



Corporate Plan

2022/23 to 2026/27

Version: 31 May 2022



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Strategic Highlights by the Chairperson of the Board

The mantra of our Shareholder department is: "Water is life. Sanitation is dignity". This is enshrined in the Constitution of the Republic of South Africa in the form of the provisions of proper sanitation as well as access to water for all, which are basic human rights that need to be realised by the Government working together with all the relevant stakeholders.

This is by no means a small responsibility; it requires all key stakeholders in the sector to work together at maximum effort – now more than ever! The Department of Water and Sanitation (DWS) developed a National Water and Sanitation Master Plan (the Master Plan) in partnership with all relevant organs of state and water sector stakeholders, to give effect to local, national, regional, continental and international water and sanitation delivery targets and commitments. It points out the priority actions required by 2030 and beyond, to ensure water security and equitable access to water and sanitation services for all in South Africa.

The Master Plan's programme of action focuses on the "3 I's" that are recognised as the core of water security:

- **Institutions (Water boards, CMAs etc.):** The delegation of some of the activities of the Department of Water and Sanitation such as the development, operation and maintenance of water infrastructure systems; the regulation of the use and protection of water resources; as well as support for municipalities to new specialised organisations
- **Investment (infrastructure funding and capital private finance):** Infrastructure investment must be guided by our strengthened long term planning capabilities to unlock economic growth.
- **Information:** Strengthen the information system and networks to be more inclusive, thereby ensuring co-operation of sector institutions and their users. We want to make South Africans more protective and proactive in safeguarding water security. Water should be everyone's business.

A potential fourth priority of the Master Plan is **Transformation**, particularly because the water sector has, over the past 20 years, encountered severe challenges in delivering on its mandate for equitable water allocation. This, along with land reform, remains a major challenge facing the country, and one that must be addressed.

The Department of Water and Sanitation, in collaboration with all relevant stakeholders, must increasingly collaborate in achieving the priority areas as identified in the Master Plan. For Umgeni Water, this presents a unique set of opportunities and challenges which will be unpacked further in the SWOT analysis.

In response to the Master Plan for the coming year, Umgeni Water will focus on:

- **Operational Excellence:** delivering water services of the required quality and quantity, within acceptable levels of reliability and using appropriate technologies in a manner that makes it affordable to all our customers, and sustainable for the entity
- **Research, Development & Innovation:** investing in new systems, tools, technology and methodologies to support a continuous improvement culture that delivers relevant products and services that create value and growth for our customer and stakeholders
- **Strategic Collaboration and Partnerships:** Identifying relevant strategic partners and engagement platforms that will contribute to the achievement of our vision, and develop an advocacy framework to influence sustainable development

The year 2022/2023 marks the third year into our “Decade of Consolidation” phase of Vision 2050. This is a critical period within which we would want to attain “wall to wall” service coverage within our existing customers, and further introduce services and products we have not yet provided to these customers within the water value chain. This therefore calls for greater alignment within Umgeni Water Group, and with the plans of our Shareholder and increased momentum in terms of the implementation of our strategy. This will undoubtedly require more emphasis on operational excellence from within, as well as greater collaborations and strengthened relations with those in whose space we operate. Under the new normal, the implementation will have to take cognisance of the fact that the new protocols might not allow the envisaged timing of the plans in this regard. While a lot of work within this Decade was meant to be done at the beginning, Umgeni Water might have to do with the peak being towards the end of the Decade, due to the prevailing circumstances.

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

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



Ms Ziphazethu Mathenjwa

Chairperson of the Board

26 April 2022

Foreword by the Chief Executive

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

Our daily work is guided by the need to strike a balance between growth and sustainability, which will enable the organisation to continue contributing positively in improving the quality of life and enhancing sustainable economic development in the communities we serve. To this effect, the Board has directed us to steer the organisation on a path of attaining operational excellence through execution of strategy and organizational alignment in order create value for customers.

This Corporate Plan acknowledges the impact of the COVID -19 and other recent developments with negative consequences for the global economy. These events have and will continue to have disastrous impacts on national economies, communities and individual livelihoods. The knock-on effect on utilities would be customers' inability to pay for services received. This then curtails the effectiveness of our service delivery model as increased demand for water and low revenue collection rates will make provision of these bulk services difficult, thereby placing all entities involved at odds with the Constitution of the Republic of South Africa. This complex challenge therefore calls for even greater collaborations among all stakeholders involved in the water services delivery value chain in order to attain collective success in discharging our duties in line with the Constitution. Umgeni Water remains steadfast in being a key partner to Government in providing sustainable, innovative, effective and affordable water and related services.

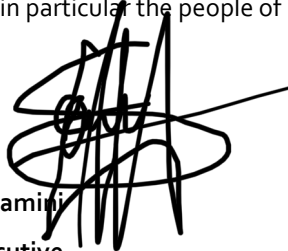
While we continue to support government's agenda of socio-economic transformation and infrastructure investment, we are mindful of the ever-growing demand on our services due to accelerated urbanization, finite resources and rising costs of input materials as the world pursues carbon neutrality. As the country actively seeks to reduce its greenhouse gas emissions, opportunities are being sought to access international finance to help pay for this just transition. At this point, the carbon tax is seen as a mechanism to ensure the lowering of greenhouse emissions. The first phase of the introduction of the carbon tax is already underway. This is in line with the country's commitments at COP26, which will see the carbon tax rate progressively increasing every year to reach \$20 per tonne. In the second phase from 2026 onwards, the carbon tax rate will have larger annual increases to reach at least \$30 by 2030.

Organisations that have energy-intensive operations such as Umgeni Water therefore need to develop plans to progressively reduce their emissions over the next 10 years. To this end, Umgeni Water will invest in its research, development and innovation capacity to ensure that it remains relevant and agile in an environment faced with numerous environmental challenges, the shrinking fiscal capacity and reduced household affordability.

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

To ensure that the current service is not disrupted, this Corporate Plan has made provision for a total of R14 billion for Capital Infrastructure, 46% of this amount (R6.4billion) meant for rural development.

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



Mr. Mboniseni Dlamini
Acting Chief Executive

26 April 2022



Chapter 1: Introduction



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1.1 Legislative Mandate

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

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

1.2 Activities of Umgeni Water

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

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

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

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

1.3 Supply Area and Customers

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

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

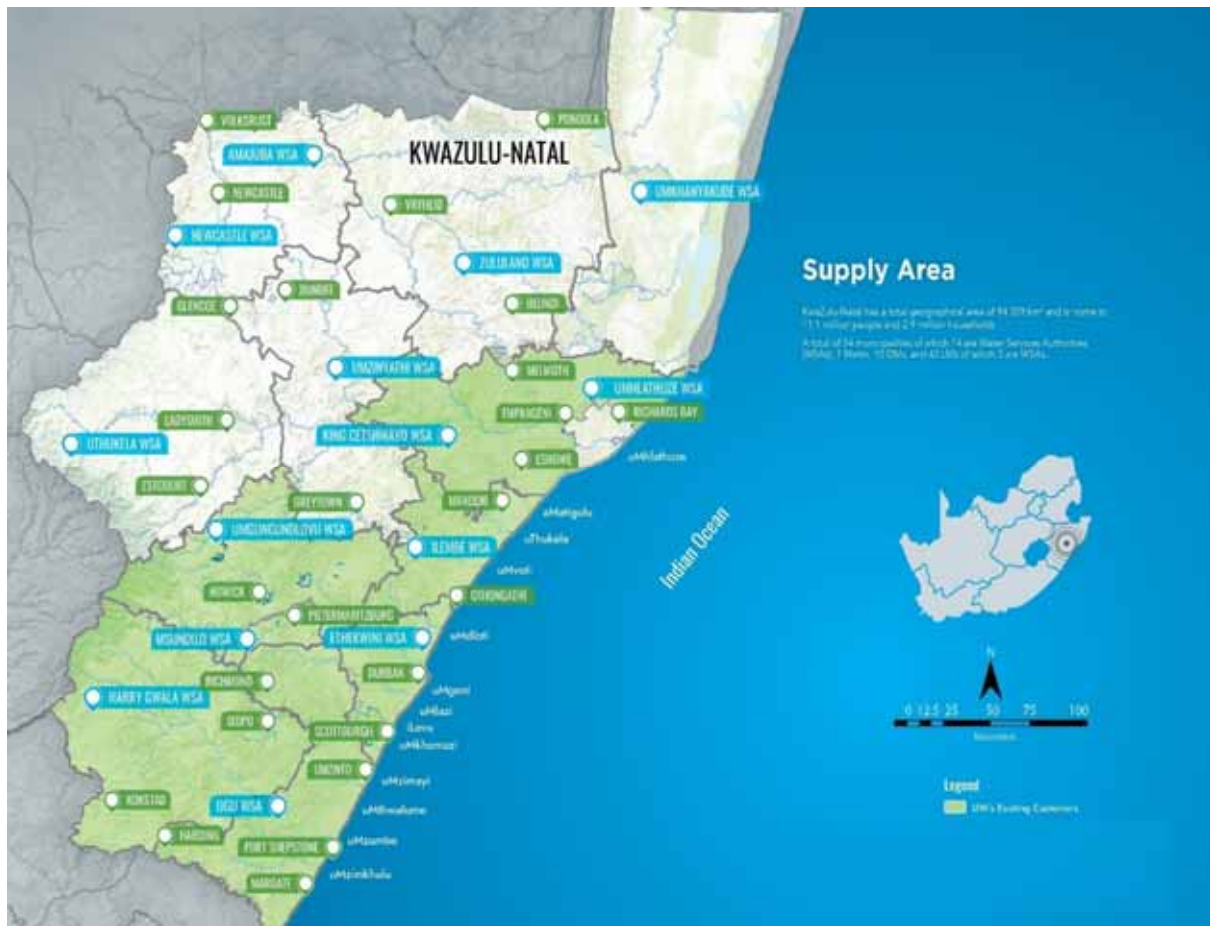
Umgeni Water has signed bulk supply agreements with seven (7) customers:

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

Umgeni Water's seven (7) customers cover approximately 40% of KZN geographical area and this area is home to approximately 65% of the population. Of this 65%, an estimated 80% of the people have the WSA as the main supplier of drinking water¹ with Umgeni Water as the WSA's bulk water service provider. Umgeni Water therefore supplies approximately 66% of the KZN population with drinking water via the relevant WSAs.

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

- Approximately 930 kilometres of pipelines and 53 kilometres of tunnels,
- the operation of 14 storage impoundments,
- The operation of 48 water treatment works, and
- The operation of 13 wastewater treatment works.





Chapter 2: Operating Environment and Strategy



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2.1 Operating Environment and Alignment to Government Mandate

This strategy is informed by the operating environment and Government's mandate as outlined in the Medium Term Strategic Framework priorities for 2019 – 2024. Further to this the following National Policy priorities have been considered:

- National Strategic Plan on Gender-based Violence and Femicide
- Economic Recovery and Reconstructing Plan (ERRP)
- National Annual Strategic Plan (NASP)

2.1.1 Alignment to Medium Term Strategic Framework

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

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

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

Priority 1: A capable, ethical and developmental state

Priority 2: Economic transformation and job creation

Priority 3: Education, skills and health

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

Priority 5: Spatial integration, human settlements and local government

Priority 6: Social cohesion and safe communities

Priority 7: A better Africa and world

The water sector has a direct contribution to Priorities 2 and 5 for which the alignment is unpacked below:

MTSF Priorities	Outcomes	Sectoral intervention
Priority 2: Economic Transformation and Job Creation;	Outcome 1: More decent jobs created and sustained	<p>DWS Intervention: Creating an enabling environment for employment through policy and regulation</p> <p>Umgeni Water Intervention: Creating an enabling environment for strategic localisation, gender equality, and economic inclusion of woman, youth and People with disabilities.</p>

MTSF Priorities	Outcomes	Sectoral intervention
	Outcome 2: Investing for accelerated inclusive growth	<p>DWS Intervention: Improving ease of doing business</p> <p>Umgeni Water Intervention: Creating an enabling environment for strategic localisation, gender equality, and economic inclusion of women, youth and People with disabilities.</p>
	Outcome 3: Industrialisation, localisation and exports	<p>DWS Intervention: Create a conducive environment that enables national priority sectors to support industrialisation and localisation, leading to increased exports, employment, and youth and women owned SMME participation</p> <p>DWS Intervention: Support localisation and industrialisation through government procurement</p> <p>Umgeni Water Intervention: Creating an enabling environment for strategic localisation, gender equality, and economic inclusion of women, youth and People with disabilities.</p>
	Outcome 5: Competitive and accessible markets	<p>DWS Intervention: Strengthen development finance towards SMME development</p> <p>Umgeni Water Intervention: Implementation of enterprise supplier development programmes to bring in previously disadvantaged individuals into the main stream economy in their respective localities.</p>
Priority 5: Spatial integration, human settlement and local government	Outcome 1: Shared National Spatial vision and frames to support integration between sector departments, provinces and regions	Umgeni Water Intervention: Alignment of infrastructure delivery to National and Provincial Priorities
	Outcome 2: functional sub-National, Regional development in urban and rural spaces	Umgeni Water Intervention: Increasing access to services for all
	Outcome 4: Greenhouse Gas emission reduction	DWS intervention: Build capacity and allocate adequate resources for

MTSF Priorities	Outcomes	Sectoral intervention
		implementing climate change programmes in municipalities Umgeni Water Intervention: Attain operational excellence through environmentally sustainable operations.

2.1.2 Water Mandate (DWS Priorities)

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

National Water and Sanitation Master Plan

The following are the water and sanitation sector priorities identified in the National Water and Sanitation Sector Master Plan. This Master Plan sets out the critical priorities to be addressed by the water sector from the period 2018 – 2030. These priorities are clustered into two sections, namely, Water and Sanitation Management and Enabling Environment. Each of these section have six sub-sections as indicated in **Figure 2.1** below. The critical actions identified In the Master Plan, that, when implemented, will have a significant impact on addressing the water crisis.

Figure 2.1: Priorities of the Water and Sanitation Master Plan under Water and Sanitation Management and Improving Raw Water Quality.



Implement the National Water Resources Strategy (NWRS2)

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

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

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

Define future institutional arrangements for water resources management

These include:

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

Strengthening water management and establishing Regional Water Utilities (RWU)

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

- The primary function of the Regional Water Utility (RWU) will be to plan, construct, operate and maintain Regional Bulk Infrastructure.
- In addition, the RWU will provide support functions to municipalities.

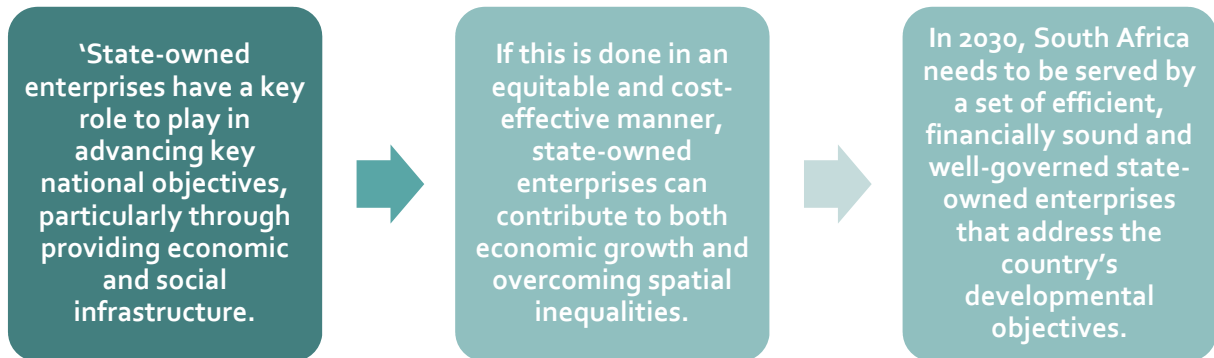
Ensuring licensing procedures for water: Ensuring licensing procedures for water avoid unnecessary delays and blockages to projects that can support employment creation, productive investment and export growth.

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

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

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

South Africa's Vision for state-owned enterprises



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

KwaZulu-Natal's Long Term Vision:

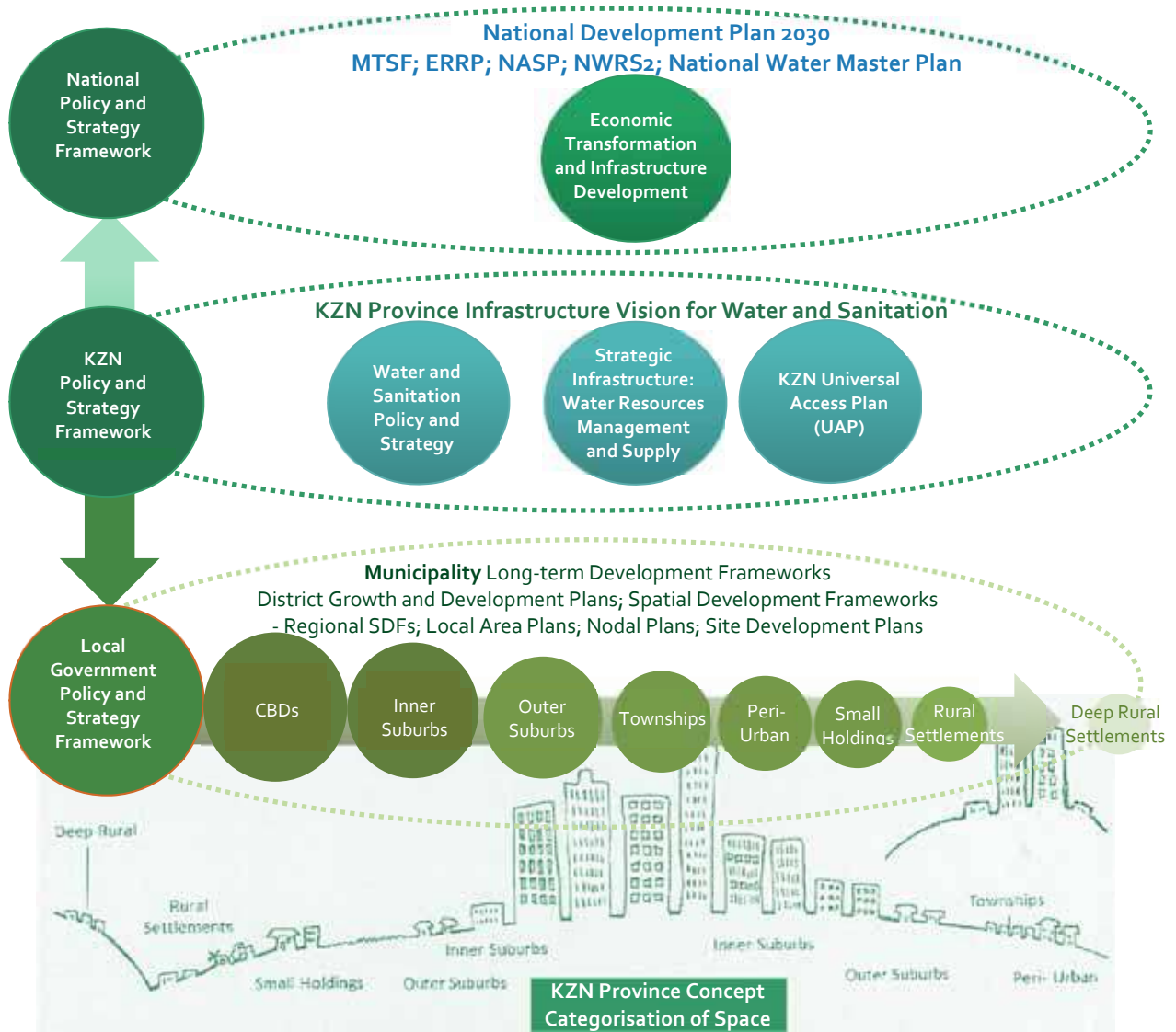
'By 2035 KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World'

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

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

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

Figure 2.2: KZN Province Concept Categorisation of Space (Source: CoGTA Draft KZN Provincial Spatial Development Framework 2018)



Source: KZN Provincial Growth and Development Strategy, CoGTA (2018)

2.1.5 Customer Environment: Coverage of Water and Sanitation

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

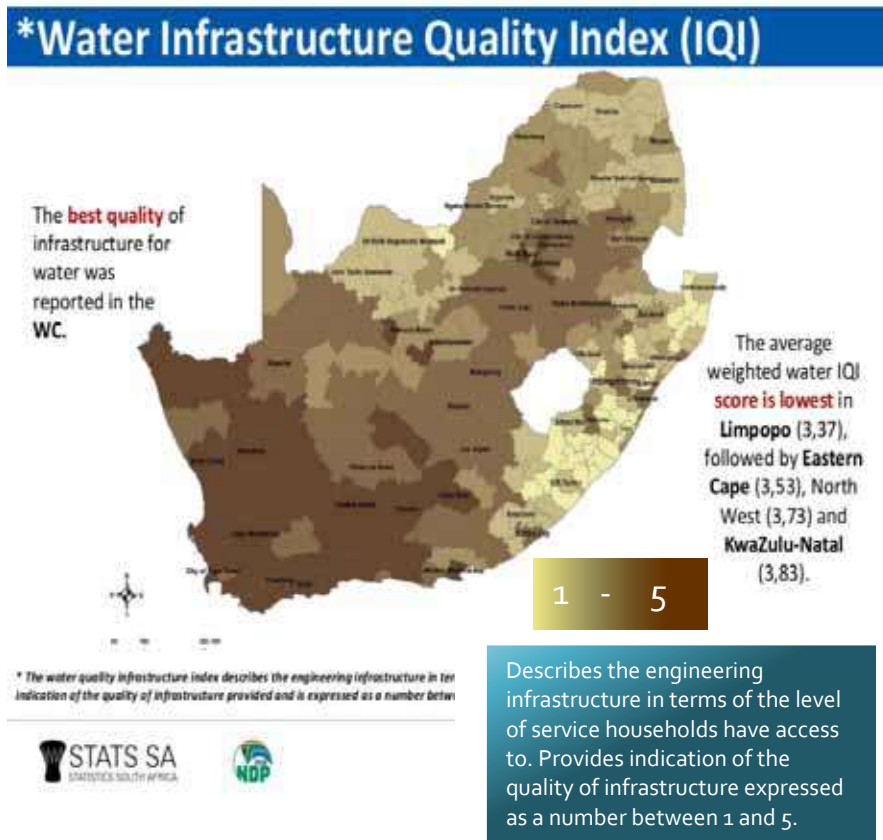
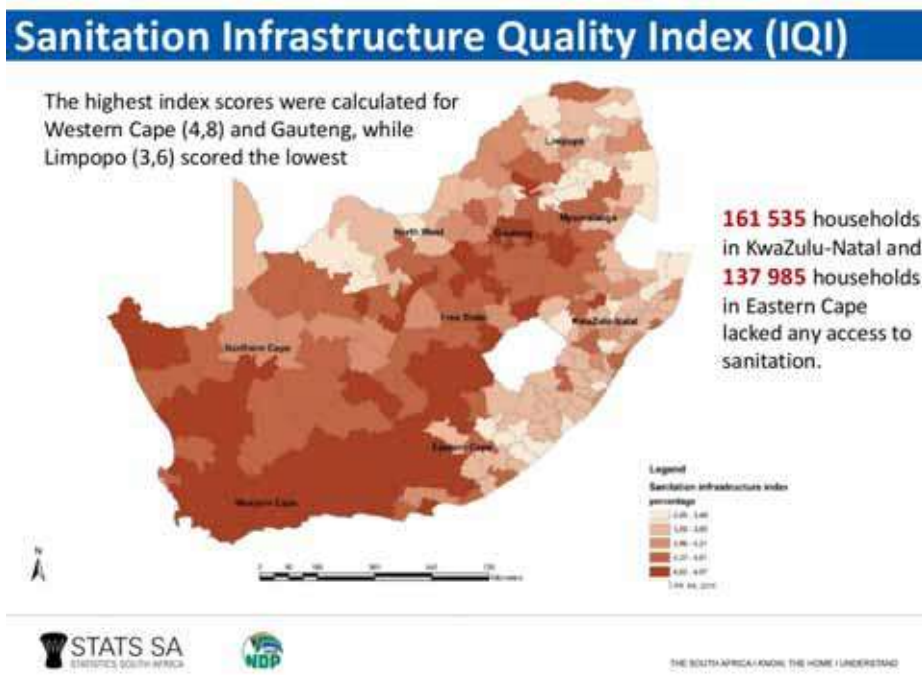


Figure 2.2: Sanitation infrastructure quality index (IQI) (Source: StatsSA Community Survey 2016)



2.2 Umgeni Water Strategy

2.2.1 Umgeni Water SWOT

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

Strengths (Internal Enablers)	Weaknesses (Internal Constraints)
<ol style="list-style-type: none"> 1. Bulk Water and Wastewater Treatment Competencies: <i>Distinctive competencies in bulk water and wastewater treatment.</i> 2. Business Model: <i>Sustainable business model.</i> 3. Financial Strength and Integrity: <i>Strong balance sheet, good credit rating, strong governance systems and risk management.</i> 4. Bulk Infrastructure: <i>Well-maintained bulk infrastructure network. Sound asset management strategy and infrastructure development plans. Infrastructure operational standards and quality assurance.</i> 5. Resource Mobilisation: <i>Experienced and committed people. Capacity and capability meets needs. On-going Human Capital development. Ability to mobilise financial resources in support of organisational mandate</i> 6. Operational Resilience: <i>Business continuity and provision of services during times of uncertainty.</i> 	<ol style="list-style-type: none"> 1. Distinctive competencies in full water-value chain functions: <i>Insufficient or no track record / experience in wastewater recycling, alternate water resources and other water value-chain functions.</i> 2. Innovation and Technology: <i>Lag in embracing and applying innovation. Conservative approach to new technology. Slow response to potential impact of the digital revolution, future of connectivity and future of work.</i> 3. Systems, Processes and People: <i>Alignment of structures, systems, processes, skills and capacity for growth and sustainability for current and future needs.</i> 4. Funding and/or Financing of Universal Access Plan (UAP): <i>Funding and financing model for KZN Universal Access.</i> 5. Lack of Multi-skilling: <i>Inadequate multi-skilling interventions in anticipation of pandemics such as COVID-19 cripple business continuity.</i>
Opportunities (External Enablers)	Threats (External Constraints)
<ol style="list-style-type: none"> 1. National Development Plan, ERRP, NASP, MTSF, NWRs-2, NWSMP and SOE Mandate: <i>Reduce poverty, unemployment and inequity. Improve social cohesion through water services.</i> 2. KZN Service Area: <i>Plan, construct, operate and maintain regional infrastructure. Increase customer base and access. Implement integrated planning. Water value-chain functions.</i> 3. Support to Municipalities: <i>Enhance value proposition. Non-revenue water management. Asset management support. Provide more water related services.</i> 4. Water Resources Development: <i>Regional water resources development. Diversification of water resources mix.</i> 5. Innovation and Technology: Research and development. Applying innovation to improve service delivery. <i>Improving internal processes in line with latest advancements to support better work-life balance. The Green Economy.</i> 6. Strategic Partnerships: <i>Public-Private, Public-Public, project funding-financing, including global partners, skills sharing and other integrated service partnerships.</i> 7. Legislative reform: <i>Opportunity to influence legislative landscape.</i> 	<ol style="list-style-type: none"> 1. Low economic growth (Global, National) inability to address poverty, unemployment and inequity: <i>Low growth impacts sovereign credit-rating. Negative impact on cost of capital. Low job creation increasing poverty and inequity.</i> 2. Customers' capacity and indigent consumer base: <i>Customer vulnerability and sustainability. Non-payment for services. Customer areas with insufficient economy of scale / densities. Tariff issues, unsustainable infrastructure model. Water pricing / true cost of water.</i> 3. Water loss / non-revenue water: <i>Significant water loss in retail systems threatening sustainability of service delivery. Poorly maintained municipal water systems / aging infrastructure.</i> 4. Poorly maintained wastewater /sewer networks: <i>Pollution from poorly maintained municipality sewer network impacts resource water quality / sustainability.</i> 5. Climate change: <i>Increase in the severity and frequency of floods and drought. Long-term water resources sustainability.</i> 6. Water resources development: <i>Delay in national water resources developments.</i> 7. Legal and Institutional constraints: <i>Weakness in institutional arrangements conflating bulk water mandate of water boards and municipality reticulation mandate.</i> 8. Value Chain Alignment (tie-in of bulk and reticulation): <i>Misaligned planning – delay in reticulation implementation delaying community / end-user realising access.</i> 9. Brand Value: <i>Negative media attitudes towards State-Owned Entities. This is a threat to Brand equity (and ultimately reputation).</i>

2.2.2 Our Strategy Narrative

Preamble

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

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

To achieve this, we will do the following:

1. Who do we want to be?

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

2. We need to change the way we do things

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

3. We need to position ourselves differently

- *An entity that strikes a balance between growth and sustainability*

2.2.3 Umgeni Water Vision, Mission and Values

Vision

Global Leader in the sustainable provision of water and related services

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

Mission

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

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

Strategic Intent

Key Partner that enables government to deliver effective and efficient water and related services in a financially sustainable manner.

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

Benevolent Intent

Provide water and related services by enhancing sustainable economic development to improve human dignity and quality of life

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

Values

Shared vision

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

Service orientation

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

Innovation

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

Integrity

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

High performance

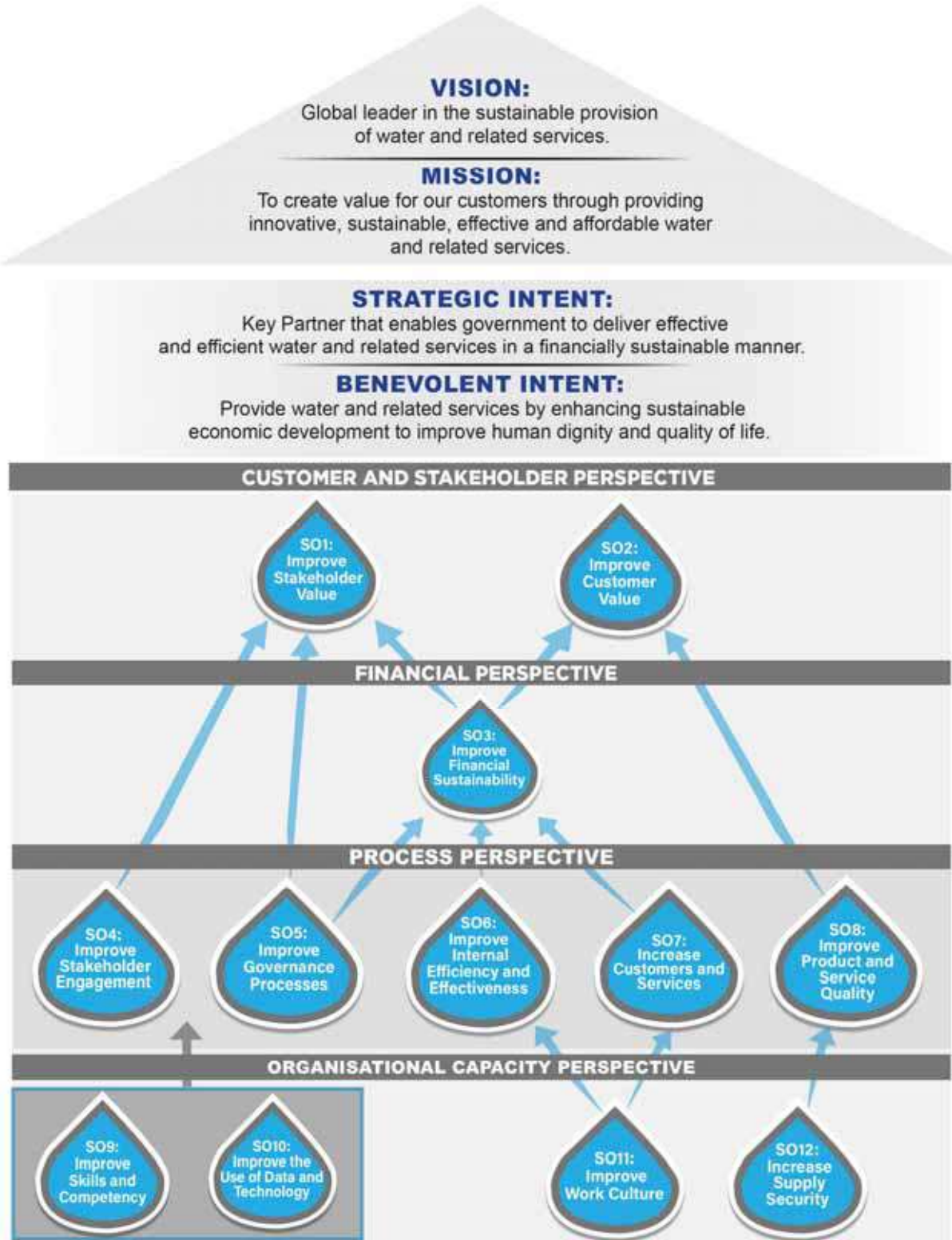
We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded.

