Actual	2020/2021 Projected Target	2020/2021 2 nd Quarter actual	2021/2022 Projected Target	
Financial Performance	6	Increase BBBEE expenditure relative to operational projects	MO E	SG1 (SO1.2) SG3 (SO3.2)	SO3	Procurement spent on BBBEE services providers	Percentage of total procurement spent on BBBEE service providers	%	50.1%	53.14%	55%	72.29%	55%	78.65%	55%	86.70%	55%
	7	Manage costs within approved budget	MO B OP2 To)	SG1 (SO1.2) SG3 (SO3.2)	SO 2	Actual budget compared with budgeted expenditure	Percentage expenditure over approved operational budget	%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	8	Capital expenditure programme	MO E MO A,B & D	SG1 (SO1.2) SG 3 (SO3.2)	SO 1	Infrastructure available to meet demands	Percentage of CAPEX spend against budget	%	80,00%	80,75%	80,00%	99,49%	80,00%	35,38%	90,00%	1,01%	90%
	8	Capital expenditure programme in line with infrastructure master plan	MO E MO A,B & D	SG1 (SO1.2) SG 3 (SO3.2)	SO 1	Infrastructure available to meet demands	Percentage of capital projects completed within targeted dates	%	80,00%	100,00%	80,00%	95,00%	100,00%	56,66%	100,00%	0,00%	100%
	9	Engagement in secondary activities	MO A,D,E & G	SG1 (SO1.2) SG3 (SO3.4)	SO 2	Growth in turnover from secondary (other activities)	Percentage of growth in turnover secondary activities	%	10%	(25.35%)	No target set for the FY	-	0.5%	(27.13%)	0.5%	0.5%	0.5%
Customer/ Stakeholder Interaction	10	Bulk supply agreements concluded with municipalities/ other customers	MO A, B & D Op1, To), b) & c), OP2, To)	SG1 (SO1.3) SG2 (SO2.3) SG3 (SO3.2, 3.4)	SO 3	Statutory and Service Level Agreements in place	Number of bulk supply agreements in place	Number	9	7	9	7	7	7	7	7	7
	11	Implementation of Ministerial directives	MO B,C	SG1 (SO1.3) SG2 (SO2.2) SG3 (SO3.2)	SO 1	Ministerial directives issued are implemented on time	Percentage of Ministerial directives implemented against allocated budget	%	80%	100%	100%	100%	100%	100%	Nil	100%	Nil
	12	Rural development support in line with the organisation's mandate	MO C,G,F	SG1 (SO1.1, 1.3) SG2 (SO2.3)	SO 3	Total Number of projects implemented in municipalities	Number of projects implemented in municipalities	Number	2	0	2	2	2	Service providers appointed for construction services in 2 municipalities supported	2	Received a request for rural development support	2
	13	Meeting statutory submission deadlines	MO A,B & D OP1, To), b) & c), OP2, To)	SG1 (SO1.2) SG3 (SO3.2)	SO 5	All statutory reports submitted on time	Number of approved business plans submitted as per compliance requirements	Number	1	1	1	1	1	EXCO and MANCO strategic plan held	1	1 Draft business plan	1
		Meeting statutory submission deadlines	MO A,B & D OP1, To), b) & c), OP2, To)	SG1 (SO1.2) SG3 (SO3.2)	SO 5	All statutory reports submitted on time	Number of approved shareholders compact submitted as per compliance requirements	Number	1	1	1	1	1	Shareholders template in place	1	Draft shareholders compact	1
	Meeting statutory submission deadlines	MO A,B & D OP1, To), b) & c), OP2, To)	SG1 (SO1.2) SG3 (SO3.2)	SO 5	All statutory reports submitted on time	Number of approved annual reports submitted as per compliance requirements	Number	1	1	1	1	1	1	1	1	1	
	Meeting statutory submission deadlines	MO A,B & D OP1, To), b) & c) OP2, To)	SG1 (SO1.2) SG3 (SO3.2)	SO 5	All statutory reports submitted on time	Number of approved quarterly reports submitted as per compliance requirements	Number	4	4	4	4	4	2	4	2	4	

ANNEXURE A ...continued

SHAREHOLDER COMPACT: APPENDIX 1 (PERFORMANCE OBJECTIVES AND TARGETS) ...continued

Performance Perspective	Output	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets									
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2017/18 Projected Target	2017/18 Actual	2018/19 Projected Target	2018/19 Actual	2019/20 Projected Target	2019/20 Actual	2020/2021 Projected Target	2020/2021 2 nd Quarter actual	2021/2022 Projected Target	
Organisational Capacity	14	Optimal staff retention	MO E	SG1 (S01.1, 1.3)	SO 4	Optimal staff turnover	Percentage of staff turnover	%	5%	6.99%	8%	11.17%	8%	1.24%	8%	1.13%	8%
	15	Learners trained and equipped with skills	MO E	SG1 (S01.1, 1.3)	SO 4	Skills and capacity building	Number of learners trained and equipped with skills	Number	6	6	5	8	5	Learnership programme advertised	5	5	5
		MW employees trained and equipped with skills	MO E	SG1 (S01.1, 1.3)	SO 4	Skills and capacity building	Number of new internal bursaries awarded to MW employees	Number	25	18	1	6	3	4 Study assistance applications received	3	Reminders on internal bursaries issued	3
		Graduate trainees participating in the graduate training programme	MO E	SG1 (S01.1, 1.3)	SO 4	Skills and capacity building	Number of graduate trainees participating in the graduate training programme	Number	2	2	2	2	2	4	4	4	4
	16	Temporary jobs created	MO E	SG1 (S01.1, 1.3)	SO 1	Temporary jobs created	Number of temporary jobs created through MW programme	Number	100	155	200	208	200	147	40	31	40
General Performance	17	Board Effectiveness	MO A > G	SG1 (S01.1, 1.2) SG3 (S03.1, 3.2)	SO 5	Improved performance of fiduciary duties/ governance	Percentage of attendance of Board members at Board meetings	%	100%	100%	80%	95%	80%	86.5%	80%	100%	80%
	18	Corrective measures for internal audit findings	MO B	SG1 (S01.2) SG3 (S03.2)	SO 5	Internal audit findings dealt with	Number of repeat internal audit findings	Number	-	31	10	2	0	0	0	0,00	0
							Number of unresolved internal audit findings	Number	0	5	4	9	0	2	2	3,00	0
	19	Good governance	MO E,F & G	SG1 (S01.2) SG3 (S03.2)	SO 2	Improved controls and risk mitigation	Number of breaches of materiality and significant framework	Number	0	8	0	0	0	0	0	0,00	0 Breaches of materiality & significant framework for 2020/2021
20	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	MO E	SG2 (S02.2) SG3 (S03.2)	SO3	Good corporate citizenship	Number of CSI initiatives undertaken	Number	4	5	4	4	4	1	4	0,00	4	
Optional WB Specific Performance objectives	21	Health & Safety of employees	MO B	SG1 (S01.2) SG3 (S03.2)	SO 6	Reduced number of disabling injuries	Disabling injury frequency rate (DIFR)	Rate	0.44	0.31	0.44	0.91	0.44	0.22	0.5	0,00	0.45

ANNEXURE B



DOCUMENT TITLE
ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN
PURPOSE OF THE IMPLEMENTATION PLAN
To set out the Annual Risk Management Implementation Plan
BRIEF DESCRIPTION OF CHANGE
Review of the Implementation Plan to align with the guidelines as suggested by the National Treasury
NOTED SIGNATURE RECORD
Noted by the Audit, Risk and Finance Committee at its meeting of 25 APRIL 2019  _____ TA SHANGE CHAIRPERSON OF THE BOARD DATE: <u>25/04/2019</u>

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1. Introduction

The Risk Management Plan is a management tool that defines how the various risk management strategies are to be implemented to address risks faced by the organization. It forms part of the Risk Management Framework of the organization and must therefore be read in conjunction with inter-alia the Risk Management Strategy and Policy.