Environmentally sustainable

We are committed to sustainable use our diminishing natural resources.

2.2.4 Umgeni Water Strategy Map

The realigned strategy has four (4) perspectives, and twelve (12) strategic objectives that realise Umgeni Water’s strategy. DWS Performance Objectives for Water Boards underlie the Strategic Objectives.



CUSTOMER & STAKEHOLDER PERSPECTIVE**SO 1: Improve Stakeholder Value**

KPI 1: STAKEHOLDER SATISFACTION INDEX

SO 2: Improve Customer Value

KPI 2: SATISFIED CUSTOMERS OVER TOTAL CUSTOMERS

KPI 3: PERCENT GROWTH IN GEOGRAPHIC FOOTPRINT

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

FINANCIAL PERSPECTIVE**SO 3: Improve Financial Sustainability**

KPI 4: INCREASE IN OPERATING CASH FLOWS

KPI 5: INCREASE IN CURRENT RATIO (SHC)

KPI 6: DECREASE IN DEBT TO EQUITY RATIO (SHC)

KPI 7: INCREASE IN INTEREST COVER RATIO

KPI 8: DECREASE IN NUMBER OF DEBTOR DAYS (SHC)

KPI 9: PERCENT INCREASE IN RETURN ON ASSETS (SHC)

KPI 10: EMPLOYEE RELATED COSTS AS A % OF TOTAL OPERATING EXPENDITURE (SHC)

KPI 11: INCREASE IN TOTAL S₂₉ REVENUE

KPI 12: TOTAL EXPENDITURE (SHC)

KPI 13: INCREASE IN TOTAL SURPLUS

KPI 14: INCREASE IN TOTAL S₃₀ REVENUE (SHC)

KPI 15: GROSS PROFIT MARGIN % FOR PRIMARY ACTIVITY (BULK WATER AND WASTEWATER) (*SHC)

KPI 16: NET PROFIT MARGIN % FOR PRIMARY ACTIVITY (BULK WATER AND WASTEWATER) (*SHC)

KPI 17: GROSS PROFIT MARGIN % FOR SECONDARY ACTIVITY (*SHC)

KPI 18: NET PROFIT MARGIN % FOR SECONDARY ACTIVITY (*SHC)

Key outcome: Financial Viability

PROCESS PERSPECTIVE

SO 4: Improve Stakeholder Engagement

KPI 19: ACTUAL VS PLANNED STAKEHOLDER MANAGEMENT PLAN DELIVERABLES MET

KPI 20: NUMBER OF SUBMISSIONS IN RESPECT OF MONTHLY REPORTS, QUARTERLY REPORTS, ANNUAL REPORT, TARIFF, CORPORATE PLAN, SHC AND POLICY STATEMENT. (SHC)

KPI 21: ACTUAL B-BBEE SPEND AS A % OF TOTAL DISCRETIONARY EXPENDITURE AND NUMBER OF NEW B-BBEE ENTRANTS AWARDED WORK. (SHC)

KPI 22: NUMBER OF PERMANENT AND TEMPORARY JOBS CREATED. (SHC)

SO 5: Improve Governance Processes

KPI 23: PERCENT ACTUAL VS PLANNED CONTROLS IMPROVED

KPI 24: PER CENT AUDIT FINDINGS RESOLVED WITHIN TARGET DATES

KPI 25: INCREASE IN RISK RESPONSIVENESS OF MITIGATION MEASURES FOR ALL STRATEGIC RISKS IDENTIFIED

KPI 26: ACTUAL VS PLANNED INTEGRATED ETHICS MANAGEMENT FRAMEWORK MILESTONES MET

KPI 27: BOARD / COMMITTEE MEETINGS ATTENDED AS A % OF PLANNED MEETINGS. (SHC)

KPI 28: RESOLUTIONS TAKEN BY THE BOARD AS A % OF RESOLUTIONS REQUIRED. (SHC)

KPI 29: UNQUALIFIED AUDIT REPORT WITH NO EMPHASIS OF MATTER (CLEAN AUDIT) (SHC)

KPI 30: NUMBER OF REPEAT AND NUMBER OF UNRESOLVED FINDINGS. (SHC)

KPI 31: NUMBER OF BREACHES IN MATERIALITY AND SIGNIFICANCE FRAMEWORK. (SHC)

SO 6: Improve Internal Efficiency and Effectiveness

KPI 32: ACTUAL VS PLANNED BUSINESS PROCESS IMPROVEMENT PROGRAMME INTERVENTIONS IMPLEMENTED

SO 7: Increase Customers and Services

KPI 33: TOTAL NUMBER OF SIGNED CONTRACTS (BULK SUPPLY AGREEMENTS) IN PLACE AS A % OF TOTAL CUSTOMERS. (SHC)

KPI 34: PER CENT DIRECTIVES IMPLEMENTED IN ACCORDANCE WITH PLAN (SHC)

KPI 35: NUMBER OF SIGNED CONTRACTS/MOUs WITH RURAL MUNICIPALITIES FOR PROVISION OF SUPPORT. (SHC)

SO 8: Improve Product and Service Quality

KPI 36: PERCENT COMPLIANCE OF WTW SYSTEMS WITH SANS 241 WATER QUALITY STANDARD PER RISK CATEGORY

KPI 37: PERCENT COMPLIANCE AGAINST LICENCE OR GENERAL AUTHORIZATION OR GREEN DROP STANDARDS AS A MINIMUM.

Key outcomes: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Optimisation and Resilience, Product Quality

ORGANISATIONAL CAPACITY PERSPECTIVE

SO 9: Increase Skills and Competency

KPI 38: ACTUAL VS PLANNED HR PLANS DELIVERED TO PROGRESSIVELY CLOSE IDENTIFIED STRATEGIC SKILLS GAPS

KPI 39: NUMBER OF STAFF TERMINATIONS, EXCLUDING NORMAL RETIREMENTS, AS A % OF THE TOTAL STAFF COMPLEMENT. (SHC)

SO 10: Improve the Use of Data and Technology

KPI 40: ACTUAL VS PLANNED DIGITAL TRANSFORMATION PROGRAMME MILESTONES MET

KPI 41: PERCENT RDI PROJECTS ON TRACK AGAINST PLANNED MILESTONES

SO 11: Improve Work Culture

KPI 42: PERCENT CHANGE MANAGEMENT PROGRAMME MILESTONES MET OVER TOTAL MILESTONES

SO 12: Increase Supply Security

KPI 43: NUMBER OF DAYS (> 24 HOURS) SUPPLY DISRUPTED OVER TOTAL SUPPLY DAYS (365 DAYS PER YEAR). (SHC)

KPI 44: AVOIDABLE WATER LOST (MIL M³) OVER TOTAL WATER PRODUCED (MIL M³). (SHC)

KPI 45: PERCENT ACTUAL VS. PLANNED CAPEX PROGRAMME MILESTONES MET

KPI 46: TOTAL CAPEX SPEND AGAINST BUDGET (SHC)

KPI 47: REPAIRS AND MAINTENANCE AS A PERCENTAGE OF PPE (SHC)

KPI 48: PERCENT VOLUMES OF WATER ABSTRACTED FROM ALTERNATIVE SOURCES AGAINST TOTAL ABSTRACTIONS

KPI 49: DECREASE IN INFRASTRUCTURE THEFT, VANDALISM AND SERVITUDE ENCROACHMENT INCIDENTS

KPI 50: PERCENT ENVIRONMENTAL SUSTAINABILITY PROGRAMME MILESTONES MET OVER TOTAL MILESTONES

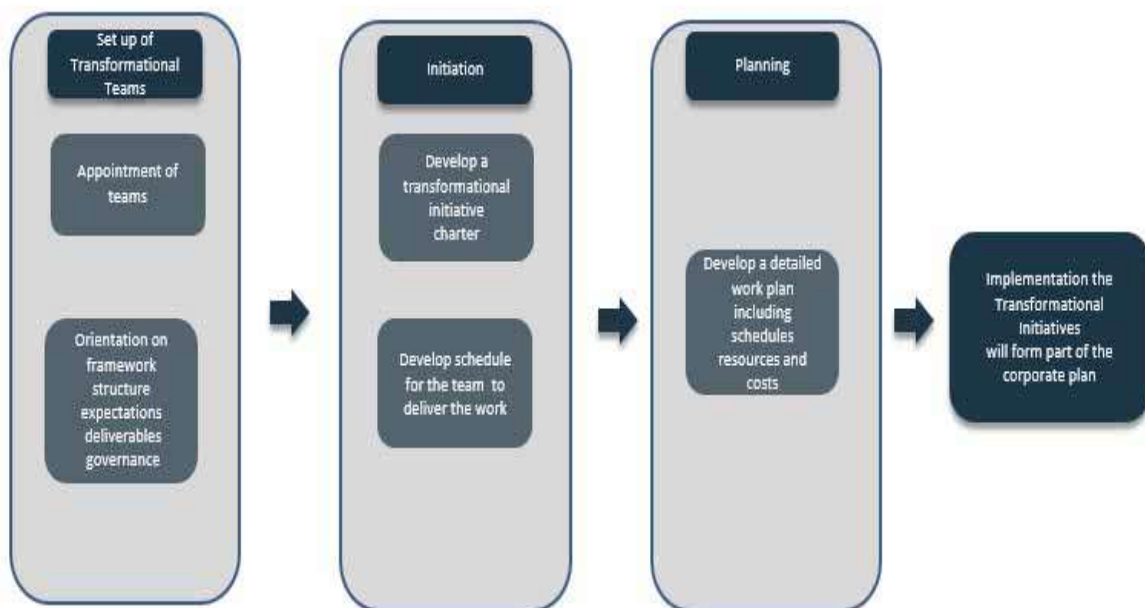
Key outcomes: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability, Community and Environmental Sustainability

2.2.5 Umgeni Water Transformational Initiatives

As an outcome of the entity's strategy review process in 2022, the Board directed the organisation to focus on three strategic focus areas to improve implementation of strategy. The three identified focus areas were:

- **Operational Excellence:** delivering water services of the required quality and quantity, within acceptable levels of reliability and using appropriate technologies in a manner that makes it affordable to all our customers, and sustainable for the entity
- **Research, Development and Innovation:** investing in new systems, tools, technology and methodologies to support a continuous improvement culture that delivers relevant products and services that create value and growth for our customer and stakeholders
- **Strategic Collaboration and Partnering:** Identifying relevant strategic partners and engagement platforms that will contribute to the achievement of our vision, and develop an advocacy framework to influence sustainable development

In each of these focus areas, Transformational Initiatives have been identified that are critical to executing the strategy and deliver the aspirations of the organisation. The organisation is implementing a disciplined framework of scoping, planning and implementation, in line with Project Management practices as shown below. The detailed scope of the Transformational initiatives is contained in the Organisation's Annual Performance Plan.



2.2.6 Umgeni Water Strategic Outcomes

To improve focus on strategy implementation, the organisation has further aligned the three strategic focus areas mentioned above to the ten outcomes, which are defined below.

Product Quality (Water and Related Services)

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

Water Resources Adequacy

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

Operational Optimisation

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

Customer Satisfaction

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

Stakeholder Understanding and Support

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

Financial Viability

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

Infrastructure Stability

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

Operational Resiliency

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

Community and Environmental Sustainability

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

Leadership and Employee Development

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

The implementation of these will be effectively monitored through the strategic initiatives and KPIs outlined in Chapter 3 (Five-Year Balanced Scorecard). Below is a high-level depiction of the alignment between the Strategic Focus Areas, the Ten Outcomes and the 51 strategic Key Performance Indicators.









Chapter 3: Balanced Scorecard



Balanced Scorecard Perspective		Customer & Stakeholder
Outcomes	Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability	
Strategic Objectives:	SO1: Improve Stakeholder Value; SO2: Improve Customer Value	

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
1	#1: Stakeholder satisfaction index	New KPI	Stakeholder satisfaction survey designed and rolled out	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented
2	#2: Satisfied customers over total customers	New KPI	Customer Satisfaction survey designed and rolled out	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented	≥80% Improvements implemented	Recommended improvements <80% implemented
	#3: Per cent growth in geographic footprint	New KPI	≥ 5%	≥ 5%	<5%	≥ 5%	<5%	≥ 5%	<5%	≥ 5%	<5%	≥ 5%	<5%

Balanced Scorecard Perspective		Financial
Outcomes	Financial Viability	
Strategic Objectives:	SO3: Improve financial sustainability	

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
3	#4: Increase in Operating cash flows	R1414m	≥ R1358m	≥ R1522m	<R1369m	≥ R1883m	<R1694m	≥ R2143m	<R1929m	≥ R2392m	<2152m	≥R2656m	R2390m
	#5: Increase in Current Ratio (SHC)	4.81	≥ 3.0	≥ 4.9	<4.4	≥ 3.6	<3.27	≥ 1.9	<1.7	≥ 3.2	<2.8	≥2.3	<2.1
	#6: Decrease in Debt to Equity ratio (SHC)	0.09	≤ 0.1	≤ 0.08	>0.07	≤ 0.07	>0.06	≤ 0.17	>0.153	≤ 0.18	>0.16	≤0.16	>0.144
	#7: Increase in Interest cover ratio	6.38	≥ 5.9	≥ 6.5	< 5.85	≥ 9.0	< 8.1	≥ 4.2	< 3.78	≥ 3.6	<3.24	≥5.4	<4.86
	#8: Decrease in Number of debtor days (SHC)	56	≤ 60	≤ 60	>54	≤ 61	>55	≤ 60	>54	≤ 60	>54	≤59	<684
	#9: Per cent increase in return on assets (SHC)	10.31%	≥ 5.8%	≥ 6.24%	<5.62%	≥ 7.04%	<6.34%	≥ 7.68%	<6.91%	≥7.91%	<7.12	≥8.13	<7.32
	#10: Employee related costs as a % of total operating expenditure (SHC)	35%	≤ 35%	≤ 35%	>31%	≤ 35%	>31%	≤ 35%	>31%	≤ 35%	>31%	≤ 35%	>31%
	#11: Increase in Total s29 revenue	R4.52bn	R4.87bn	R5.13bn	<R4.61bn	R5.54bn	>R4.98bn	R6.05bn	R5.44bn	R6.57bn	R5.913bn	R7.14bn	R6.43bn
	#12: Total expenditure (SHC)	R3.34bn	R4.19bn	R4.42bn	> R3.98bn	R4.54bn	>R4.09bn	R4.77bn	>4.29bn	R5.04bn	R4.54bn	R5.30bn	R4.77bn
	#13: Increase in Total surplus	R1.25bn	R829m	R954m	<R859m	R1.22bn	<R1.10bn	R1.48bn	<R1.33bn	R1.74bn	<R1.57bn	R1.98bn	R1.78bn
	#14: Increase in Total s30 revenue (SHC)	R34m	R34m	R42m	<R38m	R45m	<R41m	R48m	<R43.2m	R51.m	R46.29m	R54m	R48.6m
	#15 Gross profit margin for primary activity	61%	≥55%	≥60%	<54%	≥58%	<52%	≥58%	<52.2%	≥58%	<53%	≥59%	53%
	#16 Net profit margin for primary activity	28%	≥17%	≥18%	<16.2%	≥22%	<19.8%	≥24%	<21.6%	≥26%	<23%	≥28%	25%
	#17 Gross profit margin for secondary activity	21%	≥5%	≥18%	<16.2%	≥9%	<8%	≥9%	<8%	≥9%	<8%	≥9%	8%
	#18 Net profit margin for secondary activity	(11%)	≥3%	≥13%	<11.7%	≥2%	<22%	≥2%	<1.8%	≥2%	<1.8%	≥2%	<1.8%

SHC = Shareholder Compact Indicator

Balanced Scorecard Perspective	Process
Outcomes	Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality
Strategic Objectives:	SO4: Improve stakeholder engagement; SO5: Improve Governance processes; SO6: Improve internal efficiency and effectiveness; SO7: Increase customers and services; SO8: Improve product and service quality

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
4	#19: Actual vs Planned. stakeholder management plan deliverables met	New KPI	≥80% milestones of stakeholder management plan met	≥80% milestones of stakeholder management plan met	Milestones of stakeholder management plan <80% met	≥80% milestones of stakeholder management plan met	Milestones of stakeholder management plan <80% met	≥80% milestones of stakeholder management plan met	Milestones of stakeholder management plan <80% met	≥80% milestones of stakeholder management plan met	Milestones of stakeholder management plan <80% met	≥80% milestones of stakeholder management plan met	Milestones of stakeholder management plan <80% met
	#20: Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and Policy Statement. (SHC)	20 submissions	21 submissions	20 submissions	<20 submissions	20 submissions	< 20 submissions	20 submissions	< 20 submissions	20 submissions	< 20 submissions	20 submissions	< 20 submissions
	#21: Actual B-BBEE spend as a % of total discretionary expenditure	117% 7 new entrants awarded work.	≥80% ≥ 10 new entrants	≥80% ≥ 10 new entrants	< 80% < 10 new entrants	≥80% ≥ 10 new entrants	< 80% < 10 new entrants	≥80% ≥ 10 new entrants	< 80% < 10 new entrants	≥80% ≥ 10 new entrants	< 80% < 10 new entrants	≥80% ≥ 10 new entrants	< 80% < 10 new entrants

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
	and Number of new B-BBEE entrants awarded work. (SHC)		awarded work.	awarded work.	awarded work	awarded work.	awarded work	awarded work.	awarded work	awarded work.	awarded work	awarded work.	awarded work
	#22: Number of permanent and temporary jobs created. (SHC)	53 permanent 419 capex jobs	- ≥ 400 capex jobs	- ≥ 400 capex jobs	- < 400 capex jobs	- ≥ 400 capex jobs	- < 400 capex jobs	- ≥ 400 capex jobs	- < 400 capex jobs	- ≥ 400 capex jobs	- < 400 capex jobs	- ≥ 400 capex jobs	- < 400 capex jobs
5	#23: Per cent actual vs planned. controls improved	New KPI	≥80% controls improvement milestones met	≥80% controls improvement milestones met	< 80% controls improvement milestones met	≥80% controls improvement milestones met	< 80% controls improvement milestones met	≥80% controls improvement milestones met	< 80% controls improvement milestones met	≥80% controls improvement milestones met	< 80% controls improvement milestones met	≥80% controls improvement milestones met	< 80% controls improvement milestones met
	#24: Per cent audit findings resolved within target dates	New KPI	≥80%	≥80%	<80%	≥80%	<80%	≥80%	<80%	≥80%	<80%	≥80%	<80%
	#25: Increase in Risk Responsiveness of mitigation measures for all strategic risks identified	New KPI	≥ 80% of strategic risks have a Response effectiveness ≥ REASONABLE	≥ 80% of strategic risks have a Response effectiveness greater or equal to REASONABLE	< 80% of strategic risks have a Response effectiveness greater or equal to REASONABLE	≥ 80% of strategic risks have a Response effectiveness greater or equal to GOOD	< 80% of strategic risks have a Response effectiveness greater or equal to GOOD	≥ 90% of strategic risks have a Response effectiveness greater or equal to GOOD	< 90% of strategic risks have a Response effectiveness greater or equal to GOOD	100% of strategic risks have a Response effectiveness greater or equal to GOOD	<100% of strategic risks have a Response effectiveness greater or equal to GOOD	100% of strategic risks have a Response effectiveness greater or equal to GOOD	<100% of strategic risks have a Response effectiveness greater or equal to GOOD
	#26: Actual vs Planned Integrated Ethics Management Framework milestones met	New KPI	Integrated Ethics Management Framework developed	Agreed Integrated Ethics Management milestones met	Agreed Integrated Ethics Management milestones not met	Agreed Integrated Ethics Management milestones met	Agreed Integrated Ethics Management milestones not met	Agreed Integrated Ethics Management milestones met	Agreed Integrated Ethics Management milestones not met	Agreed Integrated Ethics Management milestones met	Agreed Integrated Ethics Management milestones not met	Agreed Integrated Ethics Management milestones met	Agreed Integrated Ethics Management milestones not met
	#27: Board / Committee meetings attended as a	≥ 98%	≥ 95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
	% of planned meetings. (SHC)												
	#28: Resolutions taken by the board as a % of resolutions required. (SHC)	100% resolutions	≥ 95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%	≥ 95%	<95%
	#29: Unqualified audit report with no emphasis of matters (Clean Audit) (SHC)	Unqualified external audit report with respect to financial statements and pre-determined objectives	Unqualified audit report with no emphasis of matter	Unqualified audit report with no emphasis of matter	Qualified Audit opinion	Unqualified audit report with no emphasis of matter	Qualified Audit opinion	Unqualified audit report with no emphasis of matter	Qualified Audit opinion	Unqualified audit report with no emphasis of matter	Qualified Audit opinion	Unqualified audit report with no emphasis of matter	Qualified Audit opinion
	#30: Number of repeat and number of unresolved findings. (SHC)	0 repeat findings 22 unresolved findings	0 repeat findings ≤ 6 unresolved findings	0 repeat findings ≤ 6 unresolved findings	≥1 repeat finding >6 unresolved findings	0 repeat findings ≤ 6 unresolved findings	≥1 repeat finding >6 unresolved findings	0 repeat findings ≤ 6 unresolved findings	≥1 repeat finding >6 unresolved findings	0 repeat findings ≤ 6 unresolved findings	≥1 repeat finding >6 unresolved findings	0 repeat findings ≤ 6 unresolved findings	≥1 repeat finding >6 unresolved findings
	#31: Number of breaches in materiality and significance framework. (SHC)	The entity incurred fruitless and wasteful irregular expenditure and breaches for instances on non-compliance with materiality and significance framework	Nil	Nil	>1 breach	Nil	>1 breach	Nil	>1 breach	Nil	>1 breach	Nil	>1 breach
6	#32: Actual vs planned business process Improvement programme	New KPI	Business process performance Improvement programme developed	≥80% milestones on Business process performance	Milestones on Business process performance <80%met	≥80% milestones on Business process performance	Milestones on Business process performance Improvement <80%met	≥80% milestones on Business process performance	Milestones on Business process performance Improvement <80%met	≥80% milestones on Business process performance	Milestones on Business process performance Improvement <80%met	≥80% milestones on Business process performance	Milestones on Business process performance Improvement <80%met

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
	interventions implemented			Improvement met		Improvement met		Improvement met		Improvement met		Improvement met	
7	#33: Total number of signed contracts (bulk supply agreements) in place as a % of total customers. (SHC)	100% (7 of 7)	100% (7 of 7)	100% (7 of 7)	< 100% (<7 of 7)	100% (7 of 7)	< 100% (<7 of 7)	100% (7 of 7)	< 100% (<7 of 7)	100% (7 of 7)	< 100% (<7 of 7)	100% (7 of 7)	< 100% (<7 of 7)
	#34: Per cent Directives implemented in accordance with plan (SHC)	3 Directives implemented	≥ 80% planned Directives' milestones met	≥ 80% planned Directives' milestones met	< 80% milestones met	≥ 80% planned Directives' milestones met	< 80% milestones met	≥ 80% planned Directives' milestones met	< 80% milestones met	≥ 80% planned Directives' milestones met	< 80% milestones met	≥ 80% planned Directives' milestones met	< 80% milestones met
	#35: Number of signed contracts/MOUs with rural Municipalities for provision of support. (SHC)	3 Signed contracts/MOUs	≥ 3 Signed contracts/MOUs	2 Signed contracts/MOUs	< 2 Signed contracts/MOUs	3 Signed contracts/MOUs	< 3 Signed contracts/MOUs	5 Signed contracts/MOUs	< 5 Signed contracts/MOUs	6 Signed contracts/MOUs	< 6 Signed contracts/MOUs	6 Signed contracts/MOUs	< 6 Signed contracts/MOUs
8	#36: Per cent Compliance of WTW Systems with SANS 241 water quality standard per risk category	12 of 13 WTW systems 100% compliant with Excellent SANS 241 All UMDM plants achieved Excellent in all 5 categories of SANS 241 (Acute Microbiological Health, Acute Chemical Health, Chronic	12 of 13 WTW systems 100% compliant with Excellent SANS 241 3 UMDM schemes compliant with GOOD SANS 241 in all 5 risk categories.	12 of 13 WTW systems 100% compliant with Excellent SANS 241 1 WTW system 100% compliant with Good SANS 241	<12 WTW systems 100% compliant with Excellent SANS 241 <1 WTW system 100% compliant with Good SANS 241 <3 UMDM schemes compliant	14 WTW systems 100% compliant with Excellent SANS 241 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk categories.	< 14 WTW systems 100% compliant with Excellent SANS 241 < 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk. KCDM schemes and	14 WTW systems 100% compliant with Excellent SANS 241 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk categories.	< 14 WTW systems 100% compliant with Excellent SANS 241 < 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk. KCDM schemes and	14 WTW systems 100% compliant with Excellent SANS 241 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk categories.	< 14 WTW systems 100% compliant with Excellent SANS 241 < 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk. KCDM schemes and	14 WTW systems 100% compliant with Excellent SANS 241 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk categories.	< 14 WTW systems 100% compliant with Excellent SANS 241 < 1 UMDM scheme compliant with GOOD SANS 241 in all 5 risk. KCDM schemes and

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
	Chemical Health, Operational, Aesthetic)			3 UMDM schemes compliant with GOOD SANS 241 in all 5 risk categories. ≥ 50% milestones achieved against KCDM Schemes Action Plan 8 KCDM Schemes complaint with GOOD SANS 241 in all 5 risk categories	with GOOD SANS 241 in all 5 risk categories. < 50% milestones achieved against KCDM Schemes Action Plan <8 KCDM Schemes complaint with GOOD SANS 241 in all 5 risk categories	KCDM schemes and water quality compliance agreed milestones implemented	water quality compliance agreed milestones not implemented	KCDM schemes and water quality compliance agreed milestones implemented	water quality compliance agreed milestones not implemented	KCDM schemes and water quality compliance agreed milestones implemented	water quality compliance agreed milestones not implemented	KCDM schemes and water quality compliance agreed milestones implemented	water quality compliance agreed milestones not implemented
	#37: Per cent Compliance against Licence or General Authorization or Green Drop Standards as a minimum	9 WWTW ≥ 90% 2 WWTW ≥ 80% compliant	9 WWTW ≥ 90% 2 WWTW ≥ 80% compliant	10 WWTW ≥ 90% compliant 1 WWTW ≥ 80% compliant	< 10 WWTW < 90% compliant <1 WWTW < 80% compliant	10 WWTW ≥ 90% compliant 1 WWTW ≥ 80% compliant	< 10 WWTW < 90% compliant <1 WWTW < 80% compliant	10 WWTW ≥ 90% compliant 1 WWTW ≥ 80% compliant	< 10 WWTW < 90% compliant <1 WWTW < 80% compliant	10 WWTW ≥ 90% compliant 1 WWTW ≥ 80% compliant	< 10 WWTW < 90% compliant <1 WWTW < 80% compliant	10 WWTW ≥ 90% compliant 1 WWTW ≥ 80% compliant	< 10 WWTW < 90% compliant <1 WWTW < 80% compliant

SHC = Shareholder Compact Indicator

Balanced Scorecard Perspective		Organisational Capacity
Outcomes	Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability	
Strategic Objectives:	SO9: Improve skills and competency; SO10: Improve the use of data and technology; SO11: Improve work culture; SO12: Increase supply security	

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
9	#38: Actual vs planned HR plans delivered to progressively close identified strategic skills gaps	New KPI	Organisational design project concluded with recommended action plans to progressively close identified strategic skills gaps	5 of 7 Skills Development Programmes implemented ≥70% met	Skills Development Programmes implemented <70% met	5 of 7 Skills Development Programmes implemented ≥70% met	Skills Development Programmes implemented <70% met	5 of 7 Skills Development Programmes implemented ≥70% met	Skills Development Programmes implemented <70% met	5 of 7 Skills Development Programmes implemented ≥70% met	Skills Development Programmes implemented <70% met	5 of 7 Skills Development Programmes implemented ≥70% met	Skills Development Programmes implemented <70% met
	#39: Number of staff terminations, excluding normal retirements, as a % of the total staff complement. (SHC)	1.04%	8%	≤ 8%	>8%	≤ 8%	>8%	≤ 8%	>8%	≤ 8%	>8%	≤ 8%	>8%
10	#40: Actual vs planned digital transformation programme milestones met	Vision 2050 digital transformation strategy developed	Digital transformation strategy developed	Digital Transformation programme milestones ≥80% met	Digital Transformation programme milestones <80% met	Digital Transformation programme milestones ≥80% met	Digital Transformation programme milestones <80% met	Digital Transformation programme milestones ≥80% met	Digital Transformation programme milestones <80% met	Digital Transformation programme milestones ≥80% met	Digital Transformation programme milestones <80% met	Digital Transformation programme milestones ≥80% met	Digital Transformation programme milestones <80% met
	#41: Per cent RDI projects on track	A Research and Innovation	Organisational RDI	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme	Organisational RDI programme

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
	against planned milestones	Concept Document Developed	programme developed	milestones ≥80% met	milestones <80% met	milestones ≥80% met	milestones <80% met	milestones ≥80% met	milestones <80% met	milestones ≥80% met	milestones <80% met	milestones ≥80% met	milestones <80% met
11	#42: Per cent change management programme milestones met over total milestones	New KPI	Organisational Change Management Programme developed	Organisational Change Management Programme developed	Organisational Change Management Programme not developed	Organisational Change Management programme milestones ≥80% met	Organisational Change Management programme milestones <80% met	Organisational Change Management programme milestones ≥80% met	Organisational Change Management programme milestones <80% met	Organisational Change Management programme milestones ≥80% met	Organisational Change Management programme milestones <80% met	Organisational Change Management programme milestones ≥80% met	Organisational Change Management programme milestones <80% met
12	#43: Number of days (> 24 hours) supply disrupted over total supply days (365 days per year). (SHC)	10.45 of 365 supply days disrupted in 3 of 16 supply systems	0 days > 24 hours	0 days > 24 hours	unplanned supply disruption > 24 hours disruption in any of the 16 supply systems	0 days > 24 hours	unplanned supply disruption > 24 hours disruption in any of the 15 supply systems	0 days > 24 hours	unplanned supply disruption > 24 hours disruption in any of the 15 supply systems	0 days > 24 hours	unplanned supply disruption > 24 hours disruption in any of the 15 supply systems	0 days > 24 hours	unplanned supply disruption > 24 hours disruption in any of the 15 supply systems
	#44: Avoidable water lost (mil m ³) over total water produced (mil m ³). (SHC)	2.5%	≤ 5%	≤ 5%	>5%	≤ 5%	>5%	≤ 5%	>5%	≤ 5%	>5%	≤ 5%	>5%
	#45: Per cent actual vs. planned CAPEX programme milestones met	55% milestones met for strategic projects	85% milestones met for strategic projects	85% milestones met for strategic projects	< 85% milestones met for strategic projects	85% milestones met for strategic projects	< 85% milestones met for strategic projects	85% milestones met for strategic projects	< 85% milestones met for strategic projects	85% milestones met for strategic projects	< 85% milestones met for strategic projects	85% milestones met for strategic projects	< 85% milestones met for strategic projects
	#46: Total CAPEX spend against budget (SHC)	R825m	R1934m	R1648m	<R1318m; >R1978m	R3161m	<R2529m; >R3793m	R3009m	<R2407m; >R3611m	R2659m	<R2127m; >R3191m	R2512m	<R2010m; >R3014m
	#47: Capital expenditure for rural expansion (development)	R291m	R485m	R395m	<R316m; >R474m	R864m	<R691m; >R1037m	R1195m	<R956m; >R1434m	R1361m	<R1089m; >R1633m	R1205m	<R964m; >R1446m

UW SO	Strategic KPI	Baseline 2020/2021	Baseline 2021/2022	Projected 2022/2023	Red Flag 2022/2023	Projected 2023/2024	Red Flag 2023/2024	Projected 2024/2025	Red Flag 2024/2025	Projected 2025/2026	Red Flag 2025/2026	Projected 2026/2027	Red Flag 2026/2027
) projects as % of total capex budget spent (*SHC)												
	#48: Repairs and Maintenance as a percentage of PPE (SHC)	R319m, 3.6% of PPE	R353m ≥3% of PPE	R330m ≥3% of PPE	<R297m; >R393m <3% of PPE	R357m ≥3% of PPE	<R321m; >R393m <3% of PPE	R385m ≥3% of PPE	<R347m; >R424m <3% of PPE	R416m ≥3% of PPE	<R374m; >R458m <3% of PPE	R449m ≥3% of PPE	<R404m; >R494m <3% of PPE
	#49: Per cent volumes of water abstracted from alternative sources against total abstractions	New KPI	Water Resources Diversification Plan developed	Water Resources Diversification Detailed Feasibility study completed	Water Resources Diversification Detailed Feasibility study not completed	Water Resources Diversification programme developed	Water Resources Diversification programme not developed	≥80% milestones on Water Resources Diversification programme met	<80% Agreed milestones on Water Resources Diversification programme not met	≥80% milestones on Water Resources Diversification programme met	<80% milestones on Water Resources Diversification programme not met	≥80% milestones on Water Resources Diversification programme met	<80% milestones on Water Resources Diversification programme not met
	#50: Decrease in infrastructure theft, vandalism and servitude encroachment incidents.	New KPI	Early Warning and Incident Management Programme developed	≥95% milestones on Early Warning and Incident Management Programme met	<95% milestones on Early Warning and Incident Management Programme not met	≥95% milestones on Early Warning and Incident Management Programme met	<95% milestones on Early Warning and Incident Management Programme not met	≥95% milestones on Early Warning and Incident Management Programme met	<95% milestones on Early Warning and Incident Management Programme not met	≥95% milestones on Early Warning and Incident Management Programme met	<95% milestones on Early Warning and Incident Management Programme not met	≥95% milestones on Early Warning and Incident Management Programme met	<95% milestones on Early Warning and Incident Management Programme not met
	#51 Percent Environmental Sustainability Programme milestones met over total milestones	Environmental sustainability implementation plan developed and approved	Environmental sustainability programme / plan developed	Environmental sustainability programme / plan milestones ≥80% met	Environmental sustainability programme / plan milestones <80% met	Environmental sustainability programme / plan milestones ≥80% met	Environmental sustainability programme / plan milestones <80% met	Environmental sustainability programme / plan milestones ≥80% met	Environmental sustainability programme / plan milestones <80% met	Environmental sustainability programme / plan milestones ≥80% met	Environmental sustainability programme / plan milestones <80% met	Environmental sustainability programme / plan milestones ≥80% met	Environmental sustainability programme / plan milestones <80% met

SHC = Shareholder Compact Indicator



Chapter 4: Branding, Marketing and Communication



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4.1. Marketing and Branding Plan

In order for the organisation to deliver responsive and quality services that speaks to the need of its clients, and continuously build relationships that result in win-win outcomes, Umgeni Water will focus its Branding and Marketing on programmes and initiatives that will ensure a strong brand presence and awareness as well as a feedback loop from its customers and stakeholders.