2. Objective

The primary objective of Enterprise Risk Management Implementation Plan (ERMIP) is to facilitate the execution of risk management. The ERMIP for the organization was prepared to give effect to the implementation of the Risk Management Strategy and Policy sets out all risk management activities planned for the 2018/2019 financial year.

3. Approach

The development of the risk management implementation plan has taken into consideration:

- the Risk Management Strategy;
- the Risk Management Policy ;
- available resources;
- Internal Audit and Auditor- General recommendations in relations to Risk Management
- Urgency, quick wins and sustainability

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4. Summary Progress on ERMIP Implementation

The plan provides the current milestone on risk management processes in the current year (i.e. 2018/2019)

Legend Keys:



No of activities	Not yet due to be started	Not started by start date	Started ≤10%	In progress >10%	Completed	Overdue
19	3	0	0	5	11	0

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5. ANNEXURE: DETAILED RISK MANAGEMENT IMPLEMENTATION PLAN 2018/19



ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Mandate and Commitments				
Develop Anti- Fraud and Corruption Framework	Develop Anti-Corruption Strategy and Fraud Prevention Plan Develop Fraud and Corruption Prevention and Response Plan Recommend for approval by : Risk, IT & Health and Safety Committee MANCO EXCO	Approved Anti- Fraud and Corruption Framework	Risk Specialist 30/12/2018	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Develop Whistle-blower Policy	Finance, Audit and Risk Committee Board Develop Whistle-blower Policy 2018/2019 Recommend for approval by: Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board	Approved Whistle-blower Policy	Risk Specialist 31/03/2019	
Develop Risk Management Implementation Plan	Develop Risk Management Implementation Plan 2018/2019 Recommend for approval by: Risk, IT & Health and Safety Committee MANCO EXCO	Approved Risk Management Implementation Plan 2018/19	Risk Specialist 30/10/2018	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
	Finance, Audit and Risk Committee Board			
Risk Orientation				
Risk Management Training	Training of Risk Champions	Capacitated Risk Champions	Risk Specialist 31/10/2018	
Review Strategic and Operational risk register for 2018/2019 financial year	Set up meetings with all Risk Owners and Control Owners to update quarter 01 action status.	Completed and updated 2018/2019 Strategic and Operational Risk registers Quarter 1	Risk Specialist 31/10/2018 Quarter 1	
Create awareness on MW stance of Anti- Fraud and Corruption	Workshops/ Sessions to officials Quarterly articles on Anti- Fraud and Corruption Inductions for new employees	Embedded Anti-Fraud and Corruption Prevention Culture in the organization	Risk Specialist 31 /03/2019	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Ensuring all role players understand their roles and responsibilities with regards to the mitigation of risk	Workshops/ Sessions to officials Inductions for new employees	Embedded Risk Culture in the organization	Risk Specialist 28 /02/2019	
Risk Assessment				
Facilitate enterprise-wide risk assessments for the organization and departments	Information gathering and context setting Facilitate risk identification and assessment sessions. Analyse information and develop risk assessment reports.	Pre-risk assessment interviews with all departments	Risk Specialist 30 May 2019	
		Facilitated strategic risk register 2019/20	Risk Specialist 30/06/2019	
		Facilitated operational risk registers 2019/20	Risk Specialist 30/06/2019	
		Facilitated fraud risk register 2019/20	Risk Specialist 30/06/2019	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Risk Responses				
Development of risk response strategies	Drafting action plans for all gaps identified in addressing the risks as at 30/06/2019	Finalised and implemented action plans within milestones on strategic, operational and anti- fraud risk registers	Action Owners 30 /06/2019	
Insurance renewal	Tender process to appoint new Insurance brokers Appointment of Insurance brokers Insurance renewal Review and update of Principle Controlled Insurance	Insurance Broker Insurance cover for 2019/2020 Review Projects Insurance Policy	Risk Specialist 30/06/2019	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Risk Monitoring and Reporting				
Facilitate the execution of ERM processes and infrastructure.	<p>Conducting risk monitoring and reporting on action items for quarter 02 to:</p> <p>Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board</p>	<p>Updated progress reports approved by various stakeholders as follows:</p> <p>Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board</p>	Risk Specialist Quarter 2 (31/12/2018)	
Facilitate the execution of ERM processes and infrastructure.	<p>Conducting risk monitoring and reporting on action items for quarter 03 to:</p>	<p>Updated progress reports approved by various stakeholders as:</p>	Risk Specialist Quarter 3 (31/03/2019)	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
	Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board	Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board		
Facilitate the execution of ERM processes and infrastructure	Conducting risk monitoring and reporting on action items for quarter 04 to: Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board	Updated progress reports approved by various stakeholders as: Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board	Risk Specialist Quarter 4 (30/06/2019)	
Implementation of Anti-Fraud/ Corruption Prevention Plan	GM's to develop departmental action plans on how to implement Anti-Fraud and Corruption	Quarterly reports on Anti-Fraud and Corruption action plans submitted	All GM's 30/04/2019	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
	prevention plan Development of processes and procedures	and approved by: Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board		
Incorporation of Risk Management KPI's in the GM's performance contracts	GM's to monitor and ensure completeness of further actions items in the departmental risk registers	Completed and closed off action items supported by POE's Desired residual risks	Strategy and Special Projects Manager All GM's 30/12/2018	
Review Biometric system	Review effectiveness of the Biometric system and Recommendations	Issue Biometric report to: Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk	Risk Specialist 30/04/2019	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/ OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
Site Inspections	Conducts on-site inspections of properties and facilities to identify Health & Safe hazards and Security risk exposures.	<p>Committee</p> <p>Event Risks and Security review report to be presented to:</p> <ul style="list-style-type: none"> Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board 	<p>Risk Specialist</p> <p>Strategic Manager & Development</p> <p>Health and Safety Specialist</p> <p>28/04/2019</p>	
AG and Internal Audit Findings				
To ascertain the progress on AG and Internal audit action item	To address audit findings on Risk Management findings against the status quo of the agreed actions as per relevant dates.	<p>Progress report to:</p> <ul style="list-style-type: none"> Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk 	<p>Risk Specialist</p> <p>31/03/2019</p>	

ANNEXURE B ...continued

ACTIVITY	DETAIL ACTION	OUTPUTS/OUTCOMES	DUE DATES AND RESPONSIBLE PERSON	PROGRESS
		Committee Board		
Evaluate the effectiveness of risk management process	Internal Audit to verify the effectiveness of risk management processes.	Quarterly reports on Risk Management effectiveness to : Risk, IT & Health and Safety Committee MANCO EXCO Finance, Audit and Risk Committee Board	Internal Audit Quarter 2 (31/12/2018) Quarter 3 (31/03/2019) Quarter 4 (30/06/2019)	

Review of Risk Management Implementation Plan

This Risk Management Implementation Plan will be reviewed annually.