4.1.1 Approach to Marketing and Branding

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

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

4.1.2 Umgeni Water Brand Building

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

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

- Delivering on mandate.
- Matching the strengths of the entity to the products and services offered.
- Identifying and understanding key customer needs, expectations, priorities and passions.
- Designing and offering services and products that will give optimal value to customers.
- Through positioning Umgeni Water as the Service provider of Choice
- Optimization our Social Media Platforms &
- Constantly maintaining and updating our website

4.1.3 Products and Services

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

- Bulk potable water supply

- Bulk wastewater treatment
- Water related services

4.1.4 Geographical Markets, Marketing Matrix and Customers

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

	MARKET	SERVICE/S
1	KwaZulu-Natal	Bulk water and wastewater services and/or water related services
2	South Africa	Water services and other related activities on demand.
3	Rest of Africa	Knowledge management, networking and responding to bi-lateral agreements between South Africa and other countries.
4	Global	Networking, knowledge management and strategic collaborations.

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

	CUSTOMER	STRATEGY
1	eThekweni Metropolitan Municipality	Retain and grow
2	Msunduzi Municipality	Retain and grow
3	iLembe District Municipality	Retain and grow
4	uMgungundlovu District Municipality	Retain and grow
5	Harry Gwala District Municipality	Retain and grow
6	Ugu District Municipality	Retain and grow
7	King Cetshwayo District Municipality	Retain and grow
8	Newcastle Municipality	Market Development (Demand driven)
9	Amajuba District Municipality	Market Development (Demand driven)
10	uMzinyathi District Municipality	Market Development (Demand driven)
11	uMkhanyakude District Municipality	Market Development
12	City of uMhlathuze Municipality	Market Development
13	Zululand District Municipality	Market Development
14	uThukela District Municipality	Market Development (Demand driven)

		Products	
		Existing	New
		Market Penetration	Product Development
Markets	Existing (7WSAs)	<ul style="list-style-type: none"> Bulk potable water services Bulk wastewater services Water related services (e.g. training, laboratory analyses and related programmes) 	<ul style="list-style-type: none"> Water resources development Local and regional dams Alternate water resources Wastewater reclamation / water recycling Desalination Catchment management
	New (7 WSAs)	<ul style="list-style-type: none"> Bulk potable water services Bulk wastewater services Water related services Water related services (e.g. training, laboratory analyses and related programmes) 	<ul style="list-style-type: none"> Reticulation Retail services Non-revenue water management Alternate/ renewable Energy

4.1.5 Market Development: Customer Engagement Approach

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

4.1.6 Market Development: Engagement Approach during Development Phase

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

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

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

4.1.7 Market Development: Engagement Approach during Operational phase

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

- Honest responses and answers to questions are provided, notably when these relate to supply disruptions and quality problems,
- There is efficiency in problem solving,

- There is collaboration, support and assistance provided to address the WSAs' needs in time of water crises, such as droughts and floods.

4.1.8 Market Development: Engagement Approach during future planning phase.

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

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

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

4.2. Communication Plan

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

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

4.3. Water Sector Stakeholders

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

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

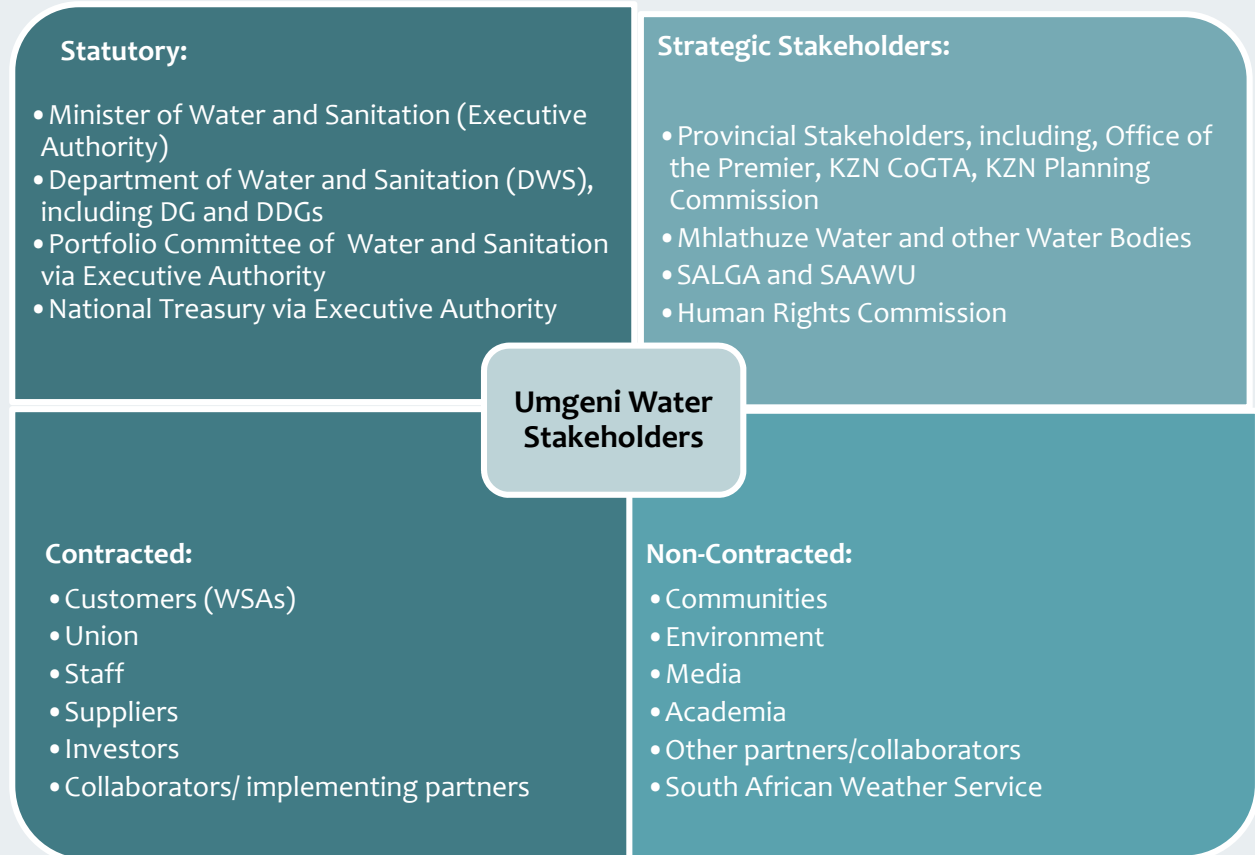
Statutory Stakeholders: Stakeholders who have a regulatory or oversight function over Umgeni Water, among them the Minister of Water and Sanitation; the Department of Water and Sanitation; the Portfolio Committee that has oversight on Water and Sanitation and National Treasury. Legislative requirements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

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

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

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

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





Chapter 5: Policy Statement



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Policy Statement

The policy statement has been reviewed and is attached as Annexure B of this submission. The next review will be done in 2027.



Chapter 6: Corporate Governance



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6.1 Composition and Functioning of the Board

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

All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith.

The Board has established five (5) standing committees to assist it in discharging its responsibilities, namely:

- Audit and Risk Committee
- Capital Projects, Fixed Assets and Procurement Committee
- Human Resources and Remuneration Committee
- Governance Committee
- Innovation, Technology and Information Committee (new Committee formed in March 2022)

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

The Board contracts with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board will continue to actively engage with the shareholder through various forums during the year. A Board Charter (reviewed in 2019) provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA,
- Treasury Regulations (GG 27338) as amended from time to time,
- The Water Services Act (Act 108 of 1997), as amended, and
- The King Code of Governance Principles, 2016 (King IV).

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

Table 6.1: Board and Committee Memberships

Board Member	Gender	Audit	HR & REMCO	Capex	Governance	Ethics	ITI
1. Ms Z Mathenjwa ^{1, 6}	F				✓	✓	
2. Prof T Mthembu ^{2, 3}	M			✓	✓		
3. Mr S Shabalala ⁴	M	✓			✓		
4. Mr W Mapena ⁵	M		✓		✓		
5. Ms B Zulu	F			✓			
6. Ms N Chamane	F			✓			
7. Mrs L Ngcobo	F	✓					✓
8. Mrs M Ndlovu	F	✓					✓
9. Mr V Reddy	M		✓				
10. Mr T Nkhahle	M			✓			
11. Mr S Badat	M		✓				
12. Mr M Zakwe ⁷	M	✓			✓		✓
13. Adv. S W Chamane	M		✓				
14. Mr M Dlamini ⁸	M		✓	✓		✓	✓

✓ Denotes Committee Member

1. Board Chairperson

2. Deputy Board Chairperson

3. Capex, Fixed Assets and Procurement Committee Chairperson

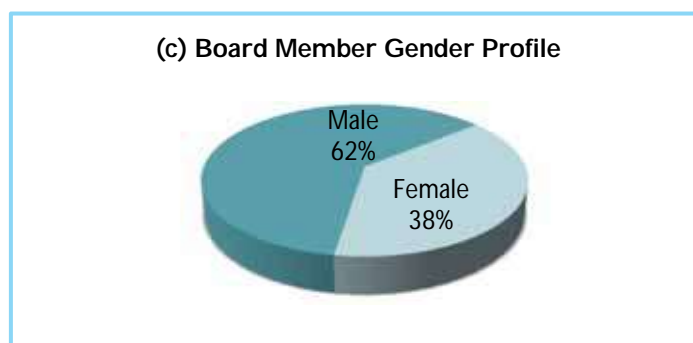
4. Audit & Risk Committee Chairperson

5. Human Resources and Remuneration Committee Chairperson

6. Governance Committee Chairperson

7. Innovation, Technology and Information Committee

8. Acting Chief Executive, appointed on 27 November 2021

Figure 6.1: Board Gender Profiles

6.1.1 Meetings Scheduled for 2022/2023

The scheduling of Board and Committee meetings for the upcoming year is as follows:

- Five (5) normal Board meetings;
- Five (5) normal Audit Committee meetings;
- Four (4) Ethics Committee meetings;
- Five (5) normal HR and Remuneration Committee meetings;
- Five (5) normal Capital Projects, Fixed Assets and Procurement Committee;
- Five (5) Innovation, Technology and Information Committee; and
- Two (2) Governance Committee meetings.

Special meetings may be convened as and when needed.

6.1.2 Summary of Meetings and Attendance

The prior years (2020/2021) and (2021/2022), attendance at Board and Committee meetings has consistently exceeded the 80% attendance target set by the shareholder. This standard will continue to be upheld during the corporate plan period.

6.1.3 Performance Management

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

6.2 Board Committees and Assurance Providers

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

6.2.1 Audit and Risk Committee

The Committee consists of four (4) non-executive Board members and its chairperson is Mr Siboniso Shabalala.

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

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

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

Ethics Committee

The Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical entity and will continue to exercise oversight through its already fully functional Ethics Committee as prescribed in

Section 29.1.1 of the Treasury Regulations in the PFMA as well as in line with the requirements of section 72 (4) of the Companies Act (Act No.71 of 2008).

The Ethics Committee accounts to the Board through the Audit Committee. Any high-risk areas identified are managed and mitigated at that level. The Committee provides assurance to the Board that there are effective ethics management systems, institution-wide prevention of fraud and corruption and ensures that complaints are managed effectively, followed up appropriately and investigated competently.

The Ethics Committee has an Independent Chairperson - who is neither a member of management nor a member of the Board. The Board, through the Audit committee, appointed Ms. Precious Mvulane in 2019 as the Chairperson of the Ethics Committee. She is the Managing Director of GAD Consulting Services Inc. Ms. Mvulane is a Chartered Accountant (SAICA) and a Registered Auditor (IRBA). She has over 18 years' experience in different finance roles, that is auditor (internal and external) both in private and public sectors. She has also been involved with governance structures for the past 11 years and sits on various boards as an Audit Committee Member. One of these Boards is the IRBA (her own professional body) and IBASA. The Ethics Committee reports matters within its scope of mandate to the Board, through the Audit Committee, which include, *inter alia*, environmental, financial and social ethics.

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

Corporate Risk Committee

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

Internal Control

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

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

- A system of financial planning, budgeting and reporting which allows continuous monitoring of performance;

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

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

Internal Audit

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

The Chief Audit Executive, as custodian of the internal audit function, reports regularly to the Audit Committee and have unrestricted access to the Committee chairperson.

External Audit

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

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

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

Compliance Management

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

6.2.2 Remuneration and Human Resources Committee

This Committee comprises of four (4) non-executive directors and the Chief Executive and its chairperson is Mr William Mapena.

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

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

6.2.3 Capital Projects, Fixed Assets and Procurement Committee

This Committee comprised of four (4) Non-Executive Directors and the Chief Executive. This committee is chaired by Prof. Thandwa Mthembu.

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

6.2.4 Governance Committee

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

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

6.2.5 Innovation, Technology and Information Committee

This newly constituted Committee consists of not less than three (3) non-executive Board members and its chairperson is Mr Mduduzi Zakwe.

The Committee is mandated to exercise oversight and ensure strategic oversight on matters relating to the assurance that the organisation is implementing an effective innovation strategy, ICT Strategy, ICT Governance Framework and Risk & Compliance Framework.

The terms of reference of the Innovation, Technology and Information Committee take into account the recommendations in King IV, recognise the importance of innovation as well as the need for strategic focus on technology and information. The issues falling within the oversight responsibility of this Committee covers the whole Group, and as such the Committee composition includes representation of subsidiaries at non-executive level as well.

6.3 Delegation of Authority

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

6.4 Board Member Appointment Dates and Details

MS ZIPHOZETHU (GABSIE) MATHENJWA

Masters in Law (LLM) Postgraduate Diploma in Laws in the specialisation of Commercial Law and Corporate Law (University of London); MSc in International Business Management (University of London); MBA (UKZN); BSc (UZ); Post-Graduate Diploma in Business Management (UKZN); Post-Graduate Diploma in Strategic Management and Corporate Governance (UNISA/ICSA); Certificate in Financial Management and Investment (UNISA).

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: Board Chairperson, Governance Committee Chairperson, Ethics Committee Member.

Board Member of Mitsui African Rail Solutions Other previous board memberships: Denel SOC (Ltd); Board Member Safran Turbomeca Africa, Chairperson Pretoria Metal Pressing. Board Member of the Water Research Commission, Mpumalanga Provincial Department of Economic Development, Environment and Tourism Audit Committee Chairperson

MS NOMPUMELELO CHAMANE

A community activist who has worked her whole life for the upliftment of communities at local government level

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: CAPEX Committee.

She began her community activism as a field work in UDF and later as a liaison officer in COSATU. She then served in the Durban Transitional Pre-Council (1995 – 1996) and is one of the longest serving Councilors in the eThekweni Metropolitan Municipality (1996 – 2016) and served in various oversight structures of the Municipality and also as a representative of the Municipality in external structures. Prior to her re-appointment to the Board, she served as the Chairperson of the HR and Remuneration Committee (2009 – 2019)

MS MBALI NDLOVU

Admitted Attorney of the High Court of South Africa; Admitted Conveyancer; LLB (UKZN); Post Graduate Certificate Specialist Local Government Management (DUT); Member of Institute of Directors.

Appointed as Board Member in May 2019. Committee Role: Audit Committee; Innovation, Technology and Information Committee

Municipal Manager: King Cetshwayo District Municipality from November 2018. Managing Director: Mbasa Corporate Advisory Services, 2014 -2018.

PROF. THANDWA MTHEMBU

BSc Hons (Fort Hare), MSc (Vanderbilt, U.S.A), PhD in Mathematics (Wits)

Appointed as Board Member in May 2019. Committee Role: Deputy Chairperson of the Board, Governance Committee Member, CAPEX Committee Chairperson

Professor Mthembu has been Vice-Chancellor & Principal at Durban University of Technology (DUT) since 2016.

MR VISVIN REDDY

Currently councillor eThekweni Municipality, Educator (Mathematics & Computer Science) by profession. Various Diplomas and Certificates in Management and Communications.

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: HR & REMCO.

Over twenty (20) years' local government experience. Served on the Executive Committee of eThekweni Metropolitan Municipality as well as serving as Chairman of the Infrastructure Committee. A member of various community and lobby bodies.

MR. MDU ZAKWE

Chartered Accountant (SA); MBA; Post Graduate Diploma in Management; B Com (Honours) in Accounting; Certificate in Accounting; B Com (Accounting)

Appointed as Board Member in May 2019. Committee Role: Audit Committee; Innovation, Technology and Information Committee Chairperson.

Chief Executive Officer of MICT SETA. Chairperson – Sector Skills Planning Committee at the Bank SETA. Board member and Chairperson for Audit and Risk Committee and IT Governance Committee at the South African Post Office. He is the founder of Cyber

Deputy Municipal Manager: City of uMhlatuze, 2009 - 2014. Legal Advisor: CoU. Land Rights Law Researcher: Center for Applied Legal Studies (Wits University). Board Member: Umgeni Water Board. Board Member: National Radioactive Waste Disposal Institute. Board Member: Richards Bay Industrial Development Zone. Board Member: Msinsi Resorts and Game Reserve

MS LINDA NGCOBO

Chartered Accountant (SA); Post Graduate Diploma in Accounting (UKZN); B Com (UZ).

Appointed as Board Member in May 2019. Committee Role: Audit Committee; Innovation, Technology and Information Committee.

Founding member and Managing director of 1st Verification Network, a Durban based B-BBEE verification agency, since 2004. She has served in boards of entities across various sectors, which include education, manufacturing, and tourism like the Durban International Convention Center, KZN Film Commission, Audit Committee chair of the South African Sugar Association, and recently appointed as a panel member of the Financial Services Tribunal..

MR WILLIAM MAPENA

Master's in Public Administration (UP); BCom (RBS); Executive Leadership Management & Development Programme (UP); Development & Management of Local Government (Wits); Provincial & Local Government Law (Unisa)

Appointed as Board Member in May 2019. Committee Role: HR & REMCO Chairperson.

Councilor of eThekweni Metropolitan Municipality since 2006 and has held various leadership positions within the Municipality including being a Speaker of Council. Has over 15 years' experience of serving in governance structures which include 4 years of chairing an ethics committee, 5 years as a member of an electricity and energy utility, 10 years as a member of a water and engineering infrastructure committee and 5 years of chairing an infrastructure and water related committee. Member of Council and HR Committee at the Durban University of Technology since 2008. Member of the South African Local Government Association since 2006. Trustee of the KZN Municipal Pension Fund since 2016. Trustee of a beneficiary fund since 2020

Core, a cybersecurity consulting practice. He has held various oversight roles in the ICT security governance structures in government entities.

ADV. SIMOSENKOSI CHAMANE

Diploma in Public Administration; LLB (UZ); Advocate of the High Court of South Africa; Member of the Institute of Directors in Southern Africa

Appointed as Board Member 2019. Committee Role: HR & REMCO.

Special Advisor, RSA Minister of Police, and Appointed Board of Directors of uMhlatuze Water Board from 2011 to 2016. Deputy Director-General: Institutional Development & Integrity Management in the KZN Office of the Premier since 2015 to 2019, General Manager: Public and Freight Transport at the KZN Department of Transport from 2006 to 2015. Manager: Contracts Management at the KZN Department of Transport from 2005 to 2006. Senior Manager: Legal Services at the KZN Department of Transport from 2004 to, 2002 to 2004 Member of the Bar, KZN Society of Advocates.

MS. BONGKILE ZULU

B.Proc (UKZN); Admitted Attorney of the High Court of South Africa; MBA (UKZN).

Appointed as Board Member in May 2019. Committee Role: CAPEX Committee.

Ms. Zulu is an attorney and director at Zulu Law Inc., a legal practice she founded in 2011. She has over 20 years in the legal field and has served in various national and provincial boards, including, amongst others; serving as a member of the KwaZulu Natal Growth Fund Trust, KZN Gaming and Betting Board, Construction Industry Development Board and is the Chairperson of the Road Traffic Infringement Agency (RTIA). She is also a council member of the Mangosuthu University of Technology (MUT) and presides in various ADR forums, including the Companies Tribunal and the KZN Municipal Bid Appeals Tribunal

MR. SIBONISO SHABALALA

Chartered Accountant (SA); Post Graduate Diploma in Accounting; Bachelor of Commerce: Accounting (UKZN).

Appointed as Board Member in May 2019. Committee Role: Audit Committee Chairperson.

Currently the Managing Director of Ukukhanya Advisory Services, an emerging Durban-based auditing & advisory firm. Audit Committee Chairperson at EThekweni & Mkhambathini Municipalities and Member of Elangeni TVET College Council. Non-executive Director of Msinsi Holdings SOC from 2015 to 2019. Chairperson of the Ethics Committee of Umgeni Water from 2014 to 2019. Former Finance Director at both Adapt IT Holdings Ltd and Ithala Limited. He has over 20 years' experience in various leadership roles in the Finance and Banking sector

MR. SULEMAN BADAT

Chartered Accountant (SA); B Acc (UKZN); Certification in Risk Management (IIA)

Appointed as Board Member in May 2019 Committee Roles: HR & REMCO.

Member of the Executive Committee at Auditor-General South Africa from 2014 to 2017. Chief Risk Officer & Chief Audit Executive at Sasol Limited from 2002 to 2006. Partner at Arthur Andersen from 1995 to 2002. He has garnered over 30 years' experience in Various leadership roles within the assurance, governance, risk and compliance fields. Currently, he is the founder and Managing Director of Resilient Advisory (Pty) Ltd. He currently serves on the Board of Air Traffic and Navigation Services SOC Limited. He also served as a member of the King IV Committee for Corporate Governance.

MR. TEBOGO NKHAHLE

Registered Professional Scientist; Certificate Program in Finance and Accounting (Wits); MPhil Stellenbosch University; Environmental Auditor (IRCA).

Appointed as Board Member in May 2019 Committee Role: CAPEX

RSA Chief Delegate to the Lesotho Highlands Water Project (LHWP). Board Member (2007-2011 & 2016-2019) as well as Non-Executive Chairman of LHWP (2008-2011); Board member of US based Global Decisions Inc. (Development of Global Environment, Health and Safety Regulations and Standards Database) 2008-2010; Environmental Auditor with Eskom (1998 to 2004); Member of Institute of Directors- SA since 2007; Vice Chair IoD Sustainable Development Forum from 2008 to 2009; Managing Director of Environmental Impact Management Services (EIMS) (2006-2021)

MR. MBONISENI DLAMINI

Master of Science in Microbiology; Master of Business Administration (MBA); Diploma in Company Direction, Strategic Turnaround Management Certificate

Appointed as Acting Chief Executive in November 2021

Managing Director of Msinsi Holdings SOC from 2017. Chief Executive Officer of Magalies Water from 2010 to 2015. General Manager of Operations at Umgeni Water from 2008 to 2010.

Ex officio member of the Board

6.5 Company Secretariat

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

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

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

MR SIBUSISO MADONSELA

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

***Appointed as Group Company Secretary from 01
January 2022.***

He is responsible for Group Governance. Prior to this role he was the head of Umgeni Water's legal department and before joining Umgeni Water he was the Competition Commission's Legal Counsel. Prior to these roles, he had a stint in private legal practice.

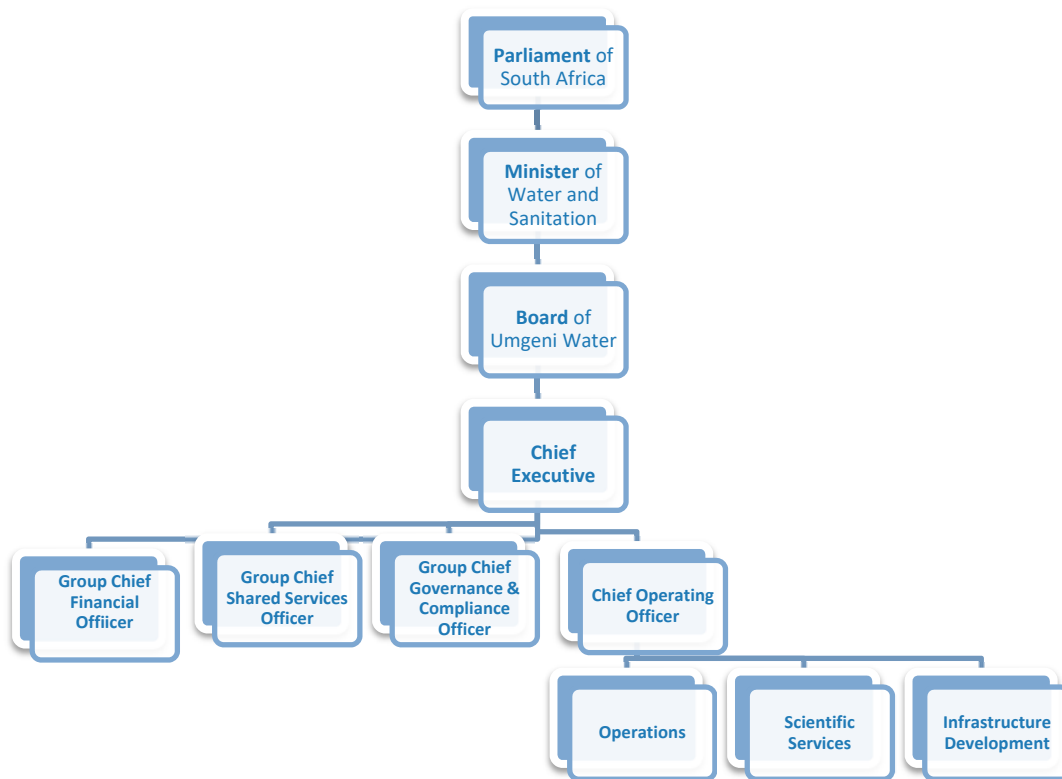
6.6 Executive Committee

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

6.6.1 Functions and Management Structure

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

Umgeni Water has the following structure that responds to its strategy. The core functions pertaining to each is articulated in the strategic statements that follow. Umgeni Water will continue to ensure a structure that is aligned to functions and mandate of a regional water utility. During the 2021/22 financial year, the Board conducted a review of the strategy and emphasised on the urgent need to focus on the execution of the strategy. And as such, the Board has deemed urgent to ensure that the organisation is “fit-for-purpose” in that it responds to the urgent expectations of delivering on the mandate. This “fit-for-purpose” alignment, which is founded on ensuring the effective way of implementing the strategy, has culminated in the review of the organisation’s macro-structure and will further be drilled down the entire organisation, through informal and formal consultation processes that must be compliant to legislation and internal policies.



Umgeni Water Strategic Statement

"We will lead the process of providing solutions through an innovative, vigorous growth path, to increase sustainable water supply in order to satisfy the developmental water services requirements in our region, which contributes to the government's objectives"

Board Strategic Statement

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

Chief Executive Office Strategic Statement

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

Finance Strategic Statement

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

Corporate Services Strategic Statement

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

Governance & Compliance Strategic Statement

"Provide combined assurance, champion corporate governance, risk and legal compliance within the Group"

Operations

"Provide and ensure security of supply of high quality water, wastewater and related services to ensure customer satisfaction"

6.6.2 EXCO Member Appointment Dates and Details

MR MBONISENI DLAMINI

Master of Science in Microbiology; Master of Business Administration (MBA); Diploma in Company Direction, Strategic Turnaround Management Certificate

Appointed as Acting Chief Executive in November 2021

Managing Director of Msinsi Holdings SOC from 2017. Chief Executive Officer of Magalies Water from 2010 to 2015. General Manager of Operations at Umgeni Water from 2008 to 2010

MR THAMI MKHWANAZI

Chartered Accountant (SA) (SAICA); BCom Degree (UNIZUL); BCom Honours (UKZN); Chartered Accountant (SAICA); Certificate in VAT (UNISA); Executive Development Program (WITS).

Appointed as Chief Financial Officer in February 2022

The former Chief Financial Officer of the National Youth Development Agency (NYDA).

Over 21 years of experience of which 12 years was in the private sector which spans across the automotive, retail and wholesale, import and export of medical equipment, and the logistics sectors. Two of the entities were part of the listed group of companies. 9 years in the public sector as Chief Financial Officer. Of the 21 years, 15 years has been at the management level and 12 of those years at the senior management level. The public sector experience spans across a municipality, two municipal entities, and a section 3A state-owned entity.

DR SIPHO MANANA

PhD in Development Management (NWU); Master of Business Administration (MBA) (UKZN); BA (Honours) in Human Resources Development (UJ); Bachelor of Science (Maths and Physics) (Fort Hare); Secondary Teachers Diploma (Fort Hare)

Appointed as Executive Corporate Services in June 2019.

Served as Chief Director, Deputy Director General at the National School of Government from 2009 to 2019. Director in the SAPS for skills development and international liaison in Pretoria and Mafikeng from 2000 to 2008. Spent 13 years at the KZN Department of Education as a Science and Mathematics educator and subject specialist respectively. Has been identified as one of the Thought Leaders on the Developmental State and the NDP: Vision 2030 by IRMSA (Institute of Risk Management in South Africa) and delivers sessions regularly on their platforms. His research interest is in human resource development and developmental state theory and practice.

CHIEF OPERATING OFFICER (New and Vacant)

Function to be responsible for Operations, Scientific Services and Infrastructure Development

GROUP GOVERNANCE (New and Vacant)



Chapter 7: Directives by the Minister



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Overview

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

7.1 uMkhomazi Water Project Phase 1

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

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

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

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

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

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

- Co-ordinate the implementation of both the raw and potable water components by the TCTA and UW respectively;
- Provide for the secondment of personnel from TCTA and UW, and
- Facilitate capacity building and skills transfer to Umgeni Water to deliver similar larger projects in future.

7.2 Stephen Dlamini Dam

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

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

The feasibility study recommended that the Harry Gwala District Municipality (HGDM) Regional Bulk Water Supply Scheme (RBWSS) will comprise of the dam that will be located at Luhane River, a tributary of the uMkhomazi river, will comprise of the following:

- Raw water pump station.
- Rising main.
- 10 Ml/d Water Treatment Works.
- 20 Ml command reservoir.
- Network of bulk potable water pipelines linking standalone schemes.

As per the directive, Umgeni water will be responsible for the following:

- Support Department of Water and Sanitation (DWS) to apply for an amendment of the Environmental Authorisation.
- Provide technical support to DWS with drafting of the record of implementation decisions (ROD).
- Undertake any further detail geotechnical investigations.
- Finalise any additional water use licence (WULA) for the implementation activities.
- Identify and prepare for expropriation of any additional portions of land required.
- Recommend and establish institutional and governance arrangements and processes.
- Establish a Project Steering Committee comprising of UW, DWS, HGDM and any other relevant stakeholders.
- Support DWS with undertaking of all the identified post-planning work
- Report progress on implementation of the project every six months as well as on ad hoc basis on issues that may require DWS attention and intervention.

7.3 Ncwabeni Off-Channel Storage Dam

The Minister also directed Umgeni Water to fund and implement the Ncwabeni Off-Channel Storage Dam after feasibility study undertaken by DWS indicated that during dry periods the river flow is insufficient to meet water demands.

This project will involve the construction of new dam on the Ncwabeni River, two abstraction weirs on uMzimkhulu River, a gauging weir on both Mzimkhulwana and Ncwabeni Rivers, a pump station and pipeline to pump water into the Ncwabeni off channel storage dam from uMzimkhulu River.

This water resource development will increase the yield of the uMzimkhulu River to fulfill the water resource requirements of the Umzumbi Municipality for a planning horizon of up to 2040.

As per the Directive, Umgeni water will be responsible of the following:

- Undertake any further detail geotechnical investigations for the Ncwabeni off channel storage dam and its appurtenant works and/or specialist baseline studies.
- Apply for the required water use licenses (WULA) for the implementation activities.
- Identification and expropriation of land required for implementation purposes.
- Establish the institutional and governance arrangements and processes to ensure meaningful participation by the DWS, UW and the Ugu DM at the strategic and policy level and coordination at operational level, as well as all other relevant stakeholders.
- Establishment of a Project Steering Committee at which UW, DWS, Ugu DM and any other relevant stakeholders shall be represented.
- Preparation and facilitation of the negotiation of necessary project agreements to give effect to the funding of Ncwabeni OCS dam project, which may include a Water Supply Agreement between the DWS and the Ugu DM.



Chapter 8: Self-Appraisal



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8.1 Umgeni Water KPIs

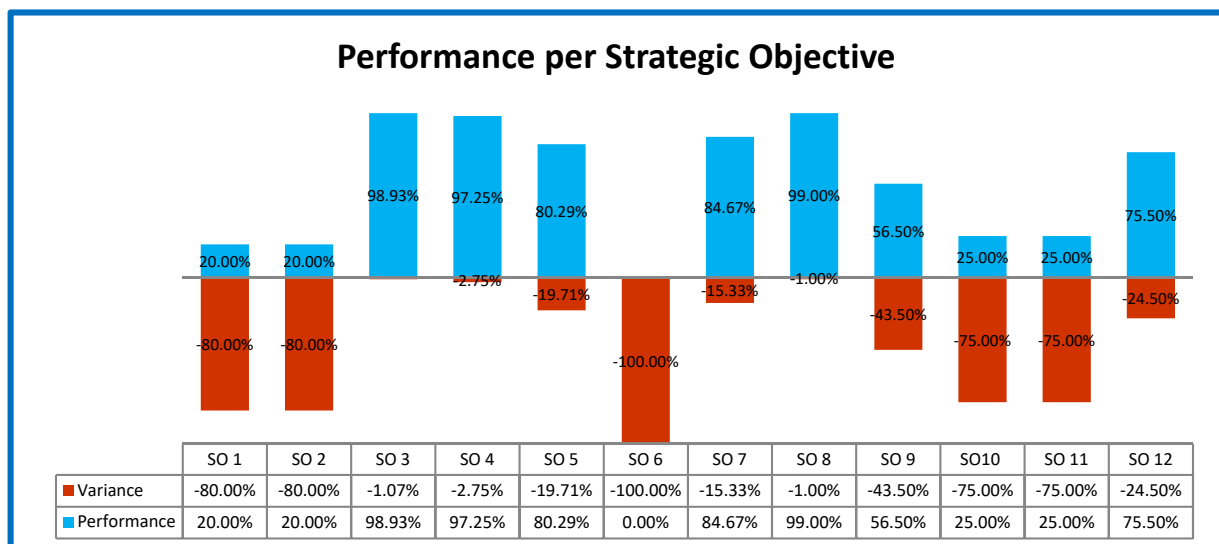
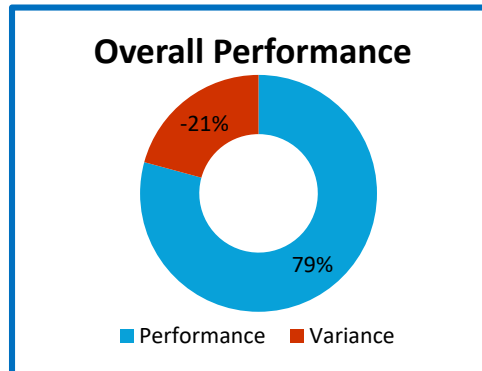
Umgeni Water's strategy in 2021/2022 was implemented through a balanced scorecard comprising four (4) Strategic Perspectives and 12 Strategic Objectives (SOs) and 51 Key Performance Indicators (KPIs).

The Performance Objectives were further made up of fifty-three (53) annual measurable Result Indicators. Responsibilities and accountabilities for these were agreed upfront and Quarterly Targets approved. These Result Indicators included all Shareholder Compact Indicators specifically targeted by the Executive Authority.

Collectively the scorecard enabled Umgeni Water to achieve its four (4) perspectives and ultimately its Mission/Mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services to customers.

8.2 Projected 2021/2022 Performance (Full UW Scorecard inclusive of SHC Indicators)

Umgeni Water performance for 2021/2022 is projected to be at **79%** with a **21%** variance. The projected performance analysis is shown below:



8.3 Variance Report per Indicator (Mid-Term Performance)

#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: CUSTOMER AND STAKEHOLDER PERSPECTIVE				
OUTCOMES: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability				
Strategic Objective 1: Improve Stakeholder Value				
KPI 1: STAKEHOLDER SATISFACTION INDEX				
1.1	Stakeholder satisfaction index	Agreed milestones on Stakeholder Satisfaction Survey Project met	1 of 5 Agreed milestones on Stakeholder Satisfaction Survey Project met	4 of 5 Agreed milestones on Stakeholder Satisfaction Survey Project not met. Variance due to delays on the procurement of service provider.
Strategic Objective 2: Improve Customer Value				
KPI 2: SATISFIED CUSTOMERS OVER TOTAL CUSTOMERS				
2.1	Satisfied customers over total customers	Agreed milestones on Stakeholder Satisfaction Survey Project met	1 of 5 Agreed milestones on Stakeholder Satisfaction Survey Project met	4 of 5 Agreed milestones on Stakeholder Satisfaction Survey Project met. Variance due to delays on the procurement of service provider.
KPI 3: PER CENT GROWTH IN GEOGRAPHIC FOOTPRINT				
3.1	UAP for eThekweni	Demand analysis undertaken	Demand analysis for key points only undertaken internally.	Customer extended scope of work which increased financial commitments and change to the procurement strategy

#	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE			
OUTCOMES: Financial Viability			
Strategic Objective 3: Improve Financial Sustainability			
KPI 12: TOTAL EXPENDITURE (*SHC)			
12.1	Total expenditure, Rbn (*SHC)	R2bn±10%	R1.50bn
			Variance of R297m (based on the lower range of the target of R1.8m).
			While underspend is a welcome result, it may have an inherent risk on the entity's sustainability if resources are not allocated appropriately.

#	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: Process Perspective			
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality			
Strategic Objective 4: Improve Stakeholder Engagement			
KPI 20: NUMBER OF SUBMISSIONS IN RESPECT OF MONTHLY REPORTS, QUARTERLY REPORTS, ANNUAL REPORT, TARIFF, CORPORATE PLAN, SHC AND POLICY STATEMENT (*SHC)			
20.1	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan and Shareholder Compact and Policy Statement (*SHC)	9 submissions on time: Annual Report 2 Quarterly Organisational Performance Reports 6 Monthly Ministerial Reports	8 submissions on time: 2 Quarterly Organisational Performance Reports 6 Monthly Ministerial Reports Delays in the conclusion of the External audit affected timely submission of the Annual Report as per Water Services Act Extension was sought from the Executive Authority and the Annual Report will be submitted in Q3
Strategic Objective 5: Improve Governance Processes			
KPI 23: PER CENT ACTUAL VS PLANNED CONTROLS IMPROVED			
23.1	Per cent actual vs planned controls improved	≥60% controls improvement milestones met	Reported information could not be validated against the plan The initial Plan is inadequate for the purpose of monitoring performance, which will render it less valuable for tracking progress in the subsequent quarter
KPI 24: PER CENT AUDIT FINDINGS RESOLVED WITHIN TARGET DATES			
24.1	Per cent audit findings resolved within target dates	≥80%	85 of 193 12 audit findings resolved within target dates (internal & external) (44%) Majority of the findings will be tested in the Internal audit. Internal audit will expedite the execution of the audit in the coming quarters which will contribute to findings being resolved
KPI 26: ACTUAL VS PLANNED INTEGRATED ETHICS MANAGEMENT FRAMEWORK MILESTONES			
26.1	Actual vs Planned Integrated Ethics Management Framework milestones	Agreed milestones on Integrated Ethics Management Plan met	Ethics Implementation plan 50% met. Investigation procedure for hotline call developed, training for Executive to commence in Q3 Hotline Monitoring and Ethics Reports submitted to Ethics and Audit committee Ethics Committee evaluation forms sent out for review Preparation for a research intervention was meant to have commenced on the 1 September 2021. Service provider appointed however CPG partner not appointed The first phase for the Ethics Management Framework is the Ethics Risk assessment. The process has not yet started due to delays in contracting. Action plans are in place to fast track the appointment of a CPG partner to expedite this assessment
Strategic Objective 7: Increase Customers and Services			
KPI 35: PER CENT DIRECTIVES IMPLEMENTED IN ACCORDANCE WITH PLAN (*SHC)			
35.1	Per cent Directives implemented in accordance with plan (*SHC)	≥ 80% planned Directives milestones met	7 of 13 planned Directives milestones met 6 of 13 planned Directives milestones met. This variance is due to delays in signing of the Water User Agreements and rejection of funding model by

WSAs citing affordability concerns

Strategic Objective 8: Improve Product and Service Quality

KPI 37: PER CENT COMPLIANCE OF WTW SYSTEMS WITH SANS 241 WATER QUALITY STANDARD PER RISK CATEGORY (*SHC)

37.1	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)	13 WTW systems 100% compliant with Excellent SANS 241 in all 5 risk categories (Acute Microbiological Health; Acute Chemical Health; Chronic Chemical Health; Aesthetic; Operational Categories). 3 UMDM schemes compliant with GOOD SANS 241 in all 5 risk categories.	12 WTW systems 100% compliant with Excellent SANS 241 against a target of 13 WTW systems 100% compliant with Excellent SANS 241. Three (3) UMDM schemes compliant with Excellent SANS 241 against a target of 3 UMDM schemes compliant with Good SANS 241.	Variance of 1 WTW system (Maphumulo) that did not meet the Excellent criteria of the SANS 241 standard due to poor performance of the package plant – a temporary response to high demand during the ongoing WTW capacity upgrade. The maintenance of the package plant was successfully completed which will improve compliance
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KPI 38: PER CENT COMPLIANCE AGAINST LICENCE OR GENERAL AUTHORIZATION OR GREEN DROP STANDARDS AS A MINIMUM (*SHC)

38.1	Per cent Compliance against Licence or General Authorization or Green Drop Standards as a minimum (*SHC)	10 WWTW ≥ 90% 1 WWTW ≥ 80% compliant	8 WWTW ≥ 90% compliant and 1 WWTW ≥ 80% compliant	Variance of 2 WWTW ≤ 90% compliant (Mpofana and Appelsbosch WWTW). The non-compliances were due to E. coli failures resulting from breakdown of sludge dewatering equipment at Mpofana and Appelsbosch WWTW. Action plans are in place to repair faulty equipment and improve wastewater quality compliance.
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#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: Organisational Capacity				
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability				
Strategic Objective 9: Improve Skills and Competency				
KPI 39: ACTUAL VS PLANNED HR PLANS DELIVERED TO PROGRESSIVELY CLOSE IDENTIFIED STRATEGIC SKILLS GAPS				
39.1	Actual vs planned HR plans delivered to progressively close identified strategic skills gaps	Agreed organisational design milestones met.	1 of 8 milestones met.	7 of 8 milestones could not be validated against the plan.
Strategic Objective 10: Improve the Use of Data and Technology				
KPI 41: ACTUAL VS PLANNED DIGITAL TRANSFORMATION PROGRAMME MILESTONES MET				
41.1	Actual vs planned digital transformation programme milestones met	Agreed Digital Transformation project milestones met.	Reported information could not be validated against the plan.	The initial Plan is inadequate for the purpose of monitoring performance, which will render it less valuable for tracking progress in the subsequent quarters.
KPI 42: PER CENT R&D PROJECTS ON TRACK AGAINST PLANNED MILESTONES				
42.1	Per cent R&D projects on track against planned milestones	Agreed milestones against Organisational R&D programme implementation plan	Reported information could not be validated against the plan.	The initial Plan is inadequate for the purpose of monitoring performance, which will render it less valuable for tracking progress in the subsequent quarters.
Strategic Objective 11: Increase Supply Security				
KPI 43: PER CENT CHANGE MANAGEMENT PROGRAMME MILESTONES MET OVER TOTAL MILESTONES				
43.1	Per cent change management programme milestones met over total milestones	Agreed Change Management milestones met	5 of 20 Agreed Change Management Milestones met.	15 of 20 Milestones could not be validated against the plan.
Strategic Objective 12: Increase Supply Security				
KPI 44: NUMBER OF DAYS (> 24 HOURS) SUPPLY DISRUPTED OVER TOTAL SUPPLY DAYS (365 DAYS PER YEAR) (*SHC)				
44.1	Satisfied customers over total customers	0 days > 24 hours	38 of 184 supply days disrupted at 1 of 17 WTW systems as at Q2	The 38 days disruption was encountered at Durban Heights Supply System as a result of a failed shaft pump and a leak in one of the aqueducts which reduced the production volumes to the customer by 50 Ml/d during the period. The repairs were successfully repaired and supply was restored to contracted volumes by 19 December 2021.
KPI 46: PERCENT ACTUAL VS. PLANNED CAPEX PROGRAMME MILESTONES MET (*SHC)				
46.1	Per cent actual vs. planned CAPEX programme milestones met (*SHC)	85% milestones met for strategic projects List of CAPEX projects and target milestones.	55% milestones met for key strategic infrastructure projects	This had a variance of 30% due to multiple factors, which included: contract termination due contractors going into business rescue (Greater Mpofana BWSS, Darvill WWTW Capacity Increase, Maphumulo Phase 3) site blockades by local formations demanding work

(Greater Mpofana BWSS, South Coast Phase 2b, Lower uMkhomazi BWSS); stoppages by Transnet and local farmers (Bruntville pipeline); and site security threats and acts of vandalism (Mpophomeni WWTW). These, coupled with project delays and lengthy appeals adversely affected progress of the Capital Expenditure programme.

Action plans are in place to improve performance of the Capital Infrastructure Programme during the course of the year

KPI 47: TOTAL CAPEX SPEND AGAINST BUDGET (*SHC)

47.1	Total capex spend against budget (*SHC)	$\geq 80\%$ of R917m, $\leq 20\%$ variance	Total CAPEX spend achieved 39%: R361m spent	<p>Variance of R372m (based on lower range of the target of R733m). Due to the following contract termination due contractors going into business rescue (Greater Mpofana BWSS, Darvill WWTW Capacity Increase, Maphumulo Phase 3) site blockades by local formations demanding work (Greater Mpofana BWSS, South Coast Phase 2b, Lower uMkhomazi BWSS); stoppages by Transnet and local farmers (Bruntville pipeline); and site security threats and acts of vandalism (Mpophomeni WWTW). These, coupled with project delays and lengthy appeals adversely affected progress of the Capital Expenditure programme.</p> <p>Action plans are in place to improve performance of the Capital Infrastructure Programme during the course of the year.</p>
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47.2 CAPITAL EXPENDITURE FOR RURAL EXPANSION (DEVELOPMENT) PROJECTS AS % OF TOTAL CAPEX BUDGET SPENT (*SHC)

47.2	Capital expenditure for rural expansion (development) projects as % of total capex budget spent (*SHC)	R217m \pm 20%	R156m (17% of Q2 Capex budget) spent on Rural Development Projects against a target of R271m \pm 20% (24% of Q2 Capex budget).	<p>The equates to variances of R17m (based on the lower range of the target being R173m) and underspend of Q2 Capex budget by 7%.</p> <p>Underspend is a result of the following major factors, which included: contract termination due contractor going into business rescue, site blockades by local formations demanding work (Greater Mpofana BWSS); stoppages by Transnet and local farmers (Bruntville pipeline); and site security threats and acts of vandalism (Mpophomeni WWTW). These, coupled with project delays and lengthy appeals adversely affected progress of the Capital Expenditure programme</p>
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KPI 48: REPAIRS AND MAINTENANCE AS A PERCENTAGE OF PPE (*SHC)

48.1	Repairs and maintenance as a percentage of ppe (*SHC)	R136,992m ±10%	R117m spent on Repairs and Maintenance against a target of R136.9 ±10%.	<p>R6.29m (based on the lower range of the target of R123.29m).</p> <p>This resulted from a combination of internal process inefficiencies and global logistics downturn which resulted in longer lead times in sourcing certain spares.</p> <p>The organisation is strengthening its internal processes and capacity in the affected areas and working with key stakeholders to expedite certain projects where possible</p>
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KPI 51: PERCENT ENVIRONMENTAL SUSTAINABILITY PROGRAMME MILESTONES MET OVER TOTAL MILESTONES

51.1	Percent environmental sustainability programme milestones met over total milestones	Agreed milestones met	59.4% of the agreed millstones met against an annual target of 80%	<p>20.6% below target of 80%</p> <p>Action plans are in place to ensure the annual target is met.</p>
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Chapter 9: Participation in Companies



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9.1 Umgeni Water Subsidiaries

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



9.2 Msinsi Holdings SOC Ltd

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

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

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

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

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

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

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

9.3 Umgeni Water Services SOC Ltd

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

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

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

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



Chapter 10: Water Resources



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10.1 Water Resources Diversification Plan

Umgeni Water, as a water services provider, requires sustainable and cost-effective water resources to meet its customers' needs. In its efforts to have access to stable raw water resources to meet current and future customer needs, Umgeni Water will consider all water resource options available. These will include, amongst others, surface water, ground water, wastewater reuse and desalination. This will allow the organization to build resilience against impacts of environmental deterioration such as climate change.

The protection and development of water resources requires both demand side and supply side interventions. Supply side interventions include the development of new water resource options and these require significant lead times before development is realised. As a result, future medium to long-term water resources must be secured from the Department of Water and Sanitation (DWS), as the custodian of the country's water resources, in a timely manner.

DWS has, to date, undertaken regional water resource development investigations within Umgeni Water's area of operation in close collaboration with Umgeni Water and its major customers. A number of these studies were co-funded by Umgeni Water. The status of water demand within Umgeni Water's area of supply means that a combination of demand and supply side interventions must be undertaken if customers are to avoid water shortages in the coming years. Water resource development and the associated investigations that have to be undertaken to realise this, must, therefore, be prioritised as one of these interventions.

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

Umgeni Water will continue to manage its existing resource supplies with the utmost diligence. Umgeni Water operates a number of Umgeni Water owned impoundments and some on behalf of the Department of Water and Sanitation within its operational area. This is currently undertaken with a signed agency agreement that Umgeni Water concluded with DWS in 2013. Alternatives are considered when augmenting the water resources of Umgeni Water's existing schemes to ensure that the correct option is chosen for supply of the current and future demands. Umgeni Water considers all, diversified, options of supply when investigating water resource

development. Umgeni Water investigates and implements water resource supply options based on both cost effectiveness and future supply security.

10.2 Climate Change Response Plan

Umgeni Water strives to strengthen its preparedness and resilience to the impacts of climate change. In this regard, in 2020 the entity developed a Climate Change Policy and finalizing its Implementation Plan for execution during 2021/2022 of this corporate plan period.

The Climate Change Policy is a commitment toward Umgeni Water's long term, just transition to a climate resilient and lower carbon entity. The climate change implementation plan has been developed and is integrated into the Environmental Sustainability implementation plan. It comprises targets for both mitigation and adaptation responses.

The mitigation targets enable Umgeni Water to achieve long term, just transition to a lower carbon entity and amongst other things, comprise targets for the following:

- Energy use and reduction in emissions
 - Reducing greenhouse gas emissions
 - increasing renewable energy share
- Reducing waste and consumption pressure
 - reducing the amount of waste to landfill site through redesign, reuse, recycling and recovery
- Biodiversity protection and reducing ecosystem stress
 - reducing biodiversity loss and improving ecological infrastructure
- Green buildings:
 - reducing energy used within existing buildings
 - reducing water used within buildings
 - increase water harvest across Umgeni Water Operational Sites
 - improving the design of buildings to achieve a Four Star Green Star Certification
- Transition to a circular economy
 - reducing waste generation from process towards zero waste
- Research, development and innovation:
 - increase research, development and innovation in environmental sustainability.

The adaptation targets enable Umgeni Water to strengthen its preparedness, build adaptive capacity and to achieve long term just transition to a climate resilient entity. The targets related to adaptation include the following:

- Improving flood disaster management planning and response
 - development and implementation of a flood forecasting and early warning system

- Improving drought disaster management planning and response
 - water resource monitoring and continuous reporting of water resource status
- Biodiversity / Ecological infrastructure protection
 - reduce biodiversity loss and improving ecological infrastructure
- Reducing water stress
 - Improving wastewater effluent green Drop compliance
 - Reducing water withdrawals from stressed catchments
- Water quality and water quantity
 - Improving raw water resources water quality index per water resource
 - Increasing the amount of water from alternative water supplies
 - Reducing water losses
 - Improving portable water quality compliance to SANS 241 standard at all sites
 - Develop and implement plans for diversifying water resources.

As part of the climate change response planning, Umgeni Water also update climate impacts and vulnerabilities studied on a 5 year cycle so as to understand the vulnerability of the utility and use the outcomes of the studies to influence water resource management decision making.



Chapter 11: Potable Water Supply



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11.1 Introduction

Umgeni Water prioritises providing reliable services that meet statutory standards, which leads to improved customer relations and retention. Key to this is a strong focus on customer relationship management by ensuring a product of superior quality through consistent asset maintenance and water quality management.

11.2 Bulk Supply Agreements with Major Customers

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

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

Umgeni Water has signed Bulk Supply Agreements with all of the seven Water Service Authorities it currently supplies, namely eThekweni Metropolitan Municipality, iLembe District Municipality, Ugu District Municipality, uMgungundlovu District Municipality, Harry Gwala District Municipality, Msunduzi Local Municipality, and King Cetshwayo District Municipality. The organisation also has a supply agreement with a private water services provider, Siza Water.

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

11.3 Asset Condition, Maintenance and Management

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

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

Umgeni Water continues to invest on asset maintenance. The average expenditure planned for this period is 3 % of PPE and 6 % of revenue, based on prior assessments conducted. There are no assets set to cause risk that is not mitigated, or planned for maintenance that pose significant risk to supply. As a result of consistent implementation of its asset maintenance strategy and programmes, the entity envisages no major interruptions to its business over the next five years and beyond.

Water Loss Management and Metering

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

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

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

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

Meter Accuracy Testing and Replacement

Meters utilised by Umgeni Water for the purposes of trade in raw and potable water, will be tested at intervals prescribed by regulation or at agreed frequencies as stipulated in Contractual Agreements. Interventions for meter verification and testing have been identified. All testing is followed by an analysis which will be undertaken according to a recognised testing protocol and procedure and interventions to provide assurance

of meter accuracy. A prioritised meter replacement programme is instituted for mechanical meters of size less than 300mm and older than five-years and /or as per the asset renewal requirements of the Bulk Supply Agreement with customers.

Planned Technology to Improve Metering Accuracy and Water Loss Management

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

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

11.4 Water Quality Management Plan

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

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

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

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

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

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

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

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



Chapter 12: Wastewater Treatment Plan



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12 Wastewater Treatment Plan

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

The following initiatives are being implemented with an aim at improving the compliance, effluent quality as well as improving the current rating against the Green Drop Certification System:

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

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



Chapter 13: Retail Supply



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13 Retail Supply

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

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

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

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

During this Corporate Plan period, Umgeni Water will develop a business plan for managing secondary bulk distribution networks with the objective of providing this as a value-adding service to water services authorities in reducing water losses and improving service delivery.



Chapter 14: Other Activities- Section 30



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14.1. Introduction

Umgeni Water will increase revenue streams by deploying responsive water and related solutions to the market using its intellectual capacity to minimize its heavy reliance on the tariff as a main source of revenue.

14.2. Laboratory Services

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

14.3. Support to Municipalities

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

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

Umgeni Water also provides IRIS, Sampling and SANS 241:2015 training to various municipal staff to enable better understanding of legislation and general requirements; thus enabling better monitoring of their performance.

14.4. Catchment Management Services

Umgeni Water Group (inclusive of Msinsi Holdings) will develop and grow its catchment management services in support of DWS/CMA. For the current period, Umgeni Water has concluded an Implementing Agency agreement with SANBI to develop certain catchment management services over a three-year period of this corporate plan.



Chapter 15: Human Capital Development Plan



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15.1 Introduction

Umgeni Water continues to invest on the level of expertise and knowledge of its employees through constant learning and skills development in line with the organisation's strategic needs. Implementation of mentorship and succession planning remains key towards improving continuity and capacity building. Considering the devastating impacts of the COVID-19 pandemic, the organisation will continue to intensify its efforts towards flattening the curve by providing support and encouraging voluntary vaccination of employees and adherence to Covid-19 prevention protocols in order to minimise the spread of this virus. The Human Capital Development Plan therefore focuses on human capital strategy; organisational design; future capabilities and innovation; Umgeni Water Innovation Hub; employment equity; training and development; Learning Academy and employee wellness.

15.2 Human Capital Strategy

Umgeni Water's human capital strategy is informed by changing needs of the organisation. It directs organisational response to the needs of employees and contributes towards the organisation's business strategy and plans which are aimed at confronting challenges of scarce and critical skills in the water sector and country as a whole. This strategy was developed in consideration of the operating environment; organisational strategy and plans. The strategy focuses on the following key areas:

15.2.1 Workforce Analytics

Workforce analytics assists Umgeni Water in identifying its current and future workforce needs over a defined period of time. The use of data plays a crucial role in organisational transformation, continuity and building human capital development policies based on the organisation's operating context and assessment of the workforce. The Human Capital Development Strategy therefore paves way for a workforce that will enable delivery of quality services and realisation of the growth strategy.

15.2.2 Employee Resourcing and Human Capital Administration

Umgeni water uses a targeted recruitment and selection method in making hiring decisions. The method involves structured interview processes, observation, and criterion-reference scoring based on key performance areas and the recognised grading system (Peromnes). This, will be used together with effective retention strategies balanced between retention of institutional memory and development of the relevant skills that will meet current and future organisational needs, while also equitably providing career advancement opportunities.

15.2.3 Leadership, Learning and Development

Umgeni Water invests in leadership development in support of organizational growth. The aim is to build scientific, technical, financial and leadership skills in key water supply and information technology. The human capital development interventions focus on specific demands, social factors and blended approaches to learning.

The Human Capital Development Strategy assists in developing critical thinking and innovative learning approaches that foster accountability, vigorous interaction between employees and promotes knowledge management. Furthermore, it assists in conducting impact assessment in pursuit of agile leadership development programmes to drive organisational growth and continuity.

A Learning Academy will be established to achieve the above and ensure that the organisation has a capable workforce to realise Vision 2050. The Academy will not only improve the skills for Umgeni Water workforce, but will also create value for the entity's customers as well as communities within which it operates thereby growing the business through the use of technology. Competency based training will be intensified in the Academy through forging links with TVET, SETAs and HEIs as well as funding institutions for research and development.

15.2.4 Performance Management

Performance management seeks to ensure achievement of Umgeni Water's strategic goals by managing skills, competencies and effectively recognise performance in an interactive manner. The Human Capital Development Strategy guides the development of relevant key performance areas in order to assess individual and organisational performance and creating high performance culture.

15.2.5 Reward and Recognition

Reward is a system that enables the organisation to offer fair and appropriate levels of pay and benefits in recognition for the contribution to achievement of agreed deliverables in line with organisational objectives and values. The Human Capital Development Strategy therefore promotes retention of critical skills through career advancement, recognition of performance and reward system.

15.2.6 Employee Wellness

Employee wellness is aligned to organisational performance indicators and remains relevant to the changing human capital needs of Umgeni Water. The Human Capital Development Strategy enhances employment value proposition by means of promoting a culture of individual and

organisational wellness through social responsibility and talent strategies which ensure competency, effectiveness and efficiency.

15.2.7 Employee Relations

Umgeni Water strives to create an environment in which employees feel valued in support of the organisation's values, strategies and priorities. The Human Capital Development Strategy ensures achievement of harmonious and productive working environment which enables the organisation to compete effectively in the global market place. The strategy also provides a framework for conflict resolution and collective bargaining as alternative dispute resolution mechanism in line with the relevant international and national legislations.

15.2.8 Organisational Development

Organisational development is a planned systematic change process to constantly improve an organisation's effectiveness and efficiency by utilising diagnostic data, designing and implementing appropriate organisational development interventions that enable the organisation to optimise its strategy. The Human Capital Development Strategy therefore enhances organisational effectiveness and efficiency by implementing and improving current skills development programmes.

15.2.9 Human Capital Information Technology

Human capital information technology is the effective utilisation of technological applications and platforms that make information accessible and accurate by providing human resources and management with the knowledge and intelligence required for more effective decision making. The strategy infuses Information Communication and Technology (ICT) as a tool for good governance and service delivery. Employees are therefore able to access best human capital information management systems which assist the organisation to deliver effective services.

15.2.10 Risk Management

Human Capital Development Strategy ensures that contribution to risk mitigation by all levels of employees is maximised through rigorous human resources practices, training and development initiatives. The strategy aims to align HR and people management practices within the governance, risk and compliance model and Integrated Risk Management Framework (IRFM).

15.2.11 Human Capital Services Delivery

The HR Service Delivery solution extends to the entire employee lifecycle i.e. from hire to retire, such as onboarding, payroll, and benefits. The Human Capital Development Strategy supports the improvement of processes, systems and practices to ensure alignment in providing effective

professional advice and guidance to managers and employees in implementation of human capital policies, practices and procedures.

15.2.12 Human Capital Measurement

Umgeni Water continuously gather, analyse, interpret, evaluate and present quantitative and qualitative data to measure, align and benchmark the impact of human capital practices. The Human Capital Development Strategy therefore addresses the gaps identified by Human Capital Measurement and develop appropriate tools and methods to address such identified gaps.

15.2.13 Organisational Design

In May 2020, the Board commissioned an Organisational Design (OD) project which would research, re-design/develop/ re-purpose the organisation and produce a suitable organisational structure, human capacity/skills plan, and business processes that will support Umgeni Water Growth Strategy: Vision 2050. The OD project also consists of a change management plan that straddles across the five year period of the Corporate Plan.

15.2.14 Future capabilities and innovation

Umgeni Water commissioned an investigation of the organisation's readiness for the transformation into a digitally-centred business, which culminated in a report dated 10 August 2021. This high-level report covered international best practice, a digital maturity assessment, an innovation maturity assessment, the importance of people in the business model transformation, presented a gap analysis of both digital and innovation maturity and recommended targets for each of these. Recommendations and a roadmap for improvement was also included in the assessment report.