Summary


When this plan is implemented, value will be added to the endeavours of the organization to render quality, affordable and sustainable Mhlathuze Water key services

ANNEXURE B ...continued



FRAMEWORK NUMBER	01
AUTHOR	CHIEF FINANCIAL OFFICER
DOCUMENT TITLE	
FRAMEWORK FOR MATERIALITY AND SIGNIFICANCE	

PURPOSE
To establish a framework of acceptable levels of materiality and significance for Mhlathuze Water per the Treasury Regulations.

APPROVAL SIGNATURE RECORD
Approved by the full EXCO at its meeting of 15 January 2020.

Mr. MP DUZE CHAIRPERSON OF EXCO
DATE: 15 / 01 / 2020

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1. PURPOSE

To establish a framework of acceptable levels of materiality and significance for Mhlathuze Water as per the Treasury Regulations.

2. OBJECTIVE

The purpose of this document is to record the levels and reasoning for the suggested level of materiality and significance for consideration by the governance structures of Mhlathuze Water and for approval by the EXCO Chairperson.

3. SCOPE

The information covered by this framework shall include information related to MWs business operations and performance which has a significant effect on service delivery and investment.

4. ACRONYMS

SAAS	South African Auditing Standards
MW	Mhlathuze Water
ASB	Accounting Standard Board
GRAP	Generally Recognised Accounting Practises
PFMA	Public Finance Management Act No. 1 of 1999
EXCO	Executive Committee
MANCO	Management Committee
CE	Chief Executive
CFO	Chief Financial Officer

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5. LEGAL FRAMEWORK

- 5.1 In terms of Treasury Regulations 28.3.1 issued in terms of the PFMA, for purposes of material [Section 55(2) of the Act] and significant [section 54(2) of the Act] the accounting authority of Mhlathuze Water must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.
- 5.2 In terms of Treasury Regulations 28.2.1, any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note in the Annual Financial Statements of the public entity.
- 5.3 In terms of Treasury Regulations (Section 30.1.3(e)), the strategic plan must include the materiality/significant framework, which is referred to in Treasury Regulations 28.3.1.
- 5.4 The specific sections of the PFMA that is relevant for the purposes of materiality are Section 50(1), Section 55(2), and Section 66(1), and, with reference to significance – Section 54(2).

6. FRAMEWORK

6.1. Background

- 6.1.1 In line with Mhlathuze Water's policy on materiality and significance materiality in this framework means:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

- 6.1.2 ISA 320 draws a distinction between Qualitative material misstatement and Quantitative material misstatement. Qualitative materiality refers to the nature of misstatement in the financial statements whereas Quantitative materiality refers to the size of misstatement in the financial statements.

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6.1.3 It must also be noted, that due to the fact that this framework will govern the reporting or not of specific items in the Annual Report, that the materiality and significance levels may not be higher than that of the external auditors. The reason for this being that all items that are considered material by the auditors will have a large probability of being reported in the Annual Report or the management report for the specific financial year in any event.

6.2. Factors considered in developing the materiality framework

The framework is applied under two main categories, being quantitative and qualitative aspects.

6.2.1 Quantitative aspects: Materiality level

In terms paragraph 3.7 of Practice Note on applications under section 54 of the PFMA by Public Entities dated 13 July 2006: "Acceptable levels of significance must be agreed with the Executive Authority, the guiding principles set out below should be applied."

The parameters are derived from the Rand values of certain elements of MW's Audited Annual Financial Statements, as follows:

Table 1: Parameters

Element:	% range to be applied against Rand values
Total Assets	1% - 2%
Total Revenue	0,5% - 1%
Profit after tax	2% - 5%

Audited Annual Financial Statements for financial year (FY) 2018/19 will be utilised in calculating this materiality.

The range to be implemented for MW is based on the effectiveness of internal controls. Internal controls are determined to be effective if they can prevent, detect and correct misstatements.

If the internal controls are determined to be effective, the highest range will be utilised in calculating materiality and if the internal controls are determined not to be working effectively and then the lowest range of materiality will be utilised in the calculation of the materiality.

MW was qualified in the FY2017/18 on trade receivables and FY2018/19 received an unqualified audit opinion which indicated an improvement in the overall effectiveness of internal controls.

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Based on this, the calculation of materiality will be on the medium scale of the range.

Table 2: Calculation of materiality:

Element and amount per AFS R'000	Range rating	Materiality calculated R'000
Total Assets: R1 485 401	Low – 2%	R29 708
	Medium – 1,5%	R22 281
	High – 1%	R14 854
Total Revenue: R711 942	Low – 1%	R7 119
	Medium – 0,75%	R5 340
	High – 0.5%	R3 560
Profit before tax: R106 926	Low – 5%	R5 346
	Medium – 3,5%	R3 742
	High – 2%	R2 139

Mhlathuze Water assesses the level of materiality as being 0,75% of total revenue.

Factors considered:

i. Nature of MW's business:

MW's objective is to become the preferred water service provider in South Africa.

MW's Revenue primarily comprises of bulk water sales, discharging of effluent, fees for management of waterworks and waste water works and revenue from secondary activities.

ii. Statutory requirements applicable to MW:

- Mhlathuze Water is listed as a PFMA Schedule 3B public entity.
- The Board of MW is required to execute their mandate in terms of the PFMA.
- Mhlathuze Water accordingly elects to give preference to a medium level of materiality due to it being so closely governed by various acts and the public accountability responsibility it has to stakeholders.

Based on the above factors, it is most befitting to calculate materiality based on Revenue, as it is what drives the business.

In assessing the control risk, management concluded that level of materiality being 0,75% % of total revenue is appropriate and prudent. This assessment is based on the fact that the control environment has improved. In this regard cognisance was given to amongst other matters:

- Established governance structures which includes:

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i. The Board Committees and Executive Committee

- A Risk, IT, Health and Safety Committee with specific risk management responsibilities;
- An Audit, Risk and Finance Committee that closely monitors the control environment of Mhlathuze Water;
- The function of internal audit is co-sourced and is managed by professional independent internal auditors with the necessary skills and experience;

6.2.5 Qualitative Aspects

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

Mhlathuze Water recognises that misstatements that are large either individually or in 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 Mhlathuze Water may enter into.
- Significant transactions outside normal course of MW business.
- Transactions entered into that could result in reputational risk to Mhlathuze Water.
- Any fraudulent or dishonest behaviour of an official or staff.
- Any suspected corruption, irregularities or fraud.
- Any infringement of Mhlathuze Water's agreed performance levels.
- Procedures/processes required by legislation or regulation (e.g. PFMA and the Treasury Regulations).
- Unauthorised, irregular or fruitless and wasteful expenditure.
- Items of a non-financial nature, which would impact on the continued operation and deliverables.
- Should any of these qualitative factors occur, management will thus respond to such accordingly and disclose such as per relevant accounting standard.

6.3. Responsibility for procedure maintenance

6.3.1 Procedure for Annual Review

6.3.1.1 The CFO will be responsible for conducting an annual review and making a recommendation to EXCO, regarding the Materiality and Significance Framework.

6.3.1.2 The CFO must take the following factors into account:

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- Guidelines issued by National Treasury;
- The nature of Mhlathuze Water’s business;
- Statutory requirements affecting Mhlathuze Water;
- The inherent and control risks associated with Mhlathuze Water; and
- Quantitative and qualitative issues.

6.3.2 Recording of the approved Framework

6.3.2.1 The CE is responsible for ensuring that the Materiality and Significance framework is included in the Business Plan for the ensuing financial year.