Umgeni Water will plan, prioritise and mobilise human capital resources to maximize value for the entity to transform the landscape for the provision of water. Umgeni Water will also harness employee skills that will enable the best use of technology to provide value to the organisation and its business processes. Countless opportunities lie ahead to improve the quality of working lives, expand choices, close the gender gap, reverse the damages wreaked by global inequality, and bridge the generational gap amongst others.

Technological advances – artificial intelligence, automation and robotics – are emerging trends globally that are changing the future of work. Umgeni Water will seize the new opportunities presented by technological development and continue to match skills for future jobs.

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

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

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

- Continuous investment in people's capabilities;
- Increased investment in institutions of work; and
- Increased investment in decent and sustainable work.

15.2.15 Employment Equity

Umgeni Water will ensure reasonable representativity from designated groups and gender equity in the workplace during 2022/23 financial year. This will be achieved through various gender biased interventions including the Employment Equity Plan, succession planning, skills development and leadership / employee development programmes.

15.2.16 Training and Development

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

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

Umgeni Water will continue to develop and retain strong partnerships with Universities, Universities of Technology, TVET colleges, NGOs and SETAs; in support of its skills development

initiatives and achievement of initiatives aimed at developing historically disadvantaged individuals and bridging generational gap (loss of talented skills through natural attrition and resignation). The entity will also continue to maintain a strong partnership with National Treasury to assist in training of Graduate Technicians, Technologists, Engineers, Scientists and Artisans towards formal registration with the relevant professional bodies. In the beginning of the 2022/23, UW will pilot a Conversion Programme for Technologists to become professional engineers by embarking on a programme to obtain the BSc Engineering qualifications required.

15.2.17 Umgeni Water Learning Academy

Umgeni Water Board mandated Human Resources and Remuneration Committee through EXCO to conduct an organisational review in order to explore the establishment of the Umgeni Learning Academy (UWLA) and related institutional arrangements aimed at supporting the Umgeni Water for Growth Strategy: Vision 2050. The UWLA will be architecturally designed or reconfigured as guided by legislative requirements and regulations in terms of the provisions of Sections 29 and 30 of the Water Services Act. Accordingly, the UWLA must take into account the Constitution, the National Development Plan (NDP) Vision 2030, the National Human Resources Development Strategy, the National Water and Sanitation Master Plan 2019, the Skills Development Act No 97 of 1998, the Skills Development Levies Act No 9 of 1999, to name a few.

Umgeni Water Learning Academy aims to contribute to the reduction of unemployment by developing required portable skills and competencies for the workforce whereby water nexuses such as Energy, Agriculture, Land reform, Technology and Health (W.E.A.L.T.H,) are implemented for green building infrastructure investment programmes and projects. A great reliance will be placed on facilitation, lecturing, tutoring, coaching and grand parenting of young professionals and new managers as part of succession plan. Learners, students, graduates, professional candidates and employees will be taught to control their learning processes with self-monitoring and self-regulation so they can learn more with less efforts.

The execution of Umgeni Water Learning Academy (UWLA) will help improve the implementation of the Umgeni Water Growth Strategy: Vision 2050 in the following key strategic focus areas.:

- Operational excellence of world class infrastructure and world class bulk water
- Research Development and Technology and Innovation by fostering green engineering manufacturing and [re]industrialisation in the water and built environment.

Strategic collaboration and partnering to foster greening engineering products and skills by Umgeni subsidiary companies without deviating to Umgeni Water core mandate and Shareholder Compact.

The learning academy/institute will be fully operational within the next three years to consolidate learning and development projects. The Academy's blue print will be developed by 31 December 2022 and registration, curriculum, accreditation and faculty establishment will be finalised by 31 December 2023. The admission of learners is envisaged to happen in January 2023. The Academy shall strengthen the current partnerships that the organisation currently has with Higher Education Institutions (HEIs) and the Technical and Vocational Education Training (TVET) colleges to avoid duplication of effort and the adherence to the National Qualifications Framework and the South African Qualifications Authority (SAQA) Act.

15.2.18 Employee Wellness

The organisation develops a Wellness Plan that responds to current pandemics such as HIV/AIDS, COVID-19, Mental Health and set out deliberate plans to provide a safe, healthy, supportive and comprehensive care which meets our duty of care towards our staff by ensuring a uniform and fair approach to the management of Wellness in the workplace. The policy promotes equality and prohibits discrimination between individuals affected by the pandemics and those that are not. The policy creates a supportive environment so that infected and affected employees are able to continue working under normal conditions in their current employment for as long as they meet the current job requirements.

The organisation continues to create awareness around the pandemics, eradicate the stigma associated with the diseases stemming out from them, stem the spread of the infections and reduce the prevalence through campaigns on a regular basis. The organisation implements HIV Voluntary Counselling and Testing Programme, Covid-19 Vaccinations and encourage employees to 'know their HIV status' by participating in the programme. The Peer Educators are playing a critical role in the education of employees about the pandemics, including mental health and offer counselling to their peers via Seminars and workshops.



Chapter 16: Environmental Management Plan



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16.1 Environmental Management Plan

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

This Strategy encompasses high-level indicators, packaged into the following four main thematic areas:

1. Energy and Reducing Emissions; Biodiversity and Reducing Ecosystem Stress; Reducing Waste and Consumption Pressures; Reducing Water Stress; Water Quality and Quantity;
2. Climate Change Response;
3. Environmental Governance; Eco-Efficiency; Green Buildings; Environmental Sustainability Research, Development and Innovation;
4. Participation in Environmental Sustainability Collaborative Efforts; and Transition to a Circular Economy.

An Implementation Plan, that gives effect to the strategies, has been developed, is annually reviewed and updated during the corporate plan period.



Chapter 17: Catchment Management



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17.1. Integrated Catchment Management / Ecological Infrastructure Management Plan

Deteriorating catchment water quality and reduction in catchment yields and are among the most pressing environmental risks and challenges facing Umgeni water area of operation. These issues are evidence of poor land-use management activities that affect the ability of nature-based resources to deliver ecosystem services that result in improved catchment yields and water quality. Furthermore, these issues are a symptom of a failure of traditional water resource management approaches that did not consider protection of water resources at catchment level and did not promote integration and participation of various stakeholders in the management of water resources. Implications of the deteriorating water quality and reduction in water yields include supply limitations, increased water treatment and infrastructure costs and several other risks. In the quest to improve the current status of water resources Umgeni Water adopts a holistic approach to water management and acknowledges that it is by treating the causes of the problems rather than only focusing on the symptoms that sustainable water supply can be assured. Umgeni Water, therefore, adopts and promotes an approach known as Integrated Catchment Management in undertaking its catchment management initiatives. This approach ensures that the organisation collaborates with stakeholders in implementing various initiatives to ensure effectiveness and sustainability of interventions. In undertaking catchment management, Umgeni Water also adopts an Ecological Infrastructure approach, where Ecological Infrastructure is defined as nature-based equivalent of built or hard infrastructure. It refers to ecosystems that function naturally to deliver invaluable services to us including improved water quality and quantity, soil erosion management, climate regulation and disaster risk reduction. Ecological infrastructure includes catchments, rivers, wetlands, groundwater resources, inland and coastal areas, nodes and corridors of natural habitats, which together form a network of interconnected natural structural elements in the landscape.

The ecological infrastructure of significance importance to Umgeni Water is the one that is located upstream of storage dams or run-off river abstractions and downstream of waste water and water treatment plants due to the associated ecosystem services.

On an annual basis Umgeni Water develops and implements integrated catchment management plans for ecological infrastructure management and water resource management. During this corporate plan period, Umgeni Water in collaboration with key partners and stakeholders, will develop and implement plans for:

- The ecological infrastructure management and these will include targets for
 - soil erosion management
 - wetland assessment, rehabilitation and management
 - aquatic and terrestrial alien invasive management
- The water resource management and these include targets for
 - land use impacts assessment
 - water use licence applications and compliance

- site specific integrated catchment management plans
- catchment monitoring using technology and innovation and
- stakeholders' engagement which include participation in catchment management forums and similar platforms.



Chapter 18: Research, Development and Innovation Plan



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18.1. Background

Investment in research, development, technology and innovation has emerged as a strong driver for future growth of South Africa. In this regard, the country has put in place enabling policy and strategies across various sectors. Umgeni Water, as an entity of state, seeks to align itself to national government priorities in respect of growth, sustainability and value creation. Umgeni Water therefore, will invest in research, development, technology and innovation as a core transformational strategy for future growth and sustainability.

18.2. Scope of Research, Development and Innovation

The Umgeni Water Group Research, Development and Innovation will:

- Cover water and related services and products, straddling the full water value chain;
- Be aligned to the business of Umgeni Water as defined in its strategy;
- Be aligned to Umgeni Water's geographical areas and markets in a lagging or leading manner as deemed appropriate; and
- Be driven as enablers or managed disruptors across all functions.

18.3. Research, Development and Innovation Thematic / Focus Areas

- Theme 1: Water and Wastewater Treatment
- Theme 2: Water Resources
- Theme 3: Environmental Management
- Theme 4: Infrastructure Development and Management
- Theme 5: Human Resources and Skills
- Theme 6: Cross-Cutting Research and Technology

18.4. Deliverables

It is envisaged that the Research, Development and Innovation programme will deliver the following:

- Relevant research, development and innovation thematic areas and a documented multidisciplinary research, development and innovation programme for 2023 / 2027 Corporate Plan period;
- New Technology (as per technology readiness level [TRL 1 to 9], from concept to deployment) and
- Formalized / structured Memoranda of Understanding and/or Agreement with collaborators and partners for research, development and innovation.

18.5. Constraints, Risk Assumptions

The risk environment for the programme can be summarised as follows:

Operational Risk

- Hiatus and procurement delays from moratoriums and legal prescripts on SOEs
- Disruption from unrest, political instability and criminality

Technology and Cost Risks

- Ripple effects of global events
- Budget availability
- Construction delays and cost escalations

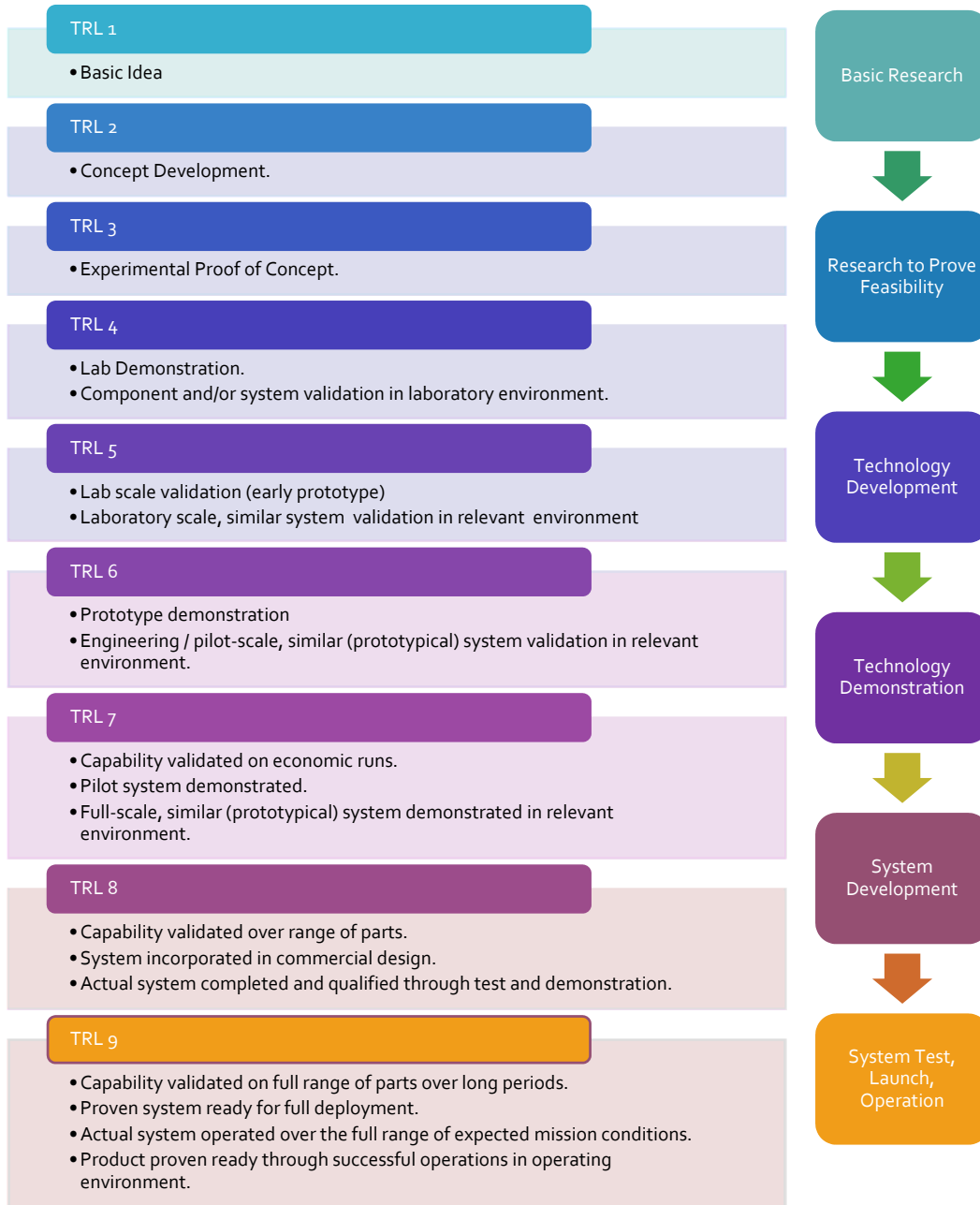
Skills / Resource Risk

- Internal skills shortage or delays in workforce resourcing
- Unexpected delays with external collaborators and partner

Assumptions

- All risks can be mitigated without complete derailment of initiatives

18.6. Technology Readiness Levels (TRL) Scale





Chapter 19: Water Education and Awareness



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19.1 Water Education and Awareness Plan

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

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

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

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



Chapter 20: Water Conservation Demand and Water Loss Management Plan



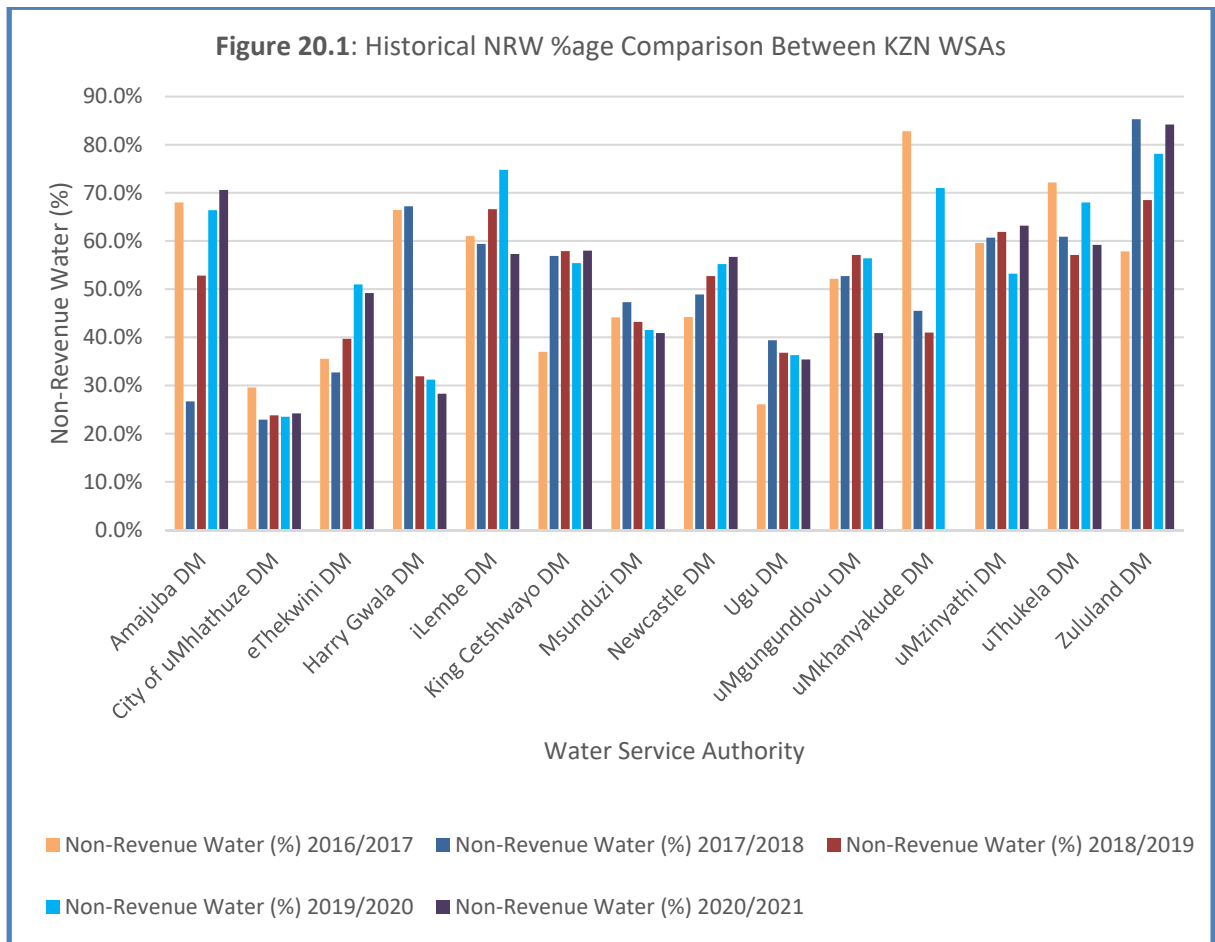
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20.1 Water Conservation, Demand and Water Loss Management Plan

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

- Conservatively, a total of 2 050 Ml/day is supplied to the Province’s served population, with only 1 054 Ml/day of that is being billed to consumers. That means that 996 Ml/day is being lost to Non-Revenue Water, of which 829 Ml/day is lost to apparent and real losses,
- Non-Revenue Water by Volume % is sitting at 51.6%,
- The annual estimated cost of Water Supplied across the province is over R8 billion,
- The annual estimated cost of Non-Revenue Water across the province is over R4 billion, and
- The annual estimated cost of Real Losses (Leakage) across the province is about R2.8 billion.



From the above it is clear that NRW is one of the most critical challenges in the province. In many instances the water lost in areas is greater than 50% of the supplied volume. This, not only has an impact on the WSA’s income (operating expenses are still having to be incurred even though the water is not supplied for use), but also impacts the availability of the resource. Umgeni Water is placed under pressure by WSA’s to augment both

resource and supply infrastructure so that the higher demand, which includes water loss, can be met. In Umgeni Water's supply area infrastructure with a high capital cost is being planned to meet this increased demand due to water loss and this is not sustainable. A number of initiatives are planned to try to address this issue and some of these area presented in **Table 20.1**. However, the biggest opportunity to address this issue is for the WSA's to recognise the importance on addressing NRW in a clear and definite way and to put interventions in place to address this. This could be through the funding and appointment of NRW teams or through the outsourcing (e.g. through a PPP) of the metering and management of their potable water supply infrastructure.

Table 20.1: Planned Water Conservation and Water Demand Management initiatives for 2022/2023

Water Demand Management Initiative	Elements / Outcomes
Updating of the State of Non-Revenue Water in KwaZulu-Natal Province	<ul style="list-style-type: none"> State of the Province Report on WC/WDM drafted (to be based on the 2021/22 information and comparing it 2020/2021)
Development and Monitoring of the Implementation Plan for Water Conservation and Water Demand Management in the Province	<ul style="list-style-type: none"> Technical support provided to Provincial Government (where officially required) in the development of response plans to reduce non-revenue water, as highlighted in The Provincial Water Master Plan for Kwa-Zulu-Natal, 2020.
Development of three Business Plans (for WSAs) for funding application.	<ul style="list-style-type: none"> Technical support provided to Provincial Government (where officially required) in the development of response plans to reduce non-revenue water, as highlighted in The Provincial Water Master Plan for Kwa-Zulu-Natal, 2020.
Provide training and mentorship to KZN WSAs in Water Loss monitoring and reporting (as per IWA Standard at 95% confidence levels).	<ul style="list-style-type: none"> Regular water balance reports produced by WSAs (at WSA, town and water supply system level). Improved monitoring and reporting on WC/WDM activities and quantification of water demand reduction across all KZN WSA's

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

- the adoption of a strategy whereby the organisation can assist WSA's in identifying supply zones with the ultimate intention of metering these zones so that customers can better record what actual water losses are occurring within their areas.
- A pilot project to address NRW in Mpophomeni has been awarded and is going to commence on in April 2022. The two main objectives of this pilot project are to conduct door-to-door education and awareness on NRW issues and to conduct internal leak detection and repairs in about 6500 households. In Mpophomeni as an example, it is believed that up to 5Ml/d of the total demand of 7Ml/d is lost to internal leaks within the township and, if this can be reduced, then it will increase the

sustainability of the customer and also the demand on both the reticulation and bulk potable water infrastructure.

- A hand held application which will allow both Umgeni Water's maintenance departments and the customers operating teams to record where and when water leaks are repaired. Through a consolidated database of water leaks it will, ultimately, be possible to identify areas that are prone to water leaks so that other interventions can be made in these areas (pressure reduction or replacement of infrastructure).



Chapter 21: Financial Plan



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21.1 Introduction

The financial plan underlying the Corporate Plan for the years 2022/23 to 2026/27 supports the strategic direction of the entity of enabled and innovative growth. Financial resources are allocated through the operating and capital expenditure budgets for the realisation of the outcomes envisaged from the strategic objectives and initiatives. The sustainability of the financial resources available to fund the strategic objectives is crucial and is dependent on robust financial systems and controls being implemented to prevent deviations from planned expenditure that could impact the financial viability of the organisation.

In terms of the projected financial performance, revenue is projected to be lower over the planning period to 2026/27. The bulk water sales volumes for 2021/22 are projected to grow at a rate of 2.2% from 2020/21 and growth for 2022/23 is projected to be 2.8%. The anticipated growth is mainly due to the increase in the volume demand from Ethekewini, Msunduzi, KCDM and UMDM. The assumptions for the bulk water tariff over the 5 year period to 2026/27 have also been reduced in comparison to the 2022 CP, to respond to the affordability concerns raised by customers following the COVID 19 pandemic amongst other issues.

The main cost drivers (Chemicals, Depreciation; Energy; Maintenance; Payroll and Raw Water) in 2021/2022 and 2022/23 is projected to be at least 59% and 58% respectively of total operating costs. The trend from 2023/24 onward is that these costs are projected to average 68% of total operating cost as the allowances for credit losses is projected to cease from 2023/24 onward. It is expected that Umgeni Water will be in a net finance income position in forecast for 2021/22 through to 2026/27, although at a decreasing trend due to the utilisation of investments set aside for capital expenditure.

As a result of these drivers of financial performance, the net profit in 2021/22 is anticipated to be 5% lower than 2020/21 and in 2022/23 the net profit is projected to decrease by a further 20% year on year. From 2021/22 onwards the net profit will increase at an average of 20% from 2023/24 to 2026/27. The debt covenants set by the European Investment Bank linked to operating profits and net profit indicate that the organisation will not breach the required covenant levels.

Maintaining positive operating cash flows is key to ensuring that Umgeni Water is able to deliver on its mandate and remain a financially viable entity. The cash flows are required to support operations and the repayment of the funding required in implementing key infrastructure projects. It is projected that in 2021/22 and 2022/23, operating cash flows will remain positive at R1 611m and R1 522m respectively, and that these will grow at an average of 15% per annum to R2 656m by 2026/27.

A major driver of the funding requirements is the capital expenditure requirements of the entity. Umgeni Water has a planned total investment in capital expenditure of R14 921m over the period 2021/22 to 2026/27.

Of this amount, R5 398m or 36% of total planned capital expenditure is allocated toward developmental projects such as the Greater Mpofana project Ph 1 and 2, the Impendle Bulk Water Supply scheme and Lower Thukela Ph 2.

The investment in Augmentation projects over the period to 2026/27 will be R 4 819m or 32% of the total planned investment for the period 2021/22 to 2026/27. The main projects in the Augmentation category is the uMkhomazi Water project and the Lower Mkomazi project which total R4 636m over the period 2021/2022 to 2026/27. These projects are key to providing the required water assurance requirements for Umgeni Water's area of operation and to realise the long term average annual sales volume growth of 1.5% per annum.

In recognition of the need to accelerate the organisation's move towards becoming a data driven organisation, required for efficient and effective decision making, resources have been allocated in the capital expenditure budget to an amount of R490m over the period to 2026/27 (3.3% of capex budget) for Research and Development, information technology as well as process improvements for the delivery of water services.

The levels of borrowings required are determined by the capital infrastructure budget requirements and the levels of cash flows generated from operations. The funding strategy underlying this financial plan indicates the existing borrowing authority will not be breached. From 2025 onward, Umgeni Water will be seeking funding for approximately R5bn. Umgeni Water, in line with strategy, will look at establishing and strengthening relationships and engagement with financial institutions and Development Funding Institutions (DFIs) to ensure a diversified funding and financing mix for the capital expenditure programme.

Finally, the financial plan is mindful of the risks posed by the operating environment. Therefore in the sensitivity analysis section (Chapter 25), the possible impact of these risks is simulated in terms of the impact on the funding requirements as well as debt covenants.

21.2 Financial planning assumptions

21.2.1 Macroeconomic Factors

Table 21.1: Macroeconomic assumptions

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Inflation										
A As measured by CPI per the BER	4.50%	2.20%	3.66%	4.59%	4.35%	4.51%	4.38%	4.34%	4.46%	4.46%
PPI										
Per the BER	5.80%	0.50%	5.28%	4.21%	4.79%	4.45%	4.25%	3.99%	3.98%	3.98%
% Adjustment			1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Revised calendar average	5.80%	0.50%	6.78%	5.71%	6.29%	5.95%	5.75%	5.49%	5.48%	5.48%
Interest Rate - Borrowings										
Short-term			3.66%	3.89%	3.73%	4.35%	5.17%	5.72%	6.14%	6.51%
Spread			1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total Short term			4.66%	4.89%	4.73%	5.35%	6.17%	6.72%	7.14%	7.51%
Long-term			9.33%	9.34%	9.86%	9.84%	9.63%	9.60%	9.54%	9.54%
Spread			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Long Term			11.86%	11.84%	11.28%	11.09%	11.10%	11.05%	11.03%	11.03%
Interest Rate - Investments	8.31%	6.35%	3.78%	4.40%	4.28%	4.09%	4.10%	4.05%	4.03%	4.03%
Weighted average cost of capital	10.70%	10.54%	10.68%	10.75%	10.63%	11.50%	11.56%	11.35%	11.36%	11.37%
Exchange rates										
R/\$	14.328	15.072	17.323	17.471	15.34	15.904	16.386	16.85	17.335	17.335
R/euro	16.603	16.882	19.358	19.873	18.665	19.403	19.990	20.557	21.322	21.322
R/pound sterling	18.806	19.745	21.523	22.188	21.323	22.266	22.940	23.590	24.616	24.616

Reference was made to the following publications in order to arrive at the macro-economic factors for 2018 to 2027:

- Bureau for Economic Research (BER) Inflation forecast - July 2021 and Jan 2022
- BER interest Forecast – July 2021
- BER Exchange Rate forecast – July 2021

*Interest rate borrowings:

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

21.2.2 Staff Costs

Table 21.2: Workforce: Umgeni Water

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Approved establishment Umgeni Water	1,133	1,155	1,233	1,548	1,282	1,374	1,586	1,591	1,593	1,595

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

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Annual Salary Increase	8%	8%	7%	7.00%	7,0%	7,0%	6,0%	5,6%	5,5%	5,5%
Per the Income statement:										
- Direct staff costs	225,316	246,730	302,952	380,082	304 947	337 817	439 986	464 242	489 493	518 863
- Indirect staff costs	306,568	350,919	396,571	530,875	430 861	484 778	619 733	658 430	696 585	738 380
Maintenance Payroll (incl in maintenance cost)	105,659	118,544	132,408	146,310	129 546	140 115	160 195	169 214	178 537	189 250
Subtotal	637,542	716,193	831,932	1,057,267	865 354	962 709	1 219 914	1 291 885	1 364 615	1 446 492
- % Increase before recoveries	11.1	13.9	14.1	23.6	4.0	11.3	26.7	5.9	5.6	6.0
- Less WIP Recoveries	-26,294	-20,045	-37,291	-24,596	(19 304)	(20 256)	(21 465)	(22 673)	(23 921)	(25 238)
Total staff costs (inc Statement)	611,249	696,147	794,641	1,032,671	846 049	942 453	1 198 449	1 269 213	1 340 694	1 421 254
- % Increase after recoveries	11.1	13.9	14.1	23.6	6.5	11.4	27.2	5.9	5.6	6.0
- Average pay (based on complement)	562.70	620.08	674.72	682.99	675	701	769	812	857	907
- % Increase	16.6	10.2	8.8	12.0	0.0	3.8	9.8	5.6	5.5	5.9
Productivity - K'000 per employee	416.4	440.9	448.5	363.8	437,0	419,0	371,6	379,9	385,1	390,4

21.2.3 Operating costs assumptions

Table 21.4: Major operating costs

(i) Energy cost (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
- Forecast Price increase	7,2%	15,6%	8,3%	16,0%	16,5%	11,6%	12,5%	12,5%	12,5%	12,5%
- Usage	5,3%	-3,7%	-4,0%	4,6%	4,6%	2,1%	0,5%	0,5%	0,5%	0,5%
- total price and impact of new schemes	12,6%	11,9%	4,3%	20,6%	21,1%	13,7%	13,0%	13,0%	13,0%	13,0%
- Cost	297 458	319 014	332 603	479 474	402 798	458 165	517 727	585 031	661 085	747 026
<i>Direct</i>	290 799	311 562	325 395	469 163	393 648	447 953	506 187	571 991	646 350	730 375
<i>Indirect</i>	6 660	7 453	7 207	10 311	9 150	10 212	11 540	13 040	14 735	16 651
- Increase in cost (%)	12,6	11,9	4,3	20,0	21,1	13,7	13,0	13,0	13,0	13,0
- Cost per kilolitre	63,0	62,6	60,6	85,1	71,9	79,6	87,8	96,8	107,8	120,0
TOTAL ENERGY COSTS	297 458	319 014	332 603	479 474	402 798	458 165	517 727	585 031	661 085	747 026

(ii) Chemical costs (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Forecast Price increase	10,0%	-4,4%	7,0%	9,00%	6,0%	6,0%	10,0%	10,0%	10,0%	10,0%
- Usage	0,0%	15,9%	6,7%	5,30%	5,7%	2,5%	0,0%	0,0%	0,0%	0,0%
- Cost	71 995	80 305	91 331	109,949	102,018	110,658	121,723	133,896	147,285	162,014
Increase in cost (%)	10,0	11,5	13,7	14,3	11,7	8,5	10	10	10	10
- Cost per kilolitre	15,3	15,8	16,6	19,5	18,4	19,3	20,6	22,0	23,9	25,9

(iii) Maintenance Costs (R'000)

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Forecast Price increase	0,0%	0,0%	6,8%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
Total Cost	224 603	230 941	319 318	353 263	317 265	330 182	356 597	385 124	415 934	449 209
Direct	207 878	196 038	263 619	325 990	286 276	282 393	304 984	329 383	355 734	384 192
Indirect	16 725	34 903	55 698	27 273	30 989	47 789	51 612	55 741	60 201	65 017
- Maintenance payroll	105 659	118 544	132 408	146 310	129 546	140 115	160 195	169 214	178 537	189 250
- Total excl Maint payroll	118 945	112 398	186 910	206 953	187 718	190 067	196 402	215 911	237 397	259 959
- Increase in cost	6,1	(5,5)	66,3	16,9	0,4	1,3	3,3	9,9	10,0	9,5
- (excl Maint payroll)	2,8	2,7	3,7	3,6	3,7	3,4	3,3	2,8	2,5	2,3
- % of PPE	0,0%	0,0%	6,8%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%