6.3.2.2 The CFO should ensure that Mhlathuze Water’s Annual Report reports on any matters of Materiality or Significance.

6.3.2.4 The CFO is the custodian of this framework.

6.4. Reference to other policies

6.4.1 Employees are required to familiarise themselves with the relevant provisions of the following policies:-

- a) Supply Chain Management Policy
- b) Delegation of Authority Policy
- c) and other relevant officials

7. RESPONSIBILITIES

POSITION TITLE	TASK DESCRIPTION
EXCO	Review and approves the framework
MANCO	Review and recommend the Framework to EXCO
Chief Financial Officer	Custodian and Administrator of the framework Develop, revise and enforce this framework
Departmental Managers	Ensure adherence of their personnel to the Principles of this framework
Employees	Comply with the principles of this framework

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8. REVIEW OF THE FRAMEWORK

The Finance Department will be responsible for the review of this framework annually or as and when required in line with changes in the organisation or legislation or regulations.

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DOCUMENT TITLE

FRAUD AND CORRUPTION CONTROL PLAN

PURPOSE

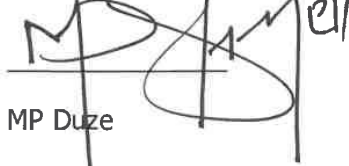
The primary initiatives of the Plan are to protect Mhlathuze Water (MW) money, information and property and safeguard the integrity and reputation of MW. The Plan is underpinned by fraud risk assessments which are detailed in the Fraud Risk Register (FRR).

BRIEF DESCRIPTION OF CHANGE

New Document

APPROVAL SIGNATURE RECORD

Approved by the EXCO at its meeting on 24 February 2021



MP Duze

Chairperson Of EXCO

Date: 24/02/2021

ANNEXURE B ...continued

1. Foreword

Mhlathuze Water (MW) has unique responsibilities and a privileged role within South Africa to provide key services in both communities through municipalities and industries.

MW staff members, contractors and other relevant stakeholders engaged to provide or deliver services as per organizational requirement, all have crucial roles to play in reducing the MW exposure to fraud. This Fraud Control Plan 2021 to 2024 (the Plan), outlines our approach to effectively prevent, detect and respond to fraud or misuse of MW resources.

Fraud has the potential to undermine our ability to achieve our objectives, reputation and ethical organizational culture. The percentage of South African organizations who have experienced economic crime has significantly declined in 2020 returning to levels last seen in 2011. The rate of reported economic crime has dropped 17 percentage points from 77% in 2018 to 60% this year. These are some of the key findings from PwC's biennial [Global Economic Crime and Fraud Survey – 7th South African edition](#), issued on Global Economic crimes and Fraud survey 2020.

Despite this decline, South Africa's rate of economic crime continues to remain significantly higher than the global average of 47%. Added to this is the stark reality that the incidence of higher value serious economic crime, being crimes with a value greater than US\$100 million, is now 4%.

Trevor White, PwC Forensic Partner and Global Economic Crime and Fraud Survey Leader for South Africa, says:

"Given the spate of recent scandals in South Africa, both in the public and private sectors, it is no surprise that organizations consider bribery and corruption to be the most serious economic crime to affect businesses. This, combined with increased involvement of senior management in perpetrating such acts, has resulted in a sharp increase in the value of losses incurred as a result."

The level of involvement of senior management as the main perpetrator has escalated from 20% in 2018 to 34% in 2020.

In all our dealings, we must ensure MW monies are spent for their intended purposes, information is secured, assets and resources are used appropriately to protect the interests and reputation of the organization. To succeed, we must apply risk-based principles in decision-making to ensure day-to-day functional activities are not compromised. To manage the risk of opportunistic fraud, we must continually review the effectiveness of our internal controls and ensure our business processes are streamlined and that complexity is minimized.

This Plan is intended to support MW staff, contractors and service providers as well as all other relevant stakeholders engaged by the organization to assess risk as well as prevent, detect and report fraud so that MW funding and assets are used for their intended purpose.

MP Duze

Chief Executive

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2. Document History

A history of released document versions

<i>Version</i>	<i>Date</i>	<i>Description</i>	<i>Approved</i>
<i>2016-2017</i>	<i>Oct 2016</i>	<i>Anti-Fraud Prevention Strategy (FPS)</i>	<i>Accounting Authority</i>
<i>2018 – 2019</i>	<i>May 2018</i>	<i>Anti-Fraud Prevention Policy (FPP)</i>	<i>Accounting Authority</i>
<i>2018 – 2019</i>	<i>May 2018</i>	<i>Whistle-blowers Policy (WP)</i>	<i>Accounting Authority</i>
<i>2020 – 2023</i>	<i>April 2020</i>	<i>Revised Anti- Fraud and Corruption Prevention Policy (AFCPP)</i>	<i>Board</i>
<i>2020 – 2023</i>	<i>July 2020</i>	<i>Revised Whistle-blowers Policy (WP)</i>	<i>Board</i>
<i>2021 – 2024</i>	<i>July 2021</i>	<i>Anti -Fraud and Corruption Strategy</i>	
<i>2021 – 2024</i>	<i>February 2021</i>	<i>Fraud and Corruption Control Plan</i>	

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3. Glossary

Term	Description
Accounting Authority	A body or person that has responsibility for, and control over, Mhlathuze Water operations under Public Finance Management Act section 49
Compliance	The outcome of the organization's meeting its legal and ethical obligations.
Control	A measure that modifies a risk.
External fraud	Fraud committed against MW by a person other than an employee or contractor of MW.
Fraud response	Covers the systems and processes that assist an organization to respond appropriately to an alleged fraud where it is detected.
Fraud risk assessment	The application of risk management principles and techniques to assess the risk of fraud in MW.
Fraud risk register	Contains a collection of functional activities, programmes / projects detailed fraud risk assessments.
Internal fraud	Fraud committed against MW by an employee or contractor.
Investigation	A process of seeking information relevant to an alleged, apparent or potential breach of the law, involving possible judicial proceedings. The primary purpose of an investigation is to gather admissible evidence for any subsequent action, whether under criminal, civil, disciplinary or administrative sanctions.
Prevention	Strategies that are designed to proactively reduce or eliminate fraud committed against MW.
Residual risk	A risk remaining after risk treatment.
Risk owner	A person or entity with the accountability and authority to manage a risk.
Risk profile	A description of any set of risks.
Risk treatment	A process to modify risk.

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Term	Description
Serious and complex fraud	Fraud which due to its size or nature is too complex for most entities to investigate
Stakeholders	Those people and organisations who may affect, be affected by or perceive themselves to be affected by a decision or activity.

4. Introduction

Fraud against MW is a serious matter for the organization and for the wider community. The leadership of MW has a zero tolerance for fraud. Not only is it a criminal offence, but fraud reduces funds available for delivering public services and the propensity to undermine the integrity of the public's confidence in the organization.

Corruption is commonly associated with fraud, however it can also be a risk in itself (where fraud is not directly involved). Recent corruption inquiries in the PWC report indicate that while levels of corruption and serious misconduct in certain organizations remain low, the risks remain real. This Fraud and Corruption Control Plan (the Plan) and associated Fraud Risk Assessment (FRA) take into account the risks of corruption, and aim to mitigate them through the promotion of a culture of ethical behaviour.

The leadership role of MW demands that our senior Executives and Managers engage positively with risk. This includes championing a culture where all staff are encouraged to become familiar with the key elements of a robust fraud strategies, including policy, legal and governance requirements.