21.2.4 Raw water costs

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

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Raw Water Abstraction Volumes										
Volume Mgeni System	423	460	469	474	487	500	512	526	536	547
Volume Mdloti System	20	22	24	18	22	21	22	23	23	24
Volume Lower Thukela System	9	10	11	16	12	14	14	14	14	15
Volume uThukela System	5	16	14	17	0	0	0	0	0	0
Volume KCDM System			12	17	15	16	16	16	16	16
Volume Other	22	31	23	21	24	25	25	26	27	27
Total Abstraction Volume	479	538	553	563	560	576	589	604	617	629
Raw Water Consumption Charge per System including functional support										
Mgeni System										
Tariff existing infrastructure	42.19	43.16	43.39	44.44	43.78	44.52	47.15	49.82	52.56	55.51
Increase	2.9	2.3	0.5	2.4	0.9	1.7	5.9	5.7	5.5	5.6
Mdloti system										
Tariff existing infrastructure	154.02	161.17	161.17	163.63	155.56	141.06	149.38	157.86	166.52	175.88
Increase	11.8	4.6	0.0	1.5	(3.5)	(9.3)	5.9	5.7	5.5	5.6
Lower Thukela System										
Tariff existing infrastructure	60.17	69.35	78.44	82.21	82.62	88.71	97.58	107.34	118.07	128.52
Increase	14.5	15.3	13.1	4.6	5.3	7.4	10.0	10.0	10.0	8.8
KCDM System										
Tariff existing infrastructure			141.38	144.41	142.12	144.49	151.72	159.31	167.27	175.63
Increase				1.6	0.5	1.7	5.0	5.0	5.0	5.0
Consumption charge - New Capex										
Cost Raising Hazelmere Dam Wall (R'000)		2,204	-	-	-	2,533	2,533	2,533	2,533	2,533
Increase		(19.7)	(100.0)	-	-	-	0.0	(0.0)	0.0	-
Springgrove dam	55.10	149.80	149.80	162.80	162.80	173.60				
Increase	6.3	171.9	-	8.7	8.7	6.6	(100.0)	-	-	-
Water Resource Management (WRM) Charge (based on registered volume)										
Tariff – existing	2.65	2.67	3.02	3.16	3.15	3.28	3.47	3.67	3.87	4.09
Increase	8.1	0.8	13.1	5.0	4.4	4.1	5.9	5.7	5.5	5.6
Total Raw Water Costs										
- Abstraction			280,666	284,377	282,693	286,127	312,334	339,814	366,503	395,579
- Abstraction - New Infrastructure			-	-	-	633	2,533	2,533	2,533	2,533
- Water Resource Mgmt charge			18,714	19,584	18,863	19,650	20,804	21,987	23,193	24,495
Total Raw Water Costs	280,666	284,377	299,380	303,961	301,557	306,411	335,672	364,334	392,230	422,607
Increase in cost	14.8	12.3	11.1	6.0	0.7	1.6	9.5	8.5	7.7	7.7
Effective unit cost	50.05	50.15	54.14	53.97	53.83	53.22	56.95	60.27	63.62	67.20
Increase in unit cost	(1.7)	0.2	8.0	1.8	(0.6)	(1.1)	7.0	5.8	5.5	5.6

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

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

21.3 Sales volumes

Table 21.6: Sales volumes projections (kl'ooo)

	ACTUAL			BUDGET	FORECAST					
	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
Total Bulk Potable	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
- eThekwini Munic	335 724	355 835	379 325	375 531	394 137	401 832	410 574	419 009	425 294	431 673
- Siza	3 527	3 562	3 612	3 734	4 057	3 734	3 808	3 892	3 951	4 010
- KCDM			12 054	16 997	15 333	15 758	15 960	16 076	16 317	16 562
- other WSA's	125 358	149 820	153 556	166 892	146 696	154 390	159 066	165 482	167 964	170 484
- Increase	8,6	13,2	7,7	4,1	2,1	2,8	2,4	2,6	1,5	1,5
- Raw water	454	427	544	555	555	555	555	555	555	555
- Increase	8,6	(46,9)	27,4	(0,2)	2,1	-	-	-	-	-

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



Table 21.7: Bulk water sales volume per customer

Customer	FY 2019	FY 2020	FY 2021		FY 2022				FY 2023	
	Actual	Actual	Actual		Budget		Forecast		Budget	
	Vol kl'000	Vol kl'000	Vol kl'000	Growth %	Vol kl'000	Growth %	Vol kl'000	Growth %	Vol kl'000	Growth %
eThekwini	335 724	355 835	379 325	6,6	375 531	(1,0)	394 137	3,9	401 832	2,0
Msunduzi	71 040	77 286	74 238	(3,9)	84 267	13,5	81 636	10,0	84 971	4,1
Mngungundlovu	20 426	22 905	26 425	15,4	25 566	(3,3)	26 723	1,1	29 858	11,7
Ugu	13 956	13 544	14 272	5,4	16 325	14,4	16 467	15,4	17 212	4,5
iLembe	18 646	20 730	23 536	13,5	22 955	(2,5)	20 676	(12,2)	21 144	2,3
Siza	3 527	3 562	3 612	1,4	3 734	3,4	4 057	12,3	3 734	(8,0)
Harry Gwala	1 156	1 234	1 125	(8,8)	1 252	11,3	1 194	6,2	1 205	0,9
KCDM	-	-	12 054	-	16 997	-	15 333	27,2	15 758	2,8
Uthukela	7 192	13 998	13 874	(0,9)	16 527	19,1	-	(100,0)	-	-
Other - Retail	134	123	86	(30,3)	-	(100,0)	-	(100,0)	-	-
Total Bulk Potable	471 801	509 217	548 547	7,7	563 154	2,7	560 223	2,1	575 714	2,8
Raw Water	454	485	544	12,0	555	2,1	816	50,1	814	(0,2)
Total Bulk Water	472 255	509 702	549 091	7,7	563 709	2,7	561 039	2,2	576 528	2,8

Figure 21.2: Composition of customer base 2022

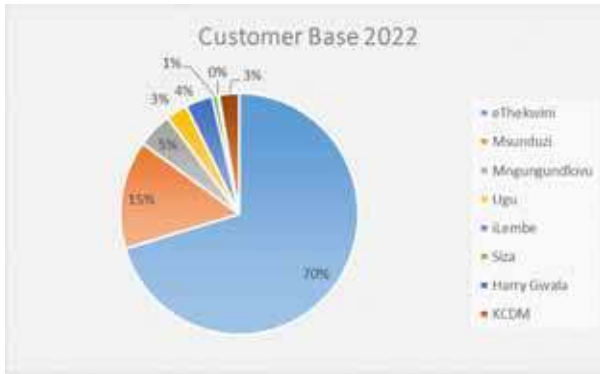
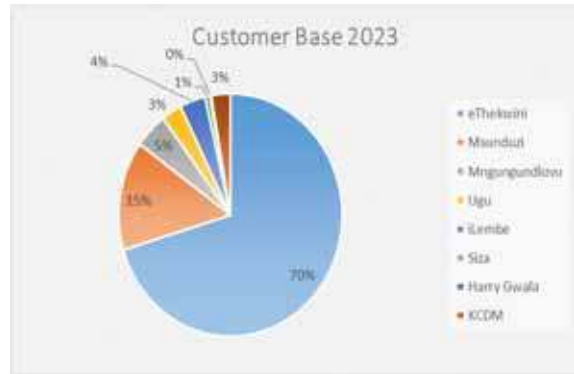


Figure 21.3: Composition of customer base 2023



21.3.1 Volume Trends per customer

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



(e) Sales Volumes – iLembe DM



(f) Sales Volumes – Siza Water



(g) Sales Volumes – Harry Gwala DM



(g) Sales Volumes – KCDM



21.4 Tariff Projections

21.4.1 Bulk water tariff 2023: Consultation process

(i) Customers

The consultation meeting with the Municipalities as customers of Umgeni Water, in compliance with S42 of the Municipal Finance Management Act was held on 12 November 2021. Representatives of SALGA and National Treasury were also present.

TCTA consulted with the stakeholders on the financial year 2022/2023 increase for the capital unit charge for the Mooi-Mgeni System Phase 2(MMTS-2).

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

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

Comment	Response by Umgeni Water
Ethekwini	
1. 4.51% is not an affordable tariff increase considering the economic conditions that the customers are facing.	1. UW direct operating costs are not increasing by CPI either however UW is looking to smooth recover the increases higher than CPI over time so as to still remain financially viable.
2. Umgeni Water needs to consider the other increase that is assisting with the revenue increase – such as the increases in volumes,	2. The increase in the sales volumes is per the meetings with the officials in the municipality. Therefore if the demands projected by the municipality planning team are higher then UW would factor these into the projections. The constraint of the water resource needs to also be taken into account therefore it may not be prudent to project increases in sales volumes where the resources are constrained.
3. Municipalities are experiencing very low recovery rate of amounts owing to them.	3. The recovery rate of the municipality is noted. Therefore a CPI increase was considered reasonable in context of the current low recovery environment.
4. Load shedding of water due to the DBN heights res 3 being out of commission as rehabilitation is being undertaken on the internal and external lining of the reservoir.	4. The delays in the Res 3 lining project is regretted. Delays have been experienced in terms of the tender cancellations and having to go out again to tender.
5. The municipalities are faced with high non water revenue losses therefore they have spent a lot of their budget on trying to reduce non-revenue water.	Umgeni Water management continue to have this a priority project and are monitoring this at each EXCO meeting.
6. In terms of Capex – do all customers contribute to the capex although they may not directly benefit? For eg the Mkomazi Water project.	5. The unsustainable growth in sales volume demand is due partly to the increases in NRW. Umgeni Water is willing to assist wherever it can to assist the municipality to reduce the NRW.
7. KCDM energy costs are too high – proper due diligence needed to have been done to ensure that this is mitigated.	
8. Is UW presenting the ideal tariff and are we engaging in good faith – concerns are raised consistently on the overheads being too high, staff costs are too high, capex is underspent but Umgeni Water still continues	

Comment	Response by Umgeni Water
<p>to set high tariff increases. eThekwini should not have to go to the Minister each time – UW and its customers should be dealing with each other in good faith.</p>	<p>6. In terms of capex, and in particular the building of new water resources, where a customer is not a direct beneficiary of the project, the customer is not charged the CUC, for e.g KCDM is not charged for Mkomazi and Springrove Dam.</p>
<p>9. How will the capex be implemented? Over the last few years, UW has not spent its capex and is now projecting to spend R1.9bn in 2022? This should be halved.</p>	<p>7. The due diligence for the on boarding of KCDM was done however, once the actual information starts to come in it may be different to the forecasts. UW will continue to adjust its financial models as better information starts to come through.</p>
<p>10. Austerity measures need to be visible. Staff costs increases should not be at 7% but rather 2% or 3% or increases should be frozen.</p>	<p>8. UW believes that it continues to engage with its customers in good faith in terms of the tariff consultations but what must be remembered is that the tariff is the only source of revenue for the water board whilst the municipality is provided with different grants to sustain its operations. Whilst it may be seen that the municipality feels that its cries are not heard, Umgeni Water does try to accommodate the affordability concerns as it did in the prior year (9% increase presented at consultation, 7% increase approved by the Board and then reduced to 5% upon DWS also requesting a decrease).</p>
<p>11. EWS also trying to levy an infrastructure levy so a decrease in the proposed tariff increase would allow the consumer to accommodate this levy.</p>	
<p>12. What is the lowest that Umgeni water net profit levels can decrease?</p>	
<p>13. Can UW review its submission dates to NT and SALGA so that all customer comments are able to be submitted as well to them?</p>	
<p>14. Lack of increase in the maintenance costs budget? That is worrying as if capex is not being incurred and maintenance is not increasing then what is the state of the assets?</p>	
<p>15. There are residual budgets that are not being spent, please look at a 0% tariff increase.</p>	<p>9. Whilst UW tries to implement its capex as planned, there are delays that come through which is not within the control of UW such as the delays due to the business forums and CPG issues.</p>
<p>16. Questions posed to TCTA:</p> <ul style="list-style-type: none"> o TCTA are sitting with too much in reserves for the MMTS2 project. Instead of increasing the tariff, reduce all the cash balances to Rnil. o DWS and TCTA administration costs on the MMTS2 project is too high. 	<p>10. In terms of the austerity measures, UW will demonstrate how this has been done in its submission to the Municipalities and SALGA and NT.</p> <p>11. The infrastructure levy by eThekwini is noted.</p> <p>12. In terms of the lowest level of net profit that UW can reduce to, it must be borne in mind that the tariff model is a cashflow based model so the question is that how much the cashflows can form the tariff reduce in the short term. If the cashflows reduce in the short term and if we still want to invest according the current plan then the deficit will be funded by debt and the burden of repayment on future tariffs be such that it may not be affordable in the long run.</p>
<p>17. eThekwini's financial model indicates that going forward the citizens will not be able to afford any of the increases in tariffs.</p>	<p>13. The dates of the submission to NT and SALGA is per the NT circular 23 on the MFMA dates for consultation so UW needs to comply with those dates but the customers comments and responses thereto</p>

Comment	Response by Umgeni Water
	<p>will be submitted to NT and SALGA until such time that SALGA and NT both return their comments on the tariff increase.</p> <p>14. Maintenance is still being budgeted for and the reductions year on year is due to specific maintenance interventions that will not be occurring on an annual basis – this being the repair of the crack on the Imvutshane Dam wall</p> <p>15. In terms of the initiatives that are not spent in the year that it was budgeted for – the customers are not billed twice for this as the amounts not spent are retained in investments that are used first before any tariff increase is proposed.</p> <p>16. TCTA addressed the comments on the MMTS2.</p> <p>17. The comment on the financial modelling by eThekweni is noted and it would be appreciated if the output of the model be shared with UW.</p>
KCDM	
<ol style="list-style-type: none"> 1. The tariff charged to KCDM needs to be the same as the tariffs charges to UW's other customers. 2. There are no capital projects for KCDM for 2023 – clarity is sought on this. 	<ol style="list-style-type: none"> 1. The tariff charged to KCDM cannot be the same as the tariff charged to other WSA's that UW services due to the fact that KCDM do not draw from the same systems that these WSA's draw from and the costs to deliver water to KCDM is far above the costs to deliver water to customers in the Mgeni system and Hazelmere system. 2. The projects for KCDM are still in feasibility stage. UW planning department needs to ensure that there are economies of scale in terms of water services delivery in KCDM. Therefore planning of these schemes are vital. Costs are being incurred under operating costs for these feasibility studies.
Msunduzi	
<ol style="list-style-type: none"> 1. Msunduzi owes UW a significant amount in terms of the current debt outstanding. The situation is not going to improve in the short term. 2. The base price needs to be lower. 3. NT continuously forces the municipality to not incur expenditure as the citizens will not be able to afford the impact on the reticulation tariff. 	<ol style="list-style-type: none"> 1. The comments from Msunduzi were noted.

Comment	Response by Umgeni Water
4. Therefore, even if UW were to put in austerity measures, this would not alter the position that Msunduzi is in currently.	

(ii) SALGA

Summary of Comments received from SALGA:

- SALGA consider the level of profit margin excessive for a public entity. The level of revenue increases is not necessary.
- The provision for expenditure increases such as staff costs and other operating costs from 2020/21 to 2022/2023 are too high and are not accepted by SALGA.
- Umgeni Water although the 3% increase requested is not unreasonable, it is noted that the entity will still be financial viable to afford a lower tariff increase

(iii) National Treasury

National Treasury comments are as follows:

- NT supports the water board in its effort to contain the tariff increase below the projected inflation estimates
- NT is concerned that the water board has reduced its repairs and maintenance budget for the 2022/23 financial year. The water board is encouraged to improve on its repair and maintenance spend and rather reduce operational expenditure items such as staff costs.
- As NT has highlighted in the past, the Mkhomazi Water Project remains a key risk to water sustainability in the region. NT supports the establishment of a political steering committee to resolve matters surrounding the off-take agreements and funding of the project. In addition, the project parties are encouraged to finalise the development of a clear funding strategy, guided by the raw water pricing strategy, for the project.

21.4.2 Bulk water tariff 2022: approval by DWS

The proposed increase of 3% was approved by the board.

21.4.3 Bulk water tariff projections

Table 21.8: Tariffs for bulk water sales

	UNIT	ACTUAL			CORPORATE PLAN F'22	FORECAST					
		F'19	F'20	F'21		F'22	F'23	F'24	F'25	F'26	F'27
Tariff Increase (%)											
CPI		4,50%	2,20%	3,66%	4,59%	4,35%	4,51%	4,38%	4,34%	4,46%	4,46%
+ provision for internal inflation		8,68%	7,40%	-3,66%	0,41%	0,65%	-1,51%	1,12%	2,16%	2,54%	2,54%
Total UW Tariff Increase		13,18%	9,60%	0,00%	5,00%	5,00%	3,00%	5,50%	6,50%	7,00%	7,00%
Capital Unit charge		6,30%	171,87%	0,00%	0,00%	0,00%	6,63%	-100,00%	0,00%	0,00%	0,00%
Effective all in tariff increase		13,14%	13,14%	0,42%	1679,59%	5,67%	3,58%	-11,94%	6,48%	7,00%	7,00%
Bulk Water Tariff											
- Bulk Tariff 1											
- Base Tariff	R.c/Kl	6,207	7,057	7,734	7,734	7,734	8,121	8,365	8,825	9,399	10,057
- Tariff Increase	R.c/Kl	0,850	0,677	-	0,387	0,387	0,244	0,460	0,574	0,658	0,704
- New Tariff - Umgeni Water	R.c/Kl	7,057	7,734	7,734	8,121	8,121	8,365	8,825	9,399	10,057	10,761
- % Increase - UW	%	13,7	9,6	-	5,0	5,0	3,0	5,5	6,5	7,0	7,0

	UNIT	ACTUAL			CORPORATE PLAN F'22	FORECAST					
		F'19	F'20	F'21		F'22	F'23	F'24	F'25	F'26	F'27
Add Capital unit charge											
- Spring grove	R.c/Kl	0,551	1,498	1,498	162,800	1,628	1,736	-	-	-	-
- Mkomazi (Potable)	R.c/Kl	0,141	0,155	0,155	0,162	0,162	0,167	0,177	0,188	0,201	0,215
- Total Tariff	R.c/Kl	7,749	9,387	9,387	171,083	9,911	10,268	9,002	9,587	10,258	10,976
- % Increase -Total		13,1	37,0	-	1 722,6	5,6	3,6	(12,3)	6,5	7,0	7,0
- Bulk Tariff 2 - eThekweni											
- Base Tariff	R.c/Kl	6,084	6,918	7,582	7,582	7,582	7,961	8,200	8,651	9,213	9,858
- Tariff Increase	R.c/Kl	0,834	0,664	-	0,379	0,379	0,239	0,451	0,562	0,645	0,690
- New Tariff - Umgeni Water	R.c/Kl	6,918	7,582	7,582	7,961	7,961	8,200	8,651	9,213	9,858	10,548
- % Increase - UW	%	13,7	9,6	-	5,0	5,0	3,0	5,5	6,5	7,0	7,0
Add Capital unit charge											
- Spring grove	R.c/Kl	0,551	1,498	1,498	162,800	1,628	1,736	-	-	-	-
- Mkomazi (Potable)	R.c/Kl	0,138	0,152	0,152	0,159	0,159	0,164	0,173	0,184	0,197	0,211
- Total Tariff	R.c/Kl	7,607	9,232	9,232	170,920	9,748	10,100	8,824	9,397	10,055	10,759
- % Increase -Total		13,1	21,4	-	1 751,4	5,6	3,6	(12,6)	6,5	7,0	7,0
- Bulk Tariff 3 - Siza											
- Base Tariff	R.c/Kl	8,171	9,290	10,182	10,182	10,182	10,691	11,012	11,618	12,373	13,239
- Tariff Increase	R.c/Kl	1,119	0,892	-	0,509	0,509	0,321	0,606	0,755	0,866	0,927
- New Tariff - Umgeni Water	R.c/Kl	9,290	10,182	10,182	10,691	10,691	11,012	11,618	12,373	13,239	14,166
- % Increase - UW	%	13,7	9,6	-	5,0	5,0	3,0	5,5	6,5	7,0	7,0
Add Capital unit charge											
- Spring grove	R.c/Kl	0,551	1,498	1,498	162,800	1,628	1,736	-	-	-	-
- Mkomazi (Potable)	R.c/Kl	0,186	0,204	0,204	0,214	0,214	0,220	0,232	0,247	0,265	0,283
- Total Tariff	R.c/Kl	10,027	11,884	11,884	173,705	12,533	12,968	11,850	12,620	13,504	14,449
- % Increase -Total		13,3	34,2	-	1 361,7	5,5	3,5	(8,6)	6,5	7,0	7,0
- Bulk Tariff 4 - KCDM											
- Base Tariff	R.c/Kl			11,140	11,140	11,140	11,697	12,048	12,711	13,537	14,485
- Tariff Increase	R.c/Kl			-	0,557	0,557	0,351	0,663	0,826	0,948	1,014
- New Tariff - Umgeni Water	R.c/Kl			11,140	11,697	11,697	12,048	12,711	13,537	14,485	15,499
- % Increase - UW	%				5,0	5,0	3,0	5,5	6,5	7,0	7,0
Add Capital unit charge											
- Spring grove	R.c/Kl				-	-	-	-	-	-	-
- Mkomazi (Potable)	R.c/Kl				-	-	-	-	-	-	-
- Total Tariff	R.c/Kl			11,140	11,697	11,697	12,048	12,711	13,537	14,485	15,499
- % Increase -Total					5,0	5,0	3,0	5,5	6,5	7,0	7,0
WEIGHTED AVERAGE TARIFF											
Excluding the capital unit charge		6,975	7,645	7,720	8,139	8,125	8,368	8,827	9,399	10,057	10,761
- % Increase -Total		13,7	9,6	1,0	5,4	5,2	3,0	5,5	6,5	7,0	7,0
Including the Capital unit charge		7,665	9,296	9,335	166,181	9,864	10,217	8,997	9,580	10,251	10,968
- % Increase -Total		13,1	21,3	0,4	1 679,6	5,7	3,6	(11,9)	6,5	7,0	7,0

Other commercial/management fee increases

Table 21.9: Other Revenue charges

	Actual	%	Actual	%	Actual	%	Forecast	%	Budget	%
	F'19	change	F'20	change	F'21	Change	F'22	Change	F'23	Change
Potable Water – Other (R/kl)										
Retail	6.207	8.80%	7.057	12%	8.206	14%	8.616	5%	8,874	3%
Bulk Raw Water(R/kl)										
Piped	3.829	15%	4.353	12%	4.771	9%	5.010	5%	5.160	3%
Dam	0.994	15%	1.130	12%	1.238	9%	1.300	5%	1.339	3%
Management Fee(R'000)										
Darvill Wastewater (incl Trade & effluent charge)	110,177	20%	151,424	27%	173,835	13%	199,593	15%	217,423	9%
Lynnfield Park WWW	2,047	47%	2,104	27%	2,420	13%	2,783	15%	3,117	12%
Howick Wastewater	23,375	33%	23,651	1%	26,249	10%	27,544	5%	30,699	11%
UMDM WWW	30,526	4%	55,841	45%	62,507	11%	67,379	8%	74,807	11%
Ixopo Wastewater	4,799	9%	7,004	31%	7,354	28%	8,215	12%	10,801	31%

Table 21.10: Tariff Cost Components

Components	2018/2019		2019/2020		2020/2021		2021/2022 Budget		2021/2022		2022/2023		2023/2024		2024/2025		2025/2026		2026/2027		
	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	Tariff R./c/kl	Change %	
Direct Costs																					
Chemicals	0,142	-2%	0,149	4%	0,157	5%	0,184	9%	0,192	22%	0,202	5%	0,217	7%	0,233	7%	0,252	8%	0,274	8%	
Depreciation	0,504	18%	0,523	15%	0,510	-2%	0,569	19%	0,536	5%	0,584	9%	0,603	3%	0,620	3%	0,645	4%	0,670	4%	
Energy	0,564	7%	0,563	4%	0,547	-3%	0,769	15%	0,685	25%	0,730	10%	0,806	10%	0,888	10%	0,988	11%	1,100	11%	
Maintenance	0,396	3%	0,350	1%	0,447	28%	0,527	11%	0,465	4%	0,437	-6%	0,463	6%	0,489	6%	0,521	7%	0,556	7%	
Raw Water	0,509	9%	0,529	6%	0,546	3%	0,540	2%	0,538	-1%	0,532	-1%	0,570	7%	0,603	6%	0,639	6%	0,679	6%	
Staff Costs	0,449	1%	0,407	4%	0,471	16%	0,585	19%	0,463	-2%	0,501	8%	0,657	31%	0,676	3%	0,702	4%	0,734	4%	
Other direct operating activities	0,047	-21%	0,083	-20%	0,255	207%	0,353	29%	0,301	18%	0,285	-5%	0,299	5%	0,305	2%	0,317	4%	0,330	4%	
Total Direct Costs	2,611	6%	2,605	5%	2,934	13%	3,528	14%	3,180	8%	3,272	3%	3,615	10%	3,814	6%	4,066	7%	4,342	7%	
Indirect Costs																					
Overheads	1,177	9%	1,667	39%	1,640	-2%	1,773	2%	1,657	1%	1,949	18%	1,562	-20%	1,578	1%	1,624	3%	1,673	3%	
staff costs	0,650	-1%	0,689	6%	0,723	5%	0,943	23%	0,769	6%	0,842	9%	1,051	25%	1,089	4%	1,135	4%	1,186	4%	
Depreciation	0,148	92%	0,108	-5%	0,079	-27%	0,163	103%	0,107	35%	0,165	55%	0,170	3%	0,175	3%	0,182	4%	0,189	4%	
Amortisation	0,123	0%	0,079	0%	0,098	0%	0,110	0%	0,105	0%	0,110	0%	0,055	0%	-	0%	-	0%	-	0%	
Impairments	(0,129)	-276%	0,078	-28%	0,132	0%	0,100	0%	0,082	0%	0,161	0%	0,175	0%	0,188	0%	0,159	6%	0,231	6%	
Retirement benefits	0,119	-7%	0,139	-19%	0,160	15%	0,145	6%	0,137	-14%	0,144	5%	0,166	15%	0,175	5%	0,185	6%	0,197	6%	
Total Indirect Costs	2,087	-7%	2,760	27%	2,832	3%	3,233	17%	2,856	1%	3,372	18%	3,180	-6%	3,205	1%	3,286	3%	3,476	6%	
Total direct & indirect cost	4,698	0%	5,366	14%	5,766	7%	6,761	15%	6,036	5%	6,643	10%	6,794	2%	7,019	3%	7,351	5%	7,819	6%	
Finance Costs	(0,457)	12%	(0,352)	13%	(0,361)	3%	(0,174)	79%	(0,265)	-27%	(0,305)	15%	(0,249)	-18%	(0,135)	-46%	(0,101)	-25%	(0,022)	-78%	
Cost - Bulk Water	4,240	-1%	5,013	14%	5,404	8%	6,586	14%	5,770	6,8%	6,339	10%	6,545	3%	6,884	5%	7,251	5%	7,797	8%	
Less: Sundry income	0,075	-69%	0,021	280%	0,148	604%	0,008	-55%	0,014	-90%	0,010	-33%	0,011	18%	0,011	-2%	0,011	-1%	0,011	-1%	
Net Cost - Bulk Water	4,165	0%	4,992	12%	5,256	5%	6,579	15%	5,756	10%	6,329	10%	6,534	3%	6,873	5%	7,240	5%	7,786	8%	
Contribution from Wastewater	0,056	33%	(0,205)	-53%	(0,173)	-16%	(0,099)	0%	(0,276)	59%	(0,395)	43%	(0,234)	-41%	(0,079)	-66%	0,012	-116%	0,200	1520%	
Contribution from Section 30 activities	0,010	-67%	0,009	-26%	(0,006)	-172%	0,008	-4%	0,024	-471%	0,009	-61%	0,002	-82%	0,002	-2%	0,002	-1%	0,002	-1%	
Total cost	4,099	0%	5,189	15%	5,436	5%	6,669	14%	6,008	11%	6,714	12%	6,766	1%	6,950	3%	7,226	4%	7,585	5%	
Total Average UW Tariff excluding CUC	6,975	15,0%	8,125	13,7%	7,720	-5,0%	8,139	5,4%	8,125	5,2%	8,368	3,0%	8,827	5,5%	9,399	6,5%	10,057	7,0%	10,761	7,0%	
Net profit Margin/(deficit)	2,876	43%	2,936	12%	2,284	-22%	1,471	-22%	2,117	-7%	1,654	-22%	2,061	25%	2,449	19%	2,832	16%	3,177	12%	
Projected water sales (Ml)	471,80	6%	509,22	9%	548,55	7,7%	563,15	4%	560,22	2,1%	575,71	2,8%	589,41	2,4%	604,46	3%	613,53	1%	622,73	2%	
Projected revenue (R m)	3561	15%	4154	23%	4597	11%	5014	12%	4877	6%	5176	6%	5590	8%	6107	9%	6630	9%	7197	9%	
Projected costs (R m)	2203	-2%	2903	23%	3344	15%	4185	21%	3690	10%	4223	14%	4374	4%	4625	6%	4891	6%	5218	7%	
Projected surplus (R m)	1408	47%	1251	18%	1253	0%	829	-19%	1187	-5%	954	-20%	1216	28%	1482	22%	1739	17%	1980	14%	
Reserves (R m)	9090	24%	10635	18%	11874	12%	12490	7%	13061	10%	14015	7%	15231	9%	16712	10%	18451	10%	20431	11%	
Projected surplus as a % of reserves	15%	19%	12%	0%	11%	-10%	7%	-25%	9%	-14%	7%	8%	17%	9%	11%	9%	6%	10%	3%		
Debt service cost (R m)	14	1%	105	924%	105	0%	105	0%	170	63%	24	-86%	24	-2%	67	179%	93	40%	74	-21%	
Debt (Debt + Equity) ratio	0,123	-36%	0,137	-23%	0,071	-48%	0,187	45%	0,078	10%	0,071	-9%	0,050	-31%	0,118	137%	0,155	32%	0,134	-14%	
Capex (R m)	1 204	-46%	783	22%	814	4%	3 615	18%	1 932	137%	1 648	-15%	3 398	106%	3 475	2%	3 301	-5%	3 352	2%	

21.5 Surplus Policy

21.5.1 Introduction

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

21.5.2 Policy

Surpluses are accrued for the following:

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

21.5.3 Optimal Capital Structure

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

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

21.6 Subsidy projections

Subsidy projections are based on the social component of developmental projects and are critical to Umgeni Water's financial viability and funding requirements. The overall Developmental Programme totals R11.4bn with a specific allocation for the period 2022-2027 of R5,4bn, representing 36% of Umgeni Water's planned capital expenditure for that same period. These projects have a social component which is calculated as the amount which cannot be recovered through an affordable tariff structure. The targeted funding mix is as follows:

- 49% funding by Umgeni Water.
- 51% funding required from DWA for the remaining social components.

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

Table 21.11: Optimal funding mix for rural developmental projects (R'000)

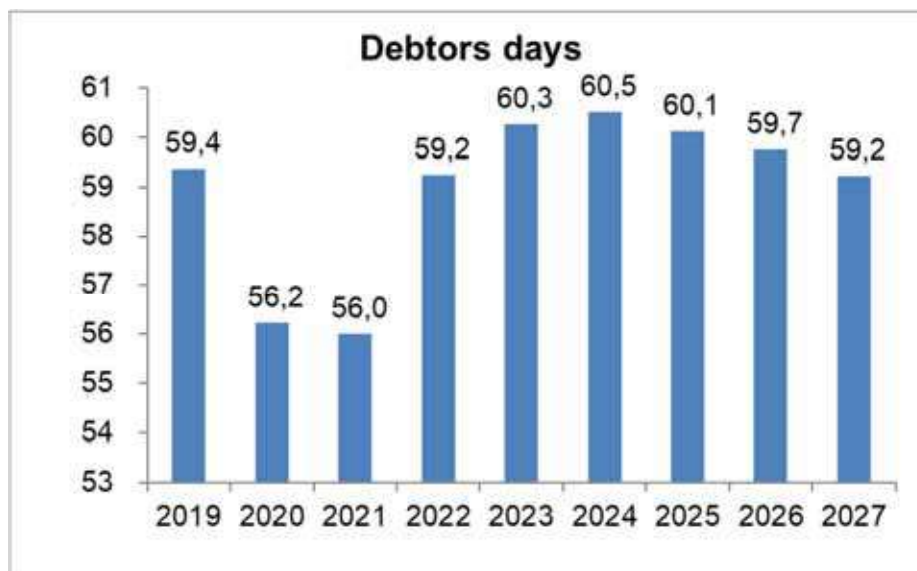
Project in progress	Total Capital costs	Targeted funding mix				Actual Funding Mix as at				
		Grant funding		Umgeni Water		31-Dec-21				
		R'000	%	R'000	%	Actual Grant Funding	%	Umgeni Water	%	TOTAL
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	
Greater Mpofana Ph1	878 275	550 000	63%	328 275	37%	375 061	47%	431 264	53%	806 325
Greater Mpofana Ph2	201 486	0	0%	201 486	100%	0	0%	948	100%	948
Impendle- Nzinga	648 604	0	0%	648 604	100%	0	0%	10 174	100%	10 174
Impendle- Stepmore	259 531	0	0%	259 531	100%	0	0%	7 916	100%	7 916
uMshwathi Bulk Water Supply (Wartburg Phase 1,2 & 3)	974 258	857 316	88%	116 942	12%	590 651	53%	520 561	47%	1 111 212
uMshwathi Ph 4	699 682	292 692	42%	406 990	58%	99 680	1101%	-90 626	-1001%	9 054
uMshwathi Ph 5	225 000	225 000	100%	0	0%	0	0%	0	0%	0
uMshwathi Ph 6	322 319	85 993	27%	236 326	73%	0	0%	1 102	100%	1 102
Lower Thukela BWS - Ph 1	1 602 192	945 949	59%	656 243	41%	945 949	59%	656 243	41%	1 602 192
Lower Thukela BWS - Ph 2	1 405 701	774 377	55%	631 324	45%	0	0%	206	100%	206
Maphumulo Ph 3	363 357	195 620	54%	167 737	46%	48 950	66%	25 172	34%	74 121
Maphumulo Ph 4	171 037	0	0%	171 037	100%	0	0%	1 037	100%	1 037
Mhlabatshane Ph 2	851 503	291 662	34%	559 841	66%	0	0%	15 803	100%	15 803
Trust Feeds WWTW + Automation	136 829	0	0%	136 829	100%	0	0%	108 329	100%	108 329
Umbumbulu Pump Station	97 762	0	0%	97 762	100%	0	0%	18 494	100%	18 494
Umbumbulu PL Augmentation	1 043 280	0	0%	1 043 280	100%	0	0%	0	0%	0
Table Mountain BWSS	181,018	0	0%	0	0%	0	0%	0	0%	0
Vulindlela PS and Reservoir	504,145	0	0%	0	0%	0	0%	50 692	100%	50 692
Mpophomeni WWW	580 547	0	0%	0	0%	0	0%	205 365	100%	205 365
Mpophomeni Sewer Outfall	37,473	0	0%	0	0%	0	0%	29 924	100%	29 924
N3 Corridor WWTW	76,514	0	0%	0	0%	0	0%	19 167	100%	19 167
Cedara - Khanya Village WWTW	34,365	0	0%	0	0%	0	0%	0	0%	0
Weza Harding Abstraction and Pipeline	89 296	0	0%	89 296	100%	0	0%	21 296	100%	21 296
Lower Mkomazi Bulk Water Scheme	5 360 288	804 348	15%	4 555 940	85%	0	0%	196 872	100%	196 872
Stephen Dlamini Bulk Water Supply Scheme BWSS	650 000	650 000	100%	0	0%	0	0%	0	0%	0
Ncwabeni Off-channel Storage Dam	1 805 880	1 805 880	100%	0	0%	0	0%	0	0%	0
Total	18 366 830	6 829 487	37%	11 537 343	63%	2 060 290	48%	2 229 938	52%	4 290 229

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

21.7 Challenges in collection of debtors

There have been challenges in terms of collection of amounts due by some of the debtors. Furthermore, the COVID 19 pandemic had an impact on the paying ability of debtors as payment holidays were granted to their consumers in 2020 and 2021. It is therefore, not expected that the debtors days will recover to less than 50 days until the year 2024/25.

Figure 21.5: Debtors days



21.8 Subsidiaries and associates

21.8.1 Msinsi Holdings (Pty) Ltd

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

21.8.2 Umgeni Water Services (Pty) Ltd

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

21.9 Financial Statement projections

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

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

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

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

Income Statement (in R'000) For the year ended June 30, TOTAL	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
Volume of Bulk treated water sold (in kl'000)	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
Revenue	3 524 469	4 142 653	4 515 189	5 009 020	4 868 218	5 169 629	5 583 222	6 100 062	6 622 926	7 190 595
Water Sales - Bulk	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
Water Sales - Reticulation	-	-	-	-	-	-	-	-	-	-
Water Sales - Raw Water	716	794	749	1 184	1 524	1 567	1 178	1 255	1 343	1 437
Wastewater O&M	67 869	64 949	72 280	84 328	79 884	90 852	97 212	110 822	118 579	126 880
Wastewater Management Fee	131 923	151 424	173 835	202 376	199 593	217 423	236 991	258 321	281 570	306 911
Section 30 activities	33 196	32 507	33 588	137 464	35 450	42 320	45 103	48 194	51 016	54 008
Cost of sales	1 363 161	1 492 257	1 784 333	2 298 203	1 952 085	2 110 725	2 377 848	2 569 142	2 775 935	3 004 774
Changes in water inventory	(459)	760	299	-	-	-	-	-	-	-
Chemicals	71 995	80 305	91 331	109 949	113 119	122 771	135 048	148 553	163 409	179 750
Depreciation	243 664	304 502	319 308	365 224	340 043	397 983	420 861	443 976	468 286	493 926
Energy	290 799	311 562	325 395	469 163	393 648	447 953	506 187	571 991	646 350	730 375
Maintenance	207 878	196 038	263 619	325 990	286 276	282 393	304 984	329 383	355 734	384 192
Raw Water	240 000	269 560	299 380	303 961	301 557	306 411	335 672	364 334	392 230	422 607
<i>- Abstraction, O&M & WRM</i>	<i>240 000</i>	<i>269 560</i>	<i>299 380</i>	<i>303 961</i>	<i>301 557</i>	<i>306 411</i>	<i>335 672</i>	<i>364 334</i>	<i>392 230</i>	<i>422 607</i>
<i>- Capital Unit charge</i>										
Staff Costs	250 488	246 730	302 952	380 082	304 947	337 817	439 986	464 242	489 493	518 863
Section 30 activities	25 380	24 231	24 712	128 254	26 722	32 621	39 153	41 502	43 992	46 632
Other direct operating activities	33 416	58 570	157 336	215 580	185 773	182 776	195 956	205 160	216 442	228 429
Gross profit	2 161 308	2 650 396	2 730 856	2 710 817	2 916 133	3 058 904	3 205 374	3 530 921	3 846 991	4 185 821
	<i>61%</i>	<i>64%</i>	<i>60%</i>	<i>54%</i>	<i>60%</i>	<i>59%</i>	<i>57%</i>	<i>58%</i>	<i>58%</i>	<i>58%</i>
Other operating income	36 436	11 774	82 230	4 800	9 137	6 681	6 681	6 681	6 681	6 681
Administration Expenses	1 056 381	1 592 510	1 758 930	1 978 083	1 883 701	2 284 880	2 140 985	2 135 899	2 173 922	2 224 926
Staff Costs (excl Maintenance Payroll costs)	306 568	350 919	396 571	530 875	430 861	484 778	619 733	658 430	696 585	738 380
Energy	6 660	7 453	7 207	10 311	9 150	10 212	11 540	13 040	14 735	16 651
Depreciation	71 189	55 974	44 546	92 369	61 098	96 230	101 762	107 351	113 229	119 429
Amortization	57 805	40 406	53 774	61 765	58 683	63 355	32 562	-	-	-
Impairments	(61 061)	200 062	199 554	172 372	175 923	245 292	319 097	258 282	198 426	143 850
Maintenance	16 725	34 903	55 698	27 273	30 989	47 789	51 612	55 741	60 201	65 017
Retirement Benefits	57 292	71 624	88 293	82 935	78 239	84 372	97 889	105 530	113 797	122 742
Other operating & administrative expenses (net of recoveries)	601 204	831 168	913 287	1 000 184	1 038 758	1 252 852	906 790	937 524	976 950	1 018 858
Operating income before interest	1 141 364	1 069 660	1 054 155	737 534	1 041 570	780 705	1 071 070	1 401 703	1 679 750	1 967 576
Net interest and finance charges	(216 541)	(181 289)	(199 016)	(91 771)	(145 677)	(172 919)	(144 945)	(79 873)	(58 856)	(11 989)
Interest Paid	13 955	104 550	49 873	24 689	24 689	24 228	23 826	66 574	93 462	73 518
Interest Received	(230 496)	(285 839)	(248 889)	(116 460)	(170 366)	(197 147)	(168 771)	(146 447)	(152 319)	(85 507)
Net Profit (Loss) for the year	1 357 905	1 250 948	1 253 171	829 305	1 187 246	953 624	1 216 015	1 481 576	1 738 606	1 979 565
Other Comprehensive Income										
- Retirement Benefit adjustment (IAS 19)	50 001	-	-	-	-	-	-	-	-	-
Other Comprehensive Income for the year	50 001	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	1 407 906	1 250 948	1 253 171	829 305	1 187 246	953 624	1 216 015	1 481 576	1 738 606	1 979 565

Table 21.14: Umgeni Water Income Statement: S29 Activities (R'000)

Income Statement (in R'000) For the year ended June 30, PRIMARY (S29)	F19	F20	F21	F22 Budget	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual		Forecast					
Volume of treated water sold (in kI'000)	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
Revenue	3 491 273	4 110 146	4 481 601	4 871 556	4 832 768	5 127 309	5 538 119	6 051 868	6 571 909	7 136 587
Water Sales - Bulk	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
Water Sales - Raw Water	716	794	749	1 184	1 524	1 567	1 178	1 255	1 343	1 437
Wastewater Sales	67 869	64 949	72 280	84 328	79 884	90 852	97 212	110 822	118 579	126 880
Wastewater Management Fee	131 923	151 424	173 835	202 376	199 593	217 423	236 991	258 321	281 570	306 911
Cost of sales	10% 1 336 494	1 466 429	1 757 636	2 168 126	1 923 736	2 076 194	2 336 632	2 525 412	2 729 590	2 955 658
Changes in water inventory	(459)	760	299	-	-	-	-	-	-	-
Chemicals	71 995	80 305	91 331	109 949	113 119	122 771	135 048	148 553	163 409	179 750
Depreciation	243 664	304 502	319 308	365 224	340 043	397 983	420 861	443 976	468 286	493 926
Energy	290 799	311 562	325 395	469 163	393 648	447 953	506 187	571 991	646 350	730 375
Maintenance	207 225	195 460	263 310	325 285	285 718	281 798	304 355	328 720	355 034	383 454
Raw Water	240 000	269 560	299 380	303 961	301 557	306 411	335 672	364 334	392 230	422 607
Staff Costs	249 948	245 856	301 949	379 044	303 962	336 791	438 899	463 094	488 282	517 584
Other direct operating activities	33 322	58 424	156 663	215 500	185 689	182 487	195 609	204 744	216 001	227 962
Gross margin/profit	2 154 780	2 643 718	2 723 965	2 703 430	2 909 032	3 051 115	3 201 487	3 526 456	3 842 319	4 180 929
	62%	64%	61%	55%	60%	60%	58%	58%	58%	59%
Other operating income	36 436	11 774	82 230	4 800	9 137	6 681	6 681	6 681	6 681	6 681
Administration Expenses	1 054 351	1 590 398	1 748 502	1 975 478	1 889 997	2 282 473	2 138 097	2 132 435	2 170 250	2 221 034
Staff Costs	306 568	350 919	396 571	530 875	430 861	484 778	619 733	658 430	696 585	738 380
Energy	6 660	7 453	7 207	10 311	9 150	10 212	11 540	13 040	14 735	16 651
Depreciation	71 189	55 974	44 546	92 369	61 098	96 230	101 762	107 351	113 229	119 429
Amortization	57 805	40 406	53 774	61 765	58 683	63 355	32 562	-	-	-
Impairments	(61 061)	200 062	199 554	172 372	175 923	245 292	319 097	258 282	198 426	143 850
Maintenance	16 725	34 900	55 674	27 273	30 981	47 781	51 603	55 732	60 191	65 006
Retirement Benefits	57 292	71 624	88 293	82 935	78 239	84 372	97 889	105 530	113 797	122 742
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	599 174	829 058	902 883	997 580	1 045 062	1 250 454	903 911	934 070	973 288	1 014 976
Operating income before interest	1 136 865	1 065 094	1 057 693	732 751	1 028 173	775 323	1 070 070	1 400 703	1 678 750	1 966 576
Net interest and finance charges	(216 541)	(181 289)	(199 016)	(91 771)	(145 677)	(172 919)	(144 945)	(79 873)	(58 856)	(11 989)
Interest Paid	13 955	104 550	49 873	24 689	24 689	24 228	23 826	66 574	93 462	73 518
Interest Received	(230 496)	(285 839)	(248 889)	(116 460)	(170 366)	(197 147)	(168 771)	(146 447)	(152 319)	(85 507)
Net Profit (Loss)	1 353 407	1 246 382	1 256 709	824 522	1 173 850	948 241	1 215 015	1 480 576	1 737 606	1 978 565

Table 21.15: Umgeni Water Income statement - Bulk water segment (R'000)

Income Statement (in R'000) For the year ended June 30, BULK WATER	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
Volume of treated water sold (in kl'000)	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
Revenue	3 291 481	3 893 773	4 235 486	4 584 852	4 553 291	4 819 033	5 203 915	5 682 726	6 171 761	6 702 797
Water Sales - Bulk	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
Water Sales - Raw Water	716	794	749	1184	1 524	1 567	1 178	1 255	1 343	1 437
Cost of sales	1 231 219	1 327 426	1 609 526	1 986 847	1 781 267	1 883 511	2 130 485	2 305 207	2 494 302	2 704 078
Changes in water inventory	(459)	760	299	-	-	-	-	-	-	-
Chemicals	67 046	75 852	86 019	103 880	107 581	116 363	127 999	140 799	154 879	170 367
Depreciation	237 563	266 321	279 979	320 493	300 055	336 157	355 481	375 005	395 538	417 196
Energy	265 937	286 829	299 985	433 302	383 845	420 270	474 905	536 642	606 406	685 238
Maintenance	186 930	178 340	245 322	296 771	260 290	251 865	272 702	295 327	319 813	346 305
Raw Water	240 000	269 560	299 380	303 961	301 557	306 411	335 672	364 334	392 230	422 607
- Abstraction, O&M & WRM	240 000	269 560	299 380	303 961	301 557	306 411	335 672	364 334	392 230	422 607
- Capital Unit charge	-	-	-	-	-	-	-	-	-	-
Staff Costs	211 928	207 346	258 447	329 425	259 170	288 254	387 465	408 766	430 962	457 110
Other direct operating activities	22 275	42 417	140 095	199 014	168 770	164 191	176 262	184 334	194 473	205 255
Gross margin/profit	2 060 262	2 566 348	2 625 960	2 598 005	2 772 024	2 935 522	3 073 431	3 377 519	3 677 459	3 998 719
	63%	66%	62%	57%	61%	61%	59%	59%	60%	60%
Other operating income	35 381	10 692	81 053	4 300	7 987	5 531	6 681	6 681	6 681	6 681
Administration Expenses	984 674	1 405 622	1 553 461	1 820 402	1 600 139	1 941 193	1 874 189	1 937 371	2 015 875	2 164 913
Staff Costs	306 568	350 919	396 571	530 875	430 861	484 778	619 733	658 430	696 585	738 380
Energy	6 660	7 453	7 207	10 311	9 150	10 212	11 540	13 040	14 735	16 651
Depreciation	70 059	54 902	43 429	91 541	59 665	94 989	100 449	105 966	111 769	117 888
Amortization	57 805	40 406	53 774	61 765	58 683	63 355	32 562	-	-	-
Impairments	(61 061)	39 926	72 434	56 321	45 866	92 880	103 008	113 665	97 259	143 850
Maintenance	15 301	33 272	53 675	25 163	28 856	45 454	49 143	53 136	57 453	62 118
Retirement Benefits	56 147	70 670	87 693	81 638	76 881	82 885	97 889	105 530	113 797	122 742
Performance bonus	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	533 196	808 073	838 678	962 789	890 177	1 066 640	859 865	887 604	924 278	963 283
Operating income before interest	1 110 969	1 171 418	1 153 551	781 903	1 179 872	999 860	1 205 922	1 446 828	1 668 265	1 840 487
Net interest and finance charges	(215 802)	(179 445)	(198 229)	(98 159)	(148 696)	(175 511)	(147 020)	(81 583)	(61 770)	(13 546)
Interest Paid	14 694	106 393	50 660	18 301	21 670	21 636	21 751	64 864	90 549	71 962
Interest Received	(230 496)	(285 839)	(248 889)	(116 460)	(170 366)	(197 147)	(168 771)	(146 447)	(152 319)	(85 507)
Net Profit (Loss)	1 326 771	1 350 863	1 351 780	880 062	1 328 568	1 175 372	1 352 942	1 528 412	1 730 035	1 854 033

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

Income Statement (in R'000) For the year ended June 30, WASTE WATER	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
Volume of treated water sold (in k'l'000)	-	-	-	-	-	-	-	-	-	-
Revenue	199 792	216 373	246 115	286 704	279 477	308 276	334 203	369 142	400 149	433 790
Wastewater O&M	67 648	64 949	72 280	84 328	79 884	90 852	97 212	110 822	118 579	126 880
Wastewater Management Fee	132 144	151 424	173 835	202 376	199 593	217 423	236 991	258 321	281 570	306 911
Cost of sales	105 274	139 003	148 110	181 279	142 469	192 683	206 147	220 204	235 289	251 580
Changes in water inventory	-	-	-	-	-	-	-	-	-	-
Chemicals	4 949	4 453	5 312	6 069	5 538	6 408	7 049	7 754	8 530	9 383
Depreciation	6 101	38 180	39 329	44 731	39 988	61 826	65 380	68 971	72 747	76 731
Energy	24 862	24 733	25 410	35 861	9 804	27 683	31 282	35 349	39 944	45 137
Maintenance	20 295	17 120	17 988	28 514	25 428	29 933	31 654	33 392	35 221	37 149
Staff Costs	38 020	38 510	43 502	49 619	44 793	48 537	51 435	54 328	57 319	60 475
Other direct operating activities	11 047	16 007	16 568	16 485	16 919	18 296	19 347	20 410	21 528	22 706
Gross margin/profit	94 517	77 370	98 006	105 424	137 008	115 592	128 056	148 938	164 860	182 210
	47%	36%	40%	37%	49%	37%	38%	40%	41%	42%
Other operating income	1 055	1 082	1 177	500	1 150	1 150	-	-	-	-
Administration Expenses	69 676	184 775	195 041	155 076	289 858	341 280	263 908	195 063	154 375	56 121
Staff Costs	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Depreciation	1 130	1 072	1 116	828	1 433	1 241	1 313	1 385	1 460	1 540
Amortization	-	-	-	-	-	-	-	-	-	-
Impairments	-	160 136	127 120	116 051	130 057	152 411	216 089	144 618	101 167	-
Maintenance	1 424	1 628	2 000	2 110	2 124	2 327	2 461	2 596	2 738	2 888
Retirement Benefits	1 145	954	600	1 296	1 358	1 487	-	-	-	-
Other operating & administrative expenses	65 978	20 985	64 204	34 791	154 884	183 814	44 046	46 465	49 010	51 693
Operating income before interest	25 896	(106 324)	(95 858)	(49 152)	(151 700)	(224 538)	(135 852)	(46 126)	10 485	126 089
Net interest and finance charges	(739)	(1 835)	(787)	6 389	3 019	2 592	2 075	1 710	2 914	1 556
Interest Paid	(739)	(1 835)	(787)	6 389	3 019	2 592	2 075	1 710	2 914	1 556
Interest Received	-	-	-	-	-	-	-	-	-	-
Net Profit (Loss)	26 635	(104 488)	(95 071)	(55 540)	(154 719)	(227 130)	(137 927)	(47 836)	7 571	124 532

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

Income Statement (in R'000) For the year ended June 30, OTHER (S30)	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
Volume of treated water sold (in kl'000)	-	-	-	-	-	-	-	-	-	-
Revenue	33 196	32 507	33 588	137 464	35 450	42 320	45 103	48 194	51 016	54 008
Other	33 196	32 507	33 588	137 464	35 450	42 320	45 103	48 194	51 016	54 008
Cost of sales	26 667	25 829	26 697	130 076	28 349	34 530	41 216	43 730	46 345	49 116
Chemicals	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Maintenance	653	578	309	705	558	595	629	663	700	738
Staff Costs	540	874	1 003	1 038	985	1 026	1 087	1 148	1 212	1 278
Projects/WIP costs	25 380	24 231	24 712	128 254	26 722	32 621	39 153	41 502	43 992	46 632
Other direct operating activities	95	146	672	80	85	289	346	416	441	467
Gross margin/profit	6 529	6 678	6 890	7 388	7 101	7 789	3 887	4 464	4 672	4 892
	20%	21%	21%	5%	20%	18%	9%	9%	9%	9%
Other operating income										
Administration Expenses	2 030	2 113	10 428	2 604	(6 296)	2 407	2 887	3 464	3 672	3 892
Staff Costs	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-	-
Maintenance	-	3	24	-	8	8	9	9	10	11
Retirement benefits	-	-	-	-	-	-	-	-	-	-
Other operating & administrative expenses	2 030	2 110	10 405	2 604	(6 304)	2 398	2 878	3 455	3 662	3 882
Operating income before interest	4 499	4 566	(3 538)	4 783	13 397	5 383	1 000	1 000	1 000	1 000
Net interest and finance charges	-	-	-	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	-	-	-	-	-	-
Net Profit (Loss)	4 499	4 566	(3 538)	4 783	13 397	5 383	1 000	1 000	1 000	1 000

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

Balance Sheet (in R'000) As at June 30,	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget			Forecast			
ASSETS										
Non-current assets	9 532 993	9 249 476	9 119 058	11 579 243	10 320 212	11 270 827	14 146 698	17 487 681	19 709 052	22 597 458
Property, plant and equipment	8 807 069	8 870 564	8 838 144	11 394 335	10 091 794	11 097 532	13 749 055	16 681 163	19 576 552	22 464 957
Intangible assets	196 819	224 820	206 392	111 739	147 709	84 354	51 792	51 792	51 792	51 792
Investment Property	-	-	8 918	-	8 918	8 918	8 918	8 918	8 918	8 918
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Investments	517 941	79 268	-	-	-	8 232	265 143	674 018	-	-
Trade and other receivables - non current	-	71 792	65 142	71 792	71 792	71 792	71 792	71 792	71 792	71 792
Right of use assets	-	3 032	463	1 377	(1)	(1)	(1)	(1)	(1)	(1)
Investments in subsidiaries	11 164	-	-	-	-	-	-	-	-	-
Assets held for sale	-	677	1 867	677	1 867	1 867	1 867	1 867	1 867	1 867
Current Assets	3 233 329	5 032 072	5 781 804	3 944 382	5 753 636	5 743 762	4 078 613	4 083 515	4 075 595	2 967 961
Other current assets	-	-	-	-	-	-	-	-	-	-
Loan to Subsidiaries	-	10 113	-	10 113	-	-	-	-	-	-
Inventories	18 985	22 096	22 155	28 694	22 217	22 281	22 348	22 418	22 492	22 568
Accounts receivable	721 723	773 756	1 081 550	932 960	1 158 668	1 231 727	1 314 331	1 405 366	1 496 765	1 591 710
Sundry Debtors	-	-	-	-	-	-	-	-	-	-
Short-term investments	2 335 822	4 225 460	4 677 895	2 967 741	4 506 368	4 423 368	2 675 368	2 589 368	2 490 368	1 287 368
Interest Receivable	79 381	-	-	3 942	65 876	65 876	65 876	65 876	65 876	65 876
Bank balances and cash	77 418	648	203	931	507	509	689	486	93	438
Total assets	12 766 322	14 282 226	14 902 729	15 524 302	16 075 715	17 016 456	18 227 178	21 573 064	23 786 514	25 567 285
Reserves										
Accumulated reserves	9 089 988	10 634 628	11 874 021	12 489 606	13 061 267	14 014 891	15 230 907	16 712 483	18 451 089	20 430 654
Non-current liabilities	2 483 572	1 710 589	1 826 087	1 728 156	1 831 926	1 839 141	1 854 642	2 670 362	4 066 352	3 820 990
Interest bearing borrowings	1 762 668	1 133 226	1 108 388	1 083 549	1 083 549	1 058 710	1 033 872	1 807 366	3 159 194	2 867 689
Post employment medical benefit obligations	550 709	314 946	371 817	382 190	402 494	434 548	474 888	517 113	561 275	607 418
Long term incentive provision	1 078	17 732	20 158	17 732	20 158	20 158	20 158	20 158	20 158	20 158
Five year long service benefit non-current	10 417	10 695	11 360	10 695	11 360	11 360	11 360	11 360	11 360	11 360
Mkomazi BWS charge - inc in adv	158 700	233 990	314 365	233 990	314 365	314 365	314 365	314 365	314 365	314 365
Current liabilities	1 192 759	1 937 009	1 202 620	1 306 541	1 182 521	1 162 423	1 141 628	2 190 218	1 269 073	1 315 641
Accounts payable (including accruals)	967 861	1 143 725	1 044 671	1 138 725	1 024 671	1 004 671	984 671	964 671	944 671	924 671
Provisions	123 102	84 478	75 618	84 478	75 618	75 618	75 618	75 618	75 618	75 618
Current portion of interest bearing loans	29 222	629 442	24 839	24 839	24 839	24 839	24 839	1 093 172	224 839	291 505
Other payables/loans	53 729	54 533	33 277	33 668	33 178	33 080	32 286	32 542	(270)	(369)
Lease Liability	-	2 989	456	2 989	456	456	456	456	456	456
Five year long service benefit current	4 136	5 801	6 125	5 801	6 125	6 125	6 125	6 125	6 125	6 125
Post-retirement benefit obligations	14 709	16 041	17 634	16 041	17 634	17 634	17 634	17 634	17 634	17 634
Bank overdrafts	-	-	-	-	-	-	-	-	-	-
Total reserves and liabilities	12 766 319	14 282 226	14 902 728	15 524 302	16 075 715	17 016 455	18 227 177	21 573 063	23 786 514	25 567 285

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

Statement of Changes in Equity (in R'000) For the Year ended June 30,	Capital Contributions	OCI Reserve	Accumulated Profit (Loss)	Total
Balance at 30 June 2019	442 847	120 721	8 877 138	9 089 988
Profit for the year	-	-	1 253 171	1 253 171
Other comprehensive income	-	-	-	-
Balance at 30 June 2020	442 847	120 721	10 130 309	11 874 021
Profit for the year	-	-	1 187 246	1 187 246
Other comprehensive income	-	-	-	-
Balance at 30 June 2021	442 847	120 721	11 317 556	13 061 267
Profit for the year	-	-	953 624	953 624
Balance at 30 June 2022	442 847	120 721	13 061 267	14 014 891
Profit for the year	-	-	1 216 015	1 216 015
Balance at 30 June 2023	442 847	120 721	14 277 282	15 230 907
Profit for the year	-	-	1 481 576	1 481 576
Balance at 30 June 2024	442 847	120 721	15 758 859	16 712 483
Profit for the year	-	(120 721)	1 738 606	1 617 885
Balance at 30 June 2025	442 847	-	17 497 465	18 451 089
Profit for the year	-	-	1 979 565	1 979 565
Balance at 30 June 2026	442 847	-	19 477 030	20 430 654
Net movement	-	-	2 082 486	2 082 486
Balance at 30 June 2027	442 847	-	21 559 516	22 513 140

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

Cash Flow Statement (in R'000) For the year ended June 30,	F19	F20	F21	F22 Budget	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual		Forecast					
OPERATING ACTIVITIES										
Operating profit before working capital changes	1 760 894	1 987 645	1 888 839	1 676 231	2 070 300	2 020 203	1 985 692	2 253 538	2 503 852	2 770 925
Changes in working capital	(186 609)	(124 986)	(474 571)	(318 231)	(459 485)	(497 707)	(102 671)	(111 105)	(111 473)	(115 021)
Net cash from operating activities	1 574 285	1 862 659	1 414 268	1 358 000	1 610 816	1 522 496	1 883 021	2 142 433	2 392 379	2 655 903
INVESTING ACTIVITIES										
Additions to property, plant and equipment	(1 203 606)	(782 543)	(813 839)	(1 934 111)	(1 931 660)	(1 648 330)	(3 397 938)	(3 475 424)	(3 301 480)	(3 351 539)
Additions to intangible assets	-	(68 459)	(9 516)	-	-	-	-	-	-	-
Proceeds on disposal of Property, plant & equipment	151 590	241 739	382 614	-	200 166	-	-	-	-	-
Grant Funding	935	1 783	-	-	-	-	-	-	-	-
Payments of intercompany borrowings	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	(1 051 081)	(607 335)	(440 741)	(1 934 111)	(1 731 494)	(1 648 330)	(3 397 938)	(3 475 424)	(3 301 480)	(3 351 539)
FINANCING ACTIVITIES										
Net change in long-term borrowings	(79 012)	(29 222)	(629 442)	(24 839)	(24 839)	(24 839)	(24 839)	(24 839)	(1 093 172)	(224 839)
Lease Payments	-	(1 074)	(837)	-	-	-	-	-	-	-
New Debt proposed	-	-	-	-	-	-	-	1 866 667	1 576 667	-
Net Investments - LTI & RED	(326 281)	(1 306 732)	(373 176)	608 000	99 000	74 899	1 496 012	(300 190)	745 280	1 203 000
Proceeds on disposal of available for sale investments	-	-	-	-	-	-	-	-	-	-
Proceeds from (repaid to) short-term borrowings	-	-	-	-	-	-	-	-	-	-
Net interest (Paid) Received	(50 412)	4 934	29 483	(7 085)	46 821	75 777	43 924	(208 850)	(320 067)	(282 182)
Net Repo & Market-making	-	-	-	-	-	-	-	-	-	-
Net cash used in financing activities	(455 704)	(1 332 094)	(973 972)	576 076	120 983	125 836	1 515 097	1 332 788	908 708	695 980
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	67 500	(76 770)	(445)	(35)	304	2	180	(203)	(393)	344
At beginning of year	9 918	77 418	648	967	203	507	509	689	486	93
At end of year	77 418	648	203	932	507	509	689	486	93	438

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

NOTES TO THE CASHFLOW STATEMENT	F19 Actual	F20 Actual	F21 Actual	F21 Budget	F22	F23	F24 Forecast	F25	F26	F27
RECONCILIATION OF NET PROFIT TO CASH GENERATED FROM OPERATIONS										
Net profit	1 314 967	1 250 948	1 253 171	829 305	1 187 246	953 624	1 216 015	1 481 576	1 738 606	1 979 565
Adjust for:										
Amortisation of intangible asset	27 527	40 406	53 774	61 765	58 683	63 355				
Amortisation of financial asset	2 533	-	-				32 562	-	-	-
Asset Impairments & write offs	36 992	200 113	199 554	172 372	175 923	245 292	319 097	258 282	198 426	143 850
Depreciation	286 083	364 365	368 802	459 088	401 141	494 214	522 623	551 328	581 515	613 355
Darvill liability amorisation										
Doubtful debts provision	51 705	273 756	173 990	210 098	362 306	404 583	-	-	-	
Fair value of biological assets										
Finance costs	13 955	104 550	49 873	24 689	24 689	24 228	23 826	66 574	93 462	73 518
Interest received	(230 496)	(285 839)	(248 889)	(116 460)	(170 366)	(197 147)	(168 771)	(146 447)	(152 319)	(85 507)
Investment Impairments										
Increase/(decrease) in Provisions and non-current liabilities	257 628	39 231	39 248	35 373	30 677	32 054	40 340	42 226	44 161	46 144
Leases repayment		260								
Profit (loss) on disposal of PPE		(145)	(684)							
Profit (loss) on disposal of non current asset held for sale										
Profit on disposal of shares										
Operating income before changes in working capital	1 760 894	1 987 645	1 888 839	1 676 231	2 070 300	2 020 203	1 985 692	2 253 538	2 503 852	2 770 925
Working capital changes:	(186 609)	(124 986)	(474 571)	(318 231)	(459 485)	(497 707)	(102 671)	(111 105)	(111 473)	(115 021)
(Increase)/decrease in inventories	(30)	(3 111)	(59)	(3 373)	(62)	(64)	(67)	(70)	(73)	(77)
(Increase) decrease in accounts receivable	(286 145)	(373 029)	(455 517)	(294 858)	(439 423)	(477 642)	(82 603)	(91 035)	(91 399)	(94 945)
Increase/(decrease) in accounts payable	99 566	251 154	(18 995)	(20 000)	(20 000)	(20 000)	(20 000)	(20 000)	(20 000)	(20 000)
Net Cash generated from operations	1 574 285	1 862 659	1 414 268	1 358 000	1 610 816	1 522 496	1 883 021	2 142 433	2 392 379	2 655 903