Effective fraud control strategies need an integrated response led by the Executives and embedded in governance, programme design and management. MW Anti- Fraud and Corruption Strategy outlines the obligations, systems, policies and strategies MW has in place to prevent detect and respond to fraud.

5. Objectives of the Plan

The objective of the Fraud and Corruption Control Plan is to minimize the potential for instances of fraud on MW involving employees, contractors or people outside of the organisation. The Plan also articulate organisation's approach to controlling the risk of fraud through:

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- thorough and regular assessment of the risk of fraud;
- developing and implementing processes and systems to effectively prevent, detect and investigate fraud;
- applying appropriate criminal, civil, administrative or disciplinary action to remedy the harm from fraud and deter future fraud;
- recovering proceeds of fraudulent activity; and
- providing fraud awareness training for all staff

The Plan is underpinned by fraud risk assessments which are detailed in the Fraud Risk Register (FRR). The fraud risk assessments are dynamic, reviewed periodically through ongoing and targeted analysis.

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Appendix A

The table below summarizes additional fraud control responsibilities for staff, managers and Executives.

Fraud Control Responsibilities for all staff

WHO	RESPONSIBILITIES / ACTION
All staff	<p>Familiarise themselves with the Anti-Fraud & Corruption Policy Statement, the Fraud & Corruption Control Plan; the Whistleblowing Policy; Anti - Fraud & Corruption Strategy and Anti- Fraud and Corruption Policy to enable them to make risk-based decisions about fraud control compliance in their day-to-day operations.</p> <p>Immediately report suspected incidents of fraud and misconduct.</p> <p>Behave ethically and in accordance with the MW Code of Conduct in the performance of their duties.</p> <p>Comply with all Mhlathuze Water Policies.</p>
All Managers and Executive	<p>Advise staff on procedures for resolving ethical dilemmas through the MW Code of Conduct</p> <p>Foster an environment which promotes the highest standards of ethical behaviour.</p> <p>Identify and manage individual fraud risks originating in or relevant to their departments / sections and implement risk treatments identified in this Plan.</p>
Risk Management and Internal Audit	<p>Conduct internal audits of risk, governance and control processes within MW</p> <p>Ensure appropriate processes are in place to manage MW fraud risks in accordance with the MW Fraud Rule.</p> <p>Review and maintain MW's fraud and Corruption control policies and</p>

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WHO	RESPONSIBILITIES / ACTION
	<p>instructions and ensure they are communicated to all staff.</p> <p>Communicate to all staff their responsibilities in preventing, detecting and reporting fraud.</p> <p>Provide Fraud Awareness Training to Staff.</p> <p>Support programme areas and the Network on compliance issues, fraud, risk, due diligence, and matters of internal serious misconduct.</p> <p>Formally update the Plan as required.</p> <p>Conduct annual fraud risk reviews and develop cost-effective strategies to reduce risk to an acceptable level.</p> <p>Implement monitoring, review and reporting processes to report the incidence of fraud within MW and advise management actions to address weaknesses in fraud risk controls.</p> <p>Manage the conduct of investigations into suspected fraudulent activity, and where necessary, engage services of other Forensic Investigations.</p> <p>Independently review processes, systems and controls where fraud is detected, to ensure lessons learned are recorded and communicated to relevant stakeholders and governance committees.</p> <p>Actively and appropriately pursue the recovery of money or property lost through fraud.</p>
Corporate Services	Educate and manage issues relating to behavioural and ethical standards, such as the MW Code of Conduct and Values

Appendix B

Summary of Action Items

Fraud risk improvement action items

Ref	Activity	Strategy	Action	Responsibility	Timing
1.	Awareness	Development of resources to support managers and staff	Update fraud awareness induction programme	Risk Manager	Ongoing
			Ensure the mandatory fraud awareness training is completed by all new starters and ongoing staff in a two year cycle	Risk Manager	Ongoing
2.	Awareness	Communication to all staff of their responsibilities with regard to prevention, detection and reporting	Ensure fraud control and prevention updates are promoted on Corporate Update via Sharepoint and changes to fraud control advised to staff	Risk Manager	Ongoing
3.	Awareness	Publicly available information on the attitude and approach to fraud control	Ensure the Fraud Policy Statement and the Fraud and Corruption Control Plan 2021-2024 remain current	Risk Manager	Ongoing
4.	Fraud and Corruption Control Plan	Maintain Fraud and Corruption Control Plan	Formal update of the FCCP every three years and when there are significant functional changes	Risk Manager	Ongoing

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Ref	Activity	Strategy	Action	Responsibility	Timing
5.	Fraud Policy Statement	Maintain Fraud Policy Statement	Formal update of the FPS every three years and when there are significant functional changes	Board	Ongoing
6.	Fraud Risk Assessment	Conduct Fraud Risk Assessments	Conduct fraud risk assessment reviews annually	Risk Manager	Ongoing (annually)
7.	Report	Update fraud reports for governance committees	Risk Manager to provide Social and Ethics Committee with fraud trend information to assist in monitoring the levels of internal and external fraud committed across the organisation and report the statistics to the Board	Social and Ethics Committee	Ongoing (quarterly)
8.	Fraud cases	Case referral to SAPS and other agencies	CE to refer instances of suspected fraud to the appropriate law enforcement agencies such as SAPS and or other investigation bodies	Chief Executive	As necessary
9.	Investigations	FIS standards	CE to ensure Investigations are conducted by appropriately qualified	Chief Executive	As necessary

Ref	Activity	Strategy	Action	Responsibility	Timing
			investigators in accordance with the requirements of the FIS Act of 2011		
10.	Investigations	Quality Assurance Standards	Fraud investigations undertaken by the organisation may be subject to Quality Assurance Reviews by the CE	Chief Executive	As necessary
11.	Investigations	Staff Responsibility	All departmental staff and contractors have a responsibility to fully assist with any fraud investigation and or Ad-Hoc Investigations	All staff and Contractors	As necessary
12.	Investigations	Case referral to the Minister for DWS and Human Settlement through the Board Chairperson	Politically sensitive investigations deemed by MW as appropriate for referral to the Minister for DWS and Human settlement through the Board Chairperson. This will enable the Government to be informed at the earliest opportunity.	Board Chairperson	As necessary

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Ref	Activity	Strategy	Action	Responsibility	Timing
13.	Prosecution	A zero tolerance approach	Where an investigation has been undertaken other than by a law enforcement agency, investigators will prepare a report that makes recommendations to the CE on whether to refer a matter to another law enforcement agency	Investigating consultant/ Risk Management	As necessary
14.	Resolution	Review of systems and procedures (post fraud)	If a fraud is detected, the control system involved will be independently reviewed to identify improvements	Risk Manager; Investigating Agent/ SAPS or Forensic Investigation	As necessary
			Formal reporting to the Social and Ethics Committee & Audit and Risk Committee	Risk Management & Assurance Section	As necessary
15.		Recovery of money/property lost through fraud	If deemed cost effective, will actively pursue the recovery of lost money or property	Chief Executive	As necessary

6. REVIEW OF THE PLAN

Management shall review the plan every three years or as the need arises.

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS

STATEMENT OF COMPREHENSIVE INCOME

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
45 941	Water sold (kilolitres)	325 572	325 239	383 133	403 133	403 133	403 133
5 575	• Raw water sales (kl)	125 085	125 085	157 889	177 889	177 889	177 889
35 092	• Potable water sales (kl)	11 504	11 504	36 594	36 594	36 594	36 594
5 274	• Waste water sales (kl)	188 983	188 650	188 650	188 650	188 650	188 650
663 941	TOTAL REVENUE (Primary and secondary activities)	769 734	734 246	821 174	913 551	980 873	1 028 269
505 665	Revenue (Primary activity)	539 788	592 006	686 021	775 113	833 143	870 576
39 977	• Raw water sales	104 630	124 630	173 342	210 871	230 907	242 148
280 095	• Potable water sales	236 008	251 886	279 113	301 430	333 558	355 834
176 240	• Waste water sales	190 879	206 879	224 679	253 925	259 791	263 706
	• Industrial water sales						
	• Implementing Agency fee						
9 353	• Connection Fees	8 272	8 611	8 887	8 887	8 887	8 887
	• O & M Activities						
	• Lab Analysis						
158 276	Revenue (Secondary activity)	229 945	142 241	135 153	138 438	147 729	157 693
	• Retail water operation						
	Waste water management fee						
	• Management fee - consulting						
6 824	• Management fee - other						
16 047	• Section 30 activities	74 777	80 263	85 862	92 105	98 707	105 813
2 524	• Implementing Agency fee	2 650	22 150	5 545			
3 608	• Lab Analysis	3 788	4 134	4 465	4 822	5 207	5 624
129 273	• O & M Activities	148 731	35 694	39 281	41 511	43 815	46 256
240 762	TOTAL COST OF SALES	436 461	331 676	407 147	428 742	454 503	481 998
182 572	Cost of sales (raw water purchased)	212 034	215 185	282 352	295 596	312 475	330 450
58 538	• Raw water	60 272	62 584	100 070	116 522	121 663	127 041
124 034	Electricity, Chemicals, Employee costs, Depreciation	151 762	152 601	182 282	179 074	190 812	203 409
58 190	Cost of sales (secondary activities)	224 428	116 491	124 796	133 145	142 027	151 548
	• Employee costs						
	• Chemicals and purification						
	• Energy						
	• Repairs and maintenance						
	• General and administration expenses						
	• Project / WIP costs						
58 190	• Other direct operating activities	224 428	116 491	124 796	133 145	142 027	151 548
423 179	GROSS INCOME	333 272	402 570	414 027	484 809	526 370	546 271
63,7	Gross profit %	43,3	54,8	50,4	53,1	53,7	53,1
63,9	• Gross profit % - primary activity	60,7	63,7	58,8	61,9	62,5	62,0
63,2	• Gross profit % - secondary activity	2,4	18,1	7,7	3,8	3,9	3,9

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF COMPREHENSIVE INCOME ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	Government grants and other funding						
(1 541)	Other operating income						
	• Commission income and insurance						
	• Game and grazing sales (net of expenses)						
	• House and other rentals - all related income						
	• Other income (scrap, telephone, refurbishment, lab)						
	• Project income						
	• Bad debts recovered						
(2 547)	• Profit Loss) on sale of fixed assets						
	• Profit (loss) on disposal of investments						
	• Profit (loss) on sale of biological assets						
	• Profit Loss) on sale of intangible assets						
	• Wastewater - Darville revenue amort						
1 006	• Sundry income						
421 638	TOTAL OPERATING INCOME	333 272	402 570	414 027	484 809	526 370	546 271
294 644	TOTAL EXPENSES	301 746	310 988	328 744	364 183	385 528	405 404
182 073	• Variable costs (related to cost of sales)	189 202	191 821	203 887	231 793	246 557	262 284
106 740	• Employee costs	125 465	129 998	139 162	148 972	159 473	170 715
	• Directors emoluments (include in general)						
89 896	• Employee salaries - (including leave, annual bonus, 13 th cheque)	105 860	111 803	120 682	126 395	135 316	144 867
5 946	• Performance bonuses	10 940	10 931	11 696	12 515	13 391	14 329
86	• Company contributions - Medical contributions and expenses	85	166	178	190	203	218
1 796	• Company contribution - UIF and SDL	374	406	434	464	497	532
	• Contributions to pension and provident funds						
953	• OID contributions	1 006	1 013	1 084	1 160	1 241	1 328
	• Changes in post employment liabilities						
	• Direct cost of Water Schemes allocated to Cost of Sales						
8 063	• Allowances	7 200	5 679	5 087	8 247	8 824	9 441
829	• Chemicals	847	847	898	951	1 009	1 069
2 181	• Energy	1 368	1 423	1 487	1 556	1 630	1 709
74 008	• Repairs and maintenance - (cost of sales related)	54 380	52 412	54 770	57 290	60 040	62 921
5 676	• Property and buildings	2 824	3 145	3 286	3 438	3 603	3 776
35 276	• Plant, machinery and equipment	13 100	12 567	13 133	13 737	14 396	15 087

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF COMPREHENSIVE INCOME ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
31 737	• Other - to be included in general expenses	38 457	36 699	38 351	40 115	42 041	44 059
	Sealine inspection vehicles						
1 319							
(1 686)	• Depreciation	7 142	7 142	7 570	23 024	24 406	25 870
54 660	• Depreciation property, plant and equipment	62 276	60 667	64 307	68 165	72 255	76 591
740	• Amortisation of intangible assets						
(57 086)	• Impairments of property, plant and equipment	(55 134)	(53 525)	(56 737)	(45 141)	(47 849)	(50 720)
	• impairments of intangible assets						
	• Impairment of trade receivables						
	• Other direct costs						
	• Motor vehicle repairs and running expenses						
	• Other direct						
112 571	• General expenses	112 544	119 167	124 857	132 391	138 971	143 120
	• Advertising and promotions						
	• Amortisation - office intangibles						
	• Amortisation of biological assets						
2 959	• Audit fees	21 327	15 774	16 484	17 242	18 070	18 937
1 210	• Bad debts						
1 506	• Bursaries, donations and gifts	350	550	575	601	630	660
3 965	• Cleaning - all administration areas	2 092	2 894	3 024	3 163	3 315	3 474
6 944	- Computer and IT consumables	4 870	4 326	4 521	4 729	4 955	5 193
232	• Conferences, seminars and workshops	104	507	530	554	581	609
1 680	• Consultants and professional fees	824	2 120	2 216	2 318	2 429	2 546
4 343	• Contractors	3 434	3 404	3 557	3 720	3 899	4 086
11	• Courier and postage	8	15	16	16	17	18
	• Depreciation of office assets						
	• Directors - performance bonuses						
4 700	• Directors emoluments	6 747	7 547	8 076	8 641	9 246	9 690
	• Employee costs - (related to administration)						
2 181	• Energy - related to administration areas						
	• Impairments of biological assets						
3 161	• Insurance	5 175	6 268	6 596	6 925	7 271	7 634
	• Lease costs	2 645	2 748	2 872	3 004	3 148	3 299
6 674	• Legal and contract fees	5 400	7 000	7 315	7 651	8 019	8 404
	• Marketing - not advertising and promotions		150	157	164	172	180

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF COMPREHENSIVE INCOME ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
189	• Motor vehicle expenses (not in direct costs)	979	1 552	1 622	1 696	1 778	1 863
4 201	• Operating leases - photocopiers etc	651	497	520	544	570	597
51 103	• Other operating expenses	38 927	43 998	46 097	48 341	50 781	50 780
1 179	• Printing and stationery	790	1 481	1 548	1 619	1 696	1 778
1 254	• Protective clothing and uniforms	597	590	616	645	676	708
	• Rates and taxes	904	940	983	1 028	1 077	1 129
	• Relocation costs - all items						
	• Rent paid - equipment hire and other hiring costs						
	• Repairs and maintenance						
9 381	• Safety and security	7 142	6 549	6 809	8 558	8 861	9 177
	• Service contracts						
	• Software and other small assets expensed						
2 514	• Staff welfare	4 897	4 570	4 776	4 995	5 235	5 486
386	• Subscriptions, licences and membership fees	420	934	976	1 020	1 069	1 121
975	• Training and development	1 804	1 799	1 880	1 966	2 061	2 160
582	• Telephone and fax	873	602	629	658	690	723
1 241	• Travel and entertainment	1 584	2 351	2 467	2 592	2 727	2 869
	• Veterinary services, supplies and biological costs						
126 994	OPERATING PROFIT (LOSS) FOR YEAR	31 526	91 583	85 283	120 626	140 842	140 867
17 003	Finance income - (enter as positive)	13 808	12 103	8 563	3 504	2 746	5 856
	• Trade receivables						
	• Extended payment trade receivables - deemed interest						
17 003	• Short term deposits - call accounts	13 808	12 103	8 563	3 504	2 746	5 856
	• Held to maturity financial assets						
	• Available for sale investments						
	• Employee advances						
	• SARS						
	• Other						
	• 57 pipeline						

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF COMPREHENSIVE INCOME ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
(7 670)	Finance costs - (enter as negative)	(1 762)	(4 636)	(3 546)	(12 836)	(20 752)	(17 296)
(7 670)	• Long term borrowings	(6 305)	(8 942)	(15 749)	(20 734)	(20 752)	(17 296)
	• Bank overdraft						
	• SARS						
	• Finance leases						
	• Borrowing costs capitalised (positive)	4 543	4 305	12 203	7 898		
	• Other						
	• Darvill revenue in advance						
136 328	PROFIT (LOSS) FOR YEAR	43 572	99 049	90 300	111 293	122 836	129 427
	Other comprehensive income						
	• Gain on revaluation of property, plant and equipment						
	• Gain on revaluation of intangible assets						
	• Transfers (to) from general reserves						
	• Gains / (losses) on retirement benefit plans						
	• Retirement benefit adjustment (IAS19)						
136 328	TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	43 572	99 049	90 300	111 293	122 836	129 427
		43 572	99 049	90 300	111 293	122 836	129 427

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF FINANCIAL POSITION

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	ASSETS						
	Non-current assets						
1 069 830	Property, plant and equipment	1 135 565	1 426 266	1 549 291	1 570 064	1 726 652	1 656 156
1 034 576	Carrying value - opening balance	1 069 830	1 135 565	1 426 266	1 549 291	1 570 064	1 726 652
97 950	Additions - (will be carried to cashflow)	125 190	347 063	175 129	81 040	228 844	6 094
-54 660	Depreciation - (ex income statement)	-62 276	-60 667	-64 307	-68 165	-72 255	-76 591
-4 769	Disposals - carrying value	-55 981	-53 525	-56 737	-45 141	-47 849	-50 720
-3 267	Impairments - (ex income statement)	55 134	53 525	56 737	45 141	47 849	50 720
	Revaluations - (ex income statement)						
	Interest capitalised	3 668	4 305	12 203	7 898		
1 723	Intangible assets	31 723	49 723	49 723	49 723	49 723	49 723
2 463	Carrying value - opening balance	1 723	31 723	49 723	49 723	49 723	49 723
	Additions - (will be carried to cashflow)	30 000	18 000				
-740	Amortisation - (ex income statement)						
	Disposals - carrying value						
	Impairments - (ex income statement)						
	Revaluations - (ex income statement)						
	Biological assets						
	Carrying value - opening balance						
	Additions - (will be carried to cashflow)						
	Amortisation - (ex income statement)						
	Disposals - carrying value						
	Impairments - (ex income statement)						
	Fair value adjustment						
	Investments in subsidiaries and associates						
	Opening balance						
	Changes in year						

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF FINANCIAL POSITION ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	Investments - financial instruments						
	Held to maturity						
	Loans receivable						
	Employee loans						
	Other financial assets						
	General						
1 071 553		1 167 288	1 475 989	1 599 014	1 619 787	1 776 375	1 705 879
	Assets held for sale - net						
	Dams						
	Farms						
	Reservoirs						
	Other						
	Current assets						
	Investments						
	Short term						
	Available for sale						
32 079	Inventories	30 829	29 628	29 380	29 129	28 879	28 629
	Piping						
	Electrical						
6 857	Maintenance spares	17 684	16 995	16 853	16 709	16 565	16 422
388	Water	373	358	355	352	349	346
6 433	Chemical stores	6 182	5 942	5 891	5 841	5 791	5 741
18 401	Consumables	6 590	6 334	6 280	6 227	6 173	6 120
	Miscellaneous						
117 345	Trade receivables	94 899	90 523	101 241	112 629	120 929	126 773
115 043	Trade receivables - bulk and waste water	66 549	72 987	84 578	95 562	102 716	107 331
4 192	Trade receivables - other activities	28 349	17 537	16 663	17 068	18 213	19 442
-1 890	less: provision for doubtful debts / impairments - balance b/f						
	Change in prov - doubtful/ impairments - ex income statement						
	Sundry debtors	5 339	1 911	1 891	2 278	2 490	2 591
	VAT	5 339	1 911	1 891	2 278	2 490	2 591
	Interest receivable						
	Loans and financial receivables						
	Employee loans						
	Other loans						

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF FINANCIAL POSITION ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
372 407	Cash and cash equivalents	263 469	169 136	210 441	341 807	263 683	426 288
5	Cash on hand	5	5	5	5	5	5
2 111	Bank current account						
326 262	Short term deposits						
44 029	Cash Reserves	263 464	169 131	210 436	341 802	263 678	426 283
521 830		394 536	291 199	342 952	485 843	415 982	584 281
1 593 383	TOTAL ASSETS	1 561 824	1 767 188	1 941 966	2 105 630	2 192 357	2 290 160
	EQUITY AND LIABILITIES						
	Capital and reserves						
	Capital						
298 090	Reserves	298 090	298 090	298 090	298 090	298 090	298 090
278 468	Opening balance	298 090	298 090	298 090	298 090	298 090	298 090
19 622	Transfers in (out)						
	Transfer in reserves						
1 030 837	Accumulated profit (loss)	1 074 409	1 173 458	1 263 758	1 375 051	1 497 887	1 627 314
914 132	Opening balance	1 030 837	1 074 409	1 173 458	1 263 758	1 375 051	1 497 887
116 705	Comprehensive income (loss) for year - (ex income statement)	43 572	99 049	90 300	111 293	122 837	129 427
	Other						
1 328 926		1 372 498	1 471 548	1 561 847	1 673 141	1 795 977	1 925 405
	Non-current liabilities						
97 032	Long term debt	79 763	164 183	228 870	264 046	213 477	181 712
46 552	Bank loan - fixed rate	36 699	126 354	196 009	235 664	189 320	161 320
	Bank loan - variable rate						
	Bonds - fixed rate						
	Bonds - variable rate						
	Loans - interest free						
	Settlement agreements						
50 480	Income received in advance	43 064	37 829	32 861	28 382	24 157	20 392
	Finance lease obligation						
	Other non-current liabilities						
	Post retirement benefit obligations						
	Defined benefit and contribution plans - opening						
	Actuarial movement on defined benefit contribution						
	- Healthcare benefits						
97 032		79 763	164 183	228 870	264 046	213 477	181 712

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF FINANCIAL POSITION ...continued

ACTUAL 2019/20	ACCOUNT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	Current liabilities						
17 666	Current portion of long term loans	16 680	15 580	25 313	34 824	42 570	36 937
10 838	Bank loan - fixed rate	10 345	10 345	20 345	30 345	38 345	33 172
	Bank loan - variable rate						
	Bonds - fixed rate						
	Bonds - variable rate						
	Loans - interest free						
	Settlement agreements						
6 828	Income received in advance	6 335	5 235	4 968	4 479	4 225	3 765
	Finance lease obligations						
	Interest payable						
133 894	Trade and other payables	74 711	96 252	104 738	110 728	115 612	119 408
129 075	Trade payables	74 711	96 252	104 738	110 728	115 612	119 408
	Trade payables - related parties						
	Statutory payables - employees tax / benefits funds						
4 819	SARS - VAT						
	Amounts received in advance						
	Accrual - audit fees						
	Accruals - other						
	Other payables / loans						
15 865	Provisions	18 170	19 624	21 194	22 891	24 722	25 701
15 865	Leave pay	18 170	19 624	21 194	22 891	24 722	25 701
	Bonuses						
	Legal fees - costs and claims						
	Other						
	Bank overdraft						
	Current account 1						
	Current account 2						
	Current account 3						
167 425		109 561	131 457	151 246	168 443	182 904	183 045
1 593 383	Total equity and liabilities	1 561 824	1 767 188	1 941 966	2 105 630	2 192 357	2 290 160

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF CASHFLOW

ACTUAL 2019/20	ELEMENT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	OPERATING ACTIVITIES						
143 429	Net profit for period before changes	43 572	99 049	90 300	111 293	122 836	129 427
56 096	Adjustments for non-cash items, interest and other	(4 904)	(325)	2 553	32 357	42 412	37 310
55 226	• Depreciation and amortisation	62 276	60 667	64 307	68 165	72 255	76 591
5 097	• Impairments of PPE, intangibles and biological assets	(55 134)	(53 525)	(56 737)	(45 141)	(47 849)	(50 720)
(345)	• Retirement benefits provisions						
(3 882)	• Profit (loss) on sale of fixed, intangible and biological assets						
	• Interest received - (deduct from profit)	(13 808)	(12 103)	(8 563)	(3 504)	(2 746)	(5 856)
	• Interest paid - (add to profit)	1 762	4 636	3 546	12 836	20 752	17 296
	• Revaluations of assets						
	• Impairment of trade receivables						
	Net Finance costs capitalised						
	Adjustments for:	(3 668)	(4 305)	(12 203)	(7 898)		
	• Discontinued operations						
	Finance cost capitalised	(3 668)	(4 305)	(12 203)	(7 898)		
24 605	Working capital changes	(38 519)	31 999	(390)	(3 841)	(1 548)	81
2 344	• Inventories	1 250	1 200	250	250	250	250
32 411	• Trade debtors	22 446	4 375	(10 717)	(11 389)	(8 300)	(5 843)
	• Sundry debtors	(10 158)	3 428	20	(387)	(212)	(101)
(10 150)	• Trade and other payables	(54 364)	21 542	8 486	5 990	4 884	3 795
	• Provisions	2 307	1 454	1 571	1 696	1 830	1 980
224 130	Net cash generated from operating activities	(3 519)	126 418	80 260	131 912	163 700	166 817
(92 608)	INVESTING ACTIVITIES - NET CASH UTILISED	(99 210)	(311 538)	(118 392)	(35 900)	(180 994)	44 625
(89 329)	• Additions to property, plant and equipment	(125 191)	(347 063)	(175 129)	(81 041)	(228 843)	(6 095)
	• Additions to intangible assets	(30 000)	(18 000)				
	• Additions to biological assets						
94	• Proceeds on disposal of fixed and intangible assets	55 981	53 525	56 737	45 141	47 849	50 720
	• Proceeds on disposal of biological assets						
	• Investments in subsidiaries and associates						
	• Interest receivable movement						
	• Movement in assets held for sale						
(3 373)	• Increase (decrease) in capital						

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

STATEMENT OF CASHFLOW ...continued

ACTUAL 2019/20	ELEMENT	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
(22202)	FINANCING ACTIVITIES - NET CASH UTILISED	(6 209)	90 787	79 437	35 355	(60 830)	(48 837)
(22 202)	• Movement in long term borrowings	(10 346)	84 420	64 687	35 176	(50 570)	(31 765)
	• Movement in investments						
	• Proceeds (repayment) short term borrowings		(1 100)	9 733	9 511	7 746	(5 633)
	• Movement in loan receivables						
	• Interest received	13 808	12 103	8 563	3 504	2 746	5 856
	• Interest paid	(1 762)	(4 636)	(3 546)	(12 836)	(20 752)	(17 296)
	• Movement in retirement benefit obligations						
	• Adjustment for non-cash interest						
	• Decrease in income received in advance	(7 909)					
	CASH AND CASH EQUIVALENTS						
109 320	• Net increase (decrease) in cash utilised for the year	(108 938)	(94 333)	41 305	131 366	(78 124)	426 288
263 087	• At beginning of year	372 407	263 469	169 136	210 441	341 807	263 683
372 407	• AT END OF YEAR	263 469	169 136	210 441	341 807	263 683	426 288

ANNEXURE C: PROJECTED FINANCIAL STATEMENTS FOR THE 6 YEARS ...continued

CAPITAL EXPENDITURE PROGRAM

ACTUAL 2019/20	CAPEX CATEGORY	ESTIMATED ACTUAL 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26
	Immovable capex						
3 072	Augmentation and upgrade	46 600	236 901	127 509	47 761	204 898	
87 845	Expansion	9 256	4 870	14 690			
1 852	Rehabilitation	32 900	41 140	17 960	26 580	15 325	3 395
	Development projects						
	Capitalised interest	4 543	4 305	12 203	7 898		
92 769		93 299	287 216	172 362	82 239	220 223	3 395
	Movable capex						
5 181	Equipment and vehicles	27 587	64 152	14 970	6 700	8 620	2 700
	Information technology communication	38 000	18 000				
	Laboratory and process services						
5 181		65 587	82 152	14 970	6 700	8 620	2 700
	Summary						
92 769	Immovable capex	93 299	287 216	172 362	82 239	220 223	3 395
5 181	Movable capex	65 587	82 152	14 970	6 700	8 620	2 700
97 950		158 886	369 368	187 332	88 939	228 843	6 095
	% of total	15,3%	35,5%	18,0%	8,6%	22,0%	0,6%
	Total forecast period - 2014 to 2019	1 039 463	50,8%	53,6%	26,6%	30,6%	22,6%
	Reconciliation						
97 950	Capex above	158 886	369 368	187 332	88 939	228 843	6 095
(97 950)	Capitalised fixed assets - per fixed assets entry	(125 191)	(347 063)	(175 129)	(81 041)	(228 843)	(6 095)
	Capitalised intangibles - per intangibles entry	(30 000)	(18 000)				
	Written off to expenses	(3 695)	(4 305)	(12 203)	(7 898)		



MHLATHUZE WATER STAFF DURING A BEACH CLEAN-UP IN COMMEMORATION AT THE ALKANSTRAND BEACH.



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