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

MSINSI INCOME STATEMENT For the year ended June 30, TOTAL	F18	F19 Actual	F20	F21	F22 Budget	F22	F23	F24 Forecast	F25	F26	F27
Revenue	53 608	56 177	65 965	84 540	94 391	90 826	94 574	98 951	103 551	108 732	114 225
Environmental Management Fee	40 180	42 189	54 244	69 000	74 981	74 981	79 719	82 908	86 224	89 673	93 260
Additional Management Fee resulting from Remuneration Policy						685					
NRM-DEA Grant					2 246						
Tourism & Other Revenue	13 428	13 988	11 721	15 540	16 480	15 160	14 855	16 043	17 327	19 059	20 965
Cost of sales	-	-	-	-	-	-	-	-	-	-	-
Gross profit	53 608	56 177	65 965	84 540	94 391	90 826	94 574	98 951	103 551	108 732	114 225
Other operating income	912	2 145	379	688	600	23	660	726	799	878	966
Administration Expenses	55 164	55 479	62 520	68 009	91 905	89 106	95 769	100 894	106 455	112 507	118 668
Staff Costs	34 582	35 366	40 519	45 432	49 452	57 038	62 763	66 215	69 857	73 699	77 752
Depreciation	3 708	3 347	3 059	3 275	2 980	4 403	4 050	3 900	3 850	3 750	3 500
Employee cost resulting from Rem Policy			0	0	685	0	0	0	0	0	0
NRM-DEA - Expenses					2 246						
Other operating & administrative expenses	16 874	16 765	18 942	19 302	36 542	27 666	28 956	30 779	32 748	35 058	37 416
Operating income before interest	564	2 843	3 824	17 219	3 086	1 742	-535	-1 217	-2 105	-2 896	-3 477
Net interest and finance charges	-448	-328	-103	149	700	268	200	50	150	175	150
Interest Paid	840	847	802	435		461	500	550	550	575	600
Interest Received	393	519	700	584	700	730	700	600	700	750	750
Net Profit (Loss)	-1 091	2 515	3 721	17 367	3 786	2 010	-335	-1 167	-1 955	-2 721	-3 327

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

Msinsi Balance Sheet (in R'000) As at June 30,	F19	F20 Actual	F21	F22 Budget	F22	F23	F24	F25 Forecast	F26	F27
ASSETS										
Non-current assets	19 675	12 597	17 070	18,624	20 416	25 547	32 109	38 903	37 189	43 594
Property, plant and equipment	15 202	8 155	7 733	13,059	11 665	18 009	25 721	29 745	29 159	35 841
Right of Use of Assets		630	5 870	736	3 950	2 736	1 637	4 506	3 278	2 951
Biological Assets	4 358	3 475	3 130	4,500	4 500	4 500	4 450	4 350	4 450	4 500
Deposit: Electricity		220	223		302	302	302	302	302	302
Intangible Assets	115	118	114	329	0	0	0	0	0	0
Current Assets	18 161	35 404	44 009	32 378	42 730	37 586	26 731	20 361	17 931	8 522
Accounts receivable	1 337	672	851	1 452	1 107	1 543	1 465	1 500	1 236	1 321
Net Intercompany receivable	7 477	10 300	13 316	10 500	11 500	8 500	7 500	6 500	5 500	4 500
Building held for sale		10 166	0	10 166	0	-	-	-	-	-
Cash and cash equivalents	9 347	14 266	29 842	10 260	30 123	27 543	17 766	12 361	11 195	2 701
Total assets	37 836	48 000	61 079	51 002	63 146	63 133	58 840	59 264	55 120	52 115
Equity	16 123	25 700	43 067	30 168	45 078	44 743	43 576	41 620	38 899	35 572
Share Capital										
Equity contribution from parent	0		0	0	0					
Retained Income	16 123	25 700	43 067	30 168	45 078	44 743	43 576	41 620	38 899	35 572
Non-current liabilities	11 164	335	4 603	10 113	4 900	3 600	2 450	1 950	3 371	2 593
Corporate Social Investment					0					
Lease Liabilities		335	4 603	10 113	4 900	3 600	2 450	1 950	3 371	2 593
Non-Interest bearing Loan - UW	11 164	0	0		0					
Current liabilities	10 549	21 966	13 409	10 720	13 169	14 789	12 814	15 694	12 850	13 950
Provisions	1 008	1 622	1 734	2 200	2 100	2 200	2 350	2 450	2 550	2 700
Corporate Social Investment	1 010	1 009	645	600	220	0	0	0	0	0
Loan Account -Umgeni Water		10 113			0					
Lease Liabilities		273	993		1 200	980	1 350	1 560	800	750
Accounts Payable	8 531	8 949	10 037	7 920	9 649	11 609	9 114	11 684	9 500	10 500
Total reserves and liabilities	37 836	48 001	61 079	51 002	63 147	63 133	58 840	59 264	55 120	52 115

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

Msinsi Cash Flow Statement For the year ended June 30,	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
OPERATING ACTIVITIES										
Operating profit before working capital changes	5 036	8 275	21 279	6 464	6 337	3 665	2 819	1 937	841	60
Changes in working capital	-1 859	-3 345	-2 878	2 593	1 714	3 598	-3 739	3 733	5 918	965
Net cash from operating activities	3 178	4 930	18 401	9 057	8 051	7 263	-920	5 669	6 759	1 025
INVESTING ACTIVITIES										
Additions to property, plant and equipment	-191	-269	-2 796	-6 000	-8 500	-10 545	-9 457	-11 774	-8 675	-10 269
Additions to intangible assets	-94	-152	-159	-300					0	0
Proceeds received from hunting	130	0	0	0	0	0	0	0	0	0
Proceeds from the sale of game	80			0	0	0	0	0	0	0
Net cash used in investing activities	-74	-421	-2 955	-6 300	-8 500	-10 545	-9 457	-11 774	-8 675	-10 269
FINANCING ACTIVITIES										
Net change in long-term borrowings	520	409	130	350	730	700	600	700	750	750
Interest received	520	700	584	350	730	700	600	700	750	750
Equity Contribution from parent	0	-71	0	0	0	0	0	0	0	0
Finance Cost			-149							
Lease Liability payment		-219	-306							
Interest paid	0									
Net cash used in financing activities	520	409	130	350	730	700	600	700	750	750
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	3 623	4 920	15 576	3 107	281	-2 581	-9 777	-5 404	-1 166	-8 494
At beginning of year	5 723	9 347	14 266	7 152	29 842	30 123	27 543	17 766	12 361	11 195
At end of year	9 347	14 266	29 842	10 260	30 123	27 543	17 766	12 361	11 195	2 701

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

NOTES TO THE CASH FLOW STATEMENT	F19	Actual F20	F21	Budget F22	F22	F23	F24	Forecast F25	F26	F27
RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH GENERATED FROM OPERATING ACTIVITIES										
Net Profit	2 515	3 721	17 367	3,786	2 010	(335)	(1167)	(1 955)	(2 721)	(3 327)
Depreciation	3 347	3 332	4 224	2,913	4 403	4 050	3 900	3 850	3 750	3 500
Write off on biological Assets										
Write off on Moveable Assets	2	47	137	100	166	150	86	92	87	87
Profit on sale of asset			(25)							
Biological Assets - Disposal Shongweni										
Fair Value Adjustment	(1 345)	884	345		-	-	50	100	(100)	(50)
Gain on the right transferred to Umgeni Water			(778)							
Amortisation	189	205	162	165	329					
Interest received	(520)	(700)	(584)	(700)	(730)	(700)	(600)	(700)	(750)	(750)
Movement in the Electricity Deposit		(17)	(3)		(302)					
Interest paid (net of interest capitalized)	847	802	435	200	461	500	550	550	575	600
Operating Profit before working capital changes	5 036	8 275	21 279	6 464	6 337	3 665	2 819	1 937	841	60
Working capital changes	(1 859)	(3 345)	(2 878)	2 593	1 714	3 598	(3 739)	3 733	5 918	965
Change in receivables	971	258	(251)	(295)		(436)	78	(35)	264	(85)
Change in accounts payable.	1 279	451	1 088	353	(2 331)	1 960	(2 495)	2 570	(2 184)	1 000
Allowance for Credit Losses	134	70	71	(50)						
Net Changes in the Intercompany receivable		(2 823)	(3 535)	2 235	4 525	1 974	(1 472)	1 098	7 738	(100)
Movement in the Loan Account	(3 702)	(1 783)	-	-						
Lease Liability										
Movement In Social Investment		(1)	(364)		(380)	-	-	-	-	-
Prior year adjustment		(131)	-	-	-	-	-	-	-	-
Change in provisions	(539)	614	112	250	(100)	100	150	100	100	150
Cash Generated from operations	3 178	4 930	18 401	9 057	8 051	7 263	(920)	5 669	6 759	1 025

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

Income Statement (in R'000) For the year ended June 30,	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
Umgeni Water Services										
Revenue	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-
Gross margin/profit	-	-	-	-	-	-	-	-	-	-
Other operating income	619	-	-	-	-	-	-	-	-	-
Administration Expenses	89	76	71	87	76	81	87	93	99	106
Share of profit from associate	5 664	5 441	4 853	-	-	-	-	-	-	-
Operating income before interest	5 575	5 365	4 782	(87)	(76)	(81)	(87)	(93)	(99)	(106)
Net interest and finance charges	379	110	82	-	-	-	-	-	-	-
Interest Paid	-	-	-	-	-	-	-	-	-	-
Interest Received	379	110	82	-	-	-	-	-	-	-
Profit before tax	5 954	5 475	4 864	-	-	-	-	-	-	-
Taxation	106	31	23	-	-	-	-	-	-	-
Net Profit (Loss)	5 848	5 444	4 841	(87)	(76)	(81)	(87)	(93)	(99)	(106)

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

Balance Sheet (in R'000) As at June 30,	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
	Actual	Actual	Actual	Budget	Forecast					
ASSETS										
Non-current assets	11 669	11 446	10 858	11 446	10 858	10 858	10 858	10 858	10 858	10 858
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	11 669	11 446	10 858	11 446	10 858	10 858	10 858	10 858	10 858	10 858
Current Assets	2 245	7 912	13 341	7 912	13 341	13 341	13 341	13 341	13 341	13 341
Total assets	13 915	19 358	24 199	19 358	24 199	24 199	24 199	24 199	24 199	24 199
Reserves	13 834	19 278	24 119	19 278	24 119	24 119	24 119	24 119	24 119	24 119
Accumulated reserves and Share capital	13 834	19 278	24 119	19 278	24 119	24 119	24 119	24 119	24 119	24 119
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
Current liabilities	81	80	80	80	80	80	80	80	80	80
Accounts payable (including accruals and leases)	81	80	80	80	80	80	80	80	80	80
Total reserves and liabilities	13 915	19 358	24 199	19 358	24 199	24 199	24 199	24 199	24 199	24 199

Table 21.28: Group Income Statement (R'ooo)

Group Income Statement (in R'000) For the year ended June 30,	F19 Actual	F20 Actual	F21 Actual	F'22 Budget group 563 154	F'22 Forecast group 560 223	F'23 group 575 714	F'24 group 589 408	F'25 group 604 459	F'26 group 613 526	F'27 group 622 729
Volume of Bulk treated water sold (in kl'000)	471 801	509 217	509 217	-	-	-	-	-	-	-
Revenue	3 538 457	4 154 375	4 561 896	5 027 745	4 883 378	5 184 484	5 599 265	6 117 389	6 641 985	7 211 560
Water Sales - Bulk	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
Water Sales - Raw Water	716	794	749	1 184	1 524	1 567	1 178	1 255	1 343	1 437
Wastewater O&M	67 648	64 949	72 280	84 328	79 884	90 852	97 212	110 822	118 579	126 880
Wastewater Management Fee	132 144	151 424	173 835	202 376	199 593	217 423	236 991	258 321	281 570	306 911
Section 30 activities	47 184	44 229	80 295	156 189	50 610	57 175	61 146	65 521	70 076	74 973
Cost of sales	1 363 161	1 492 279	1 788 513	2 298 203	1 952 085	2 110 725	2 377 848	2 569 142	2 775 935	3 004 774
Changes in water inventory	(459)	760	(119)	-	-	-	-	-	-	-
Chemicals	71 995	80 305	91 331	109 949	113 119	122 771	135 048	148 553	163 409	179 750
Depreciation	243 664	304 502	319 308	365 224	340 043	397 983	420 861	443 976	468 286	493 926
Energy	290 799	311 583	325 443	469 163	393 648	447 953	506 187	571 991	646 350	730 375
Maintenance	207 878	196 038	263 619	325 990	286 276	282 393	304 984	329 383	355 734	384 192
Raw Water	240 000	269 560	409 541	303 961	301 557	306 411	335 672	364 334	392 230	422 607
Staff Costs	250 488	269 508	315 730	380 082	304 947	337 817	439 986	464 242	489 493	518 863
Section 30 activities	25 380	24 231	24 712	128 254	26 722	32 621	39 153	41 502	43 992	46 632
Other direct operating activities	33 416	35 792	38 948	215 580	185 773	182 776	195 956	205 160	216 442	228 429
Gross profit	2 175 296	2 662 096	2 773 383	2 729 542	2 931 293	3 073 759	3 221 417	3 548 247	3 866 050	4 206 786
	62%	64%	64%	54%	60%	59%	59%	59%	59%	59%
Other operating income	26 179	13 067	81 688	5 400	9 160	7 341	7 407	7 480	7 559	7 647
Administration Expenses	1 069 274	1 596 866	1 783 507	1 994 404	1 897 217	2 301 011	2 159 058	2 156 223	2 196 856	2 250 441
Staff Costs	425 782	478 778	478 514	581 012	487 898	547 540	685 947	728 286	770 283	816 132
Energy	6 660	7 453	7 160	10 311	9 150	10 212	11 540	13 040	14 735	16 651
Depreciation	74 615	59 564	48 863	95 349	65 501	100 280	105 662	111 201	116 979	122 929
Amortization	58 014	40 556	53 911	61 930	58 797	63 355	32 562	-	-	-
Impairments	(61 061)	188 784	184 321	172 372	175 923	245 292	319 097	258 282	198 426	143 850
Maintenance	16 725	34 903	34 903	27 273	30 989	47 789	51 612	55 741	60 201	65 017
Retirement Benefits	57 292	71 624	57 916	82 935	78 239	84 372	97 889	105 530	113 797	122 742
Other operating & administrative expenses	491 247	715 204	917 919	963 223	990 719	1 202 170	854 748	884 141	922 435	963 120
Operating income before interest	1 132 201	1 078 297	1 071 564	740 539	1 043 236	780 089	1 069 766	1 399 504	1 676 754	1 963 993
Net interest and finance charges	(216 592)	(181 288)	(199 376)	(92 471)	(145 945)	(173 119)	(144 995)	(80 023)	(59 031)	(12 139)
Interest Paid	13 955	104 629	50 021	24 689	24 689	24 228	23 826	66 574	93 462	73 518
Interest Received	(230 547)	(285 917)	(249 397)	(117 160)	(170 635)	(197 347)	(168 821)	(146 597)	(152 494)	(85 657)
Share of profit from associate	5 664	5 441	4 853	-	-	-	-	-	-	-
Profit before Taxation	1 354 457	1 265 026	1 275 793	833 009	1 189 181	953 208	1 214 761	1 479 528	1 735 785	1 976 132
Taxation	(106)	(31)	(23)	-	-	-	-	-	-	-
Net Profit (Loss)	1 354 351	1 264 995	1 275 770	833 009	1 189 181	953 208	1 214 761	1 479 528	1 735 785	1 976 132
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
- Retirement Benefit adjustment (IAS 19)	50 001	293 692	(13 771)	-	-	-	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	1 404 352	1 558 687	1 262 000	833 009	1 189 181	953 208	1 214 761	1 479 528	1 735 785	1 976 132

Table 21.29: Group Balance Sheet (R'000)

Group Balance Sheet (in R'000) As at June 30,	F19	F20	F21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
	Actual	Actual	Actual	Budget group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group
ASSETS										
Non-current assets	9 553 149	9 272 554	9 145 529	11 609 313	10 342 569	11 298 314	14 180 747	17 528 524	19 748 182	22 642 991
Property, plant and equipment	8 822 270	8 877 779	8 854 798	11 407 394	10 103 459	11 115 541	13 774 775	16 710 908	19 605 711	22 500 798
Intangible assets	196 910	224 913	206 506	112 068	147 709	84 354	51 792	51 792	51 792	51 792
Other non-current assets	4 359	79 148	73 367	78 405	80 543	79 329	78 180	80 949	79 821	79 544
Investments - Financial Instruments	517 941	79 268	-	-	-	8 232	265 143	674 018	-	-
Investments in subsidiaries and associates	11 669	11 446	10 858	11 446	10 858	10 858	10 858	10 858	10 858	10 858
Assets held for sale		10 843	1 867	10 843	1 867	1 867	1 867	1 867	1 867	1 867
Current Assets	3 244 087	5 042 805	5 823 969	3 951 847	5 796 341	5 784 322	4 109 320	4 108 852	4 099 502	2 983 457
Inventories	18 985	22 096	22 155	28 694	22 217	22 281	22 348	22 418	22 492	22 568
Loan to subsidiaries				-	-	-	-	-	-	-
Accounts receivable	626 190	693 074	952 149	934 412	1 159 775	1 233 270	1 315 796	1 406 866	1 498 000	1 593 030
Sundry Debtors	96 879	81 404	130 336	-	85	85	85	85	85	85
Short-term investments	2 415 203	4 225 451	4 677 895	2 967 741	4 506 368	4 423 368	2 675 368	2 589 368	2 490 368	1 287 368
Interest Receivable				3 942	65 876	65 876	65 876	65 876	65 876	65 876
Bank balances and cash	86 830	20 780	41 434	17 057	42 019	39 441	29 847	24 238	22 679	14 529
Total assets	12 797 236	14 326 202	14 971 365	15 572 003	16 140 776	17 084 503	18 291 934	21 639 243	23 849 550	25 628 315
Reserves										
Accumulated reserves	9 119 947	10 678 635	11 940 634	12 539 052	13 130 464	14 083 753	15 298 603	16 778 223	18 514 108	20 490 346
Non-current liabilities	2 484 583	1 710 589	1 826 087	1 728 156	1 835 526	1 841 591	1 856 592	2 673 733	4 068 945	3 822 805
Interest bearing borrowings	1 763 679	1 133 226	1 108 387	1 083 549	1 083 549	1 058 710	1 033 872	1 807 366	3 159 194	2 867 689
Post retirement medical benefit obligations	550 709	314 946	371 817	382 190	402 494	434 548	474 888	517 113	561 275	607 418
Long term provisions	1 078	17 732	20 158	17 732	20 158	20 158	20 158	20 158	20 158	20 158
Five year long service benefit non-current	10 417	10 695	11 360	10 695	11 360	11 360	11 360	11 360	11 360	11 360
Lease liabilities					3 600	2 450	1 950	3 371	2 593	1 815
Mkomazi BWS charge - inc in adv	158 700	233 990	314 365	233 990	314 365	314 365	314 365	314 365	314 365	314 365
Current liabilities	1 192 706	1 936 978	1 204 644	1 304 796	1 174 785	1 159 157	1 136 738	2 187 286	1 266 496	1 315 164
Accounts payable (including accruals)	966 799	1 141 466	1 040 250	1 134 180	1 013 635	997 855	975 870	958 489	938 794	920 794
Provisions	124 109	86 099	77 351	86 678	77 718	77 818	77 968	78 068	78 168	78 318
Current portion of interest bearing loans	82 950	683 975	58 116	24 839	24 839	24 839	24 839	1 093 172	224 839	291 505
Other payables/loans	18 848	25 438	28 927	59 099	58 593	58 645	58 061	57 557	24 695	24 546
Total reserves and liabilities	12 797 236	14 326 202	14 971 365	15 572 003	16 140 775	17 084 502	18 291 933	21 639 244	23 849 549	25 628 315

Table 21.30: Group Cashflow Statement (R'000)

Group Cash Flow Statement (in R'000) For the year ended June 30,	F'19	F'20	F'21	F'22	F'22	F'23	F'24	F'25	F'26	F'27
	Actual	Actual	Actual	Budget group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group	Forecast group
OPERATING ACTIVITIES										
Operating profit before working capital changes	3 278 074	3 793 630	4 211 203	1 682 613	2 076 714	2 023 787	1 988 424	2 255 382	2 504 593	2 770 879
Changes in working capital	(1 714 670)	(1 918 265)	(2 778 919)	(315 557)	(457 847)	(494 028)	(106 323)	(107 278)	(105 456)	(113 949)
Net cash from operating activities	1 563 404	1 875 365	1 432 284	1 367 056	1 618 867	1 529 759	1 882 101	2 148 103	2 399 137	2 656 930
INVESTING ACTIVITIES										
Additions to property, plant and equipment	(1 161 682)	(788 044)	(818 477)	(1 940 111)	(1 940 160)	(1 658 875)	(3 407 395)	(3 487 198)	(3 310 155)	(3 361 808)
Additions to intangible assets	(42 209)	(68 611)	(9 675)	(300)	-	-	-	-	-	-
Additions to biological assets	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of Property, plant & equipment	-	145	1 843	-	-	-	-	-	-	-
Proceeds on disposal of Biological Assets	-	-	-	-	-	-	-	-	-	-
Grant Funding	151 590	241 739	382 614	-	200 166	-	-	-	-	-
Increase of intercompany borrowings/divident received	5 285	5 664	5 441	-	-	-	-	-	-	-
Net cash used in investing activities	(1 047 016)	(609 107)	(438 254)	(1 940 411)	(1 739 994)	(1 658 875)	(3 407 395)	(3 487 198)	(3 310 155)	(3 361 808)
FINANCING ACTIVITIES										
Net change in long-term borrowings	(79 011)	(29 222)	(629 442)	(24 839)	(24 839)	(24 839)	(24 839)	(24 839)	(1 093 172)	(224 839)
New Debt proposed	-	-	-	-	-	-	-	1 866 667	1 576 667	-
Lease repayments	-	(1 294)	(600)	-	-	-	-	-	-	-
Net Investments - LTI & RED	(326 886)	(1 306 732)	(373 176)	608 000	99 000	74 899	1 496 012	(300 190)	745 280	1 203 000
Proceeds from (repaid to) short-term borrowings	-	-	-	-	-	-	-	-	-	-
Equity Contribution from parent	-	-	-	-	-	-	-	-	-	-
Net interest (Paid) received	(49 754)	4 941	29 842	(6 735)	47 551	76 477	44 524	(208 150)	(319 317)	(281 432)
Interest received	148 601	195 649	216 448	116 810	171 096	197 847	169 371	147 147	153 069	86 257
Deferred interest amortized	-	-	-	(98 855)	(98 855)	(97 142)	(101 021)	(288 723)	(378 923)	(294 171)
Interest paid	(198 355)	(190 708)	(186 606)	(24 689)	(24 689)	(24 228)	(23 826)	(66 574)	(93 462)	(73 518)
Net Repo & Market-making	-	-	-	-	-	-	-	-	-	-
Net cash used in financing activities	(455 651)	(1 332 307)	(973 376)	576 426	121 713	126 536	1 515 697	1 333 488	909 458	696 730
CASH AND CASH EQUIVALENTS										
Net increase/(decrease) in cash and cash equivalents	60 738	(66 049)	20 654	3 072	585	(2 580)	(9 597)	(5 607)	(1 561)	(8 149)
At beginning of year	26 092	86 830	20 781	13 985	41 435	42 021	39 441	29 844	24 237	22 677
At end of year	86 830	20 781	41 435	17 057	42 021	39 441	29 844	24 237	22 677	14 528

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

NOTES TO THE CASHFLOW STATEMENT	F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
RECONCILIATION OF NET PROFIT TO	Actual	Actual	Actual	Budget			Forecast			
CASH GENERATED FROM OPERATIONS										
NET PROFIT	1 354 351	1 264 995	1 276 548	833 009	1 189 333	953 208	1 214 761	1 479 527	1 735 785	1 976 131
Adjust for:										
Amortisation of intangible asset	55 481	40 556	53 911	61 930	59 012	63 355	0	0	0	0
Amortisation of financial asset	2 533	0	0	0	0	0	32 562	0	0	0
Asset Impairments	31 162	200 063	199 507	172 372	175 923	245 292	319 097	258 282	198 426	143 850
Depreciation	324 403	367 954	370 114	462 001	405 544	498 264	526 523	555 178	585 265	616 855
Darville liability amortisation				0	0	0	0	0	0	0
Doubtful debts provision	68 251	273 826	174 061							
Fair value adjustment of biological assets	-1 345	701	345	0	0	0	0	0	0	0
Finance costs	13 955	104 629	50 021	24 889	25 150	24 728	24 376	67 124	94 037	74 118
Interest received	-230 547	-285 917	-249 397	-117 160	-171 096	-197 847	-169 371	-147 147	-153 069	-86 257
Profit from associate	-5 664	-5 441	-4 853							
Increase/(decrease) in Provisions and non-current liabilities	71 763	39 160	38 500	35 373	30 677	32 054	40 340	42 226	44 161	46 144
Profit (loss) on disposal of PPE	318	-98	-796	0	0	0	0	0	0	0
Profit (loss) on sale of biological assets				0	0	0	0	0	0	0
(Profit) loss on disposal of Non current asset held for sale				0	0	0	0	0	0	0
tax paid/income tax expense	30	-75	0		101					
Other adjustment	5 632	495	1 270	210 198	362 069	404 733	136	192	-13	37
Operating income before changes in working capital	1 690 323	2 000 848	1 909 231	1 682 613	2 076 714	2 023 786	1 988 423	2 255 381	2 504 593	2 770 878
Working capital changes:	-126 919	-125 483	-476 947	-315 557	-457 847	-494 027	-106 322	-107 279	-105 455	-113 949
(Increase)/decrease in inventories	-30	-3 111	-59	-3 373	-62	-64	-67	-70	-73	-77
(Increase) decrease in accounts receivable	-291 842	-385 277	-461 504	-292 918	-435 179	-475 775	-83 997	-89 971	-83 398	-95 129
Increase/(decrease) in accounts payable	94 926	183 856	-97 184	-19 216	-22 507	-17 858	-22 258	-17 236	-21 984	-18 743
Increase/(decrease) in contract liabilities	70 027	79 049	81 800							
Net Cash generated from operations	1 563 404	1 875 365	1 432 284	1 367 056	1 618 867	1 529 759	1 882 101	2 148 102	2 399 138	2 656 929

Table 21.32: Segmental Report (R'ooo)

Segmental Report (in R'000)	F'20				F'21				F'22				F'23			
	For the year ended June 30,				Primary				Primary				Primary			
	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total	Bulk Water	Waste Water	S30	Total
Volume sold	509 217			509 217	548 547			548 547	560 223			560 223	575 714			575 714
Revenue	3 893 773	216 373	313 822	4 423 969	4 235 486	246 115	63 410	4 545 011	4 553 291	279 477	50 610	4 883 378	4 819 033	308 276	57 175	5 184 484
Cost of sales	-1 327 426	-139 003	352 004	-1 114 425	-1 609 526	-148 110	-80 176	-1 837 812	-1 781 267	-142 469	-28 349	-1 952 085	-1 883 511	-192 683	-34 530	-2 110 725
Changes in water inventory	-760	0	0	-760	-299	0	0	-299	0	0	0	0	0	0	0	0
Chemicals	-75 852	-4 453	33 124	-47 181	-86 019	-5 312	-29 554	-120 886	-107 581	-5 538	0	-113 119	-116 363	-6 408	0	-122 771
Depreciation	-266 321	-38 180	211 605	-92 897	-279 979	-39 329	74 132	-245 176	-300 055	-39 988	0	-340 043	-336 157	-61 826	0	-397 983
Energy	-286 829	-24 733	175 488	-136 074	-299 985	-25 410	-96 978	-422 373	-383 845	-9 804	0	-393 648	-420 270	-27 683	0	-447 953
Maintenance	-178 340	-17 120	52 147	-143 313	-245 322	-17 988	-67 897	-331 208	-260 290	-25 428	-558	-286 276	-251 865	-29 933	-595	-282 393
Raw water	-269 560	0	0	-269 560	-299 380	0	0	-299 380	-301 557	0	0	-301 557	-306 411	0	0	-306 411
Section 30 activities	0	0	-271 560	-271 560	0	0	-28 728	-28 728	0	0	-26 722	-26 722	0	0	-32 621	-32 621
Staff costs	-204 404	-41 452	115 551	-130 305	-258 447	-43 502	-33 505	-335 453	-259 170	-44 793	-985	-304 947	-288 254	-48 537	-1 026	-337 817
Other direct operating expenses	-45 358	-13 066	35 648	-22 776	-140 095	-16 568	102 353	-54 310	-168 770	-16 919	-85	-185 773	-164 191	-18 296	-289	-182 776
Gross profit	2 566 348	77 370	665 826	3 309 544	2 625 960	98 006	-16 767	2 707 199	2 772 024	137 008	22 261	2 931 293	2 935 522	115 592	22 644	3 073 759
Other income	10 692	1 082	17 004	28 778	81 053	1 177	-77 207	5 023	7 987	1 150	23	9 160	5 531	1 150	660	7 341
Other operating and administration expenses	-1 405 622	-184 775	994 181	-596 217	-1 553 461	-195 041	467 042	-1 281 460	-1 600 139	-289 858	-7 220	-1 897 217	-1 941 193	-341 280	-18 537	-2 301 011
Amortisation	-40 406	0	35 167	-5 239	-53 774	0	20 083	-33 691	-58 683	0	-114	-58 797	-63 355	0	0	-63 355
Impairments and write-offs	-39 926	-160 136	16 086	-183 976	-72 434	-127 120	181 836	-17 718	-45 866	-130 057	0	-175 923	-92 880	-152 411	0	-245 292
Depreciation	-54 902	-1 072	39 535	-16 439	-43 429	-1 116	-59 229	-103 774	-59 665	-1 433	-4 403	-65 501	-94 989	-1 241	-4 050	-100 280
Other expenses	-1 270 388	-23 567	903 392	-390 563	-1 383 825	-66 805	324 352	-1 126 277	-1 435 925	-158 368	-2 703	-1 596 995	-1 689 969	-187 628	-14 487	-1 892 084
Profit from operations	1 171 418	-106 324	1 677 011	2 742 105	1 153 551	-95 858	373 068	1 430 762	1 179 872	-151 700	15 063	1 043 236	999 860	-224 538	4 767	780 089
Interest income	285 839	0	-163 293	122 546	248 889	0	-110 539	138 350	170 366	0	268	170 635	197 147	0	200	197 347
Finance costs	-106 393	1 835	59 003	-45 555	-50 660	-1 860	33 211	-19 310	-21 670	-3 019	0	-24 689	-21 636	-2 592	0	-24 228
Share of profit from associate	0	0	3 627	3 627	0	0	0	0	0	0	0	0	0	0	0	0
Profit before tax	1 350 863	-104 488	1 576 348	2 822 723	1 351 780	-97 718	295 741	1 549 802	1 328 568	-154 719	15 331	1 189 181	1 175 372	-227 130	4 966	953 208
Taxation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit for the year	1 350 863	-104 488	1 576 348	2 822 723	1 351 780	-97 718	295 741	1 549 802	1 328 568	-154 719	15 331	1 189 181	1 175 372	-227 130	4 966	953 208
Capital expenditure	742 112	114 122	421	856 655	587 980	237 217	2 955	828 152	1 655 159	276 501	8 500	1 940 160	1 465 970	182 360	10 545	1 658 875
Segment assets	9 037 029	822 135	18 007	9 877 170	9 159 186	980 604	69 364	10 209 154	8 962 023	1 215 684	73 461	10 251 168	9 784 963	1 334 977	79 955	11 199 895
Interest in associate			11 446	11 446	0	0	10 858	10 858	0	0	10 858	10 858	0	0	10 858	10 858
Investments	4 171 411	0	133 308	4 304 719	4 542 846	0	135 049	4 677 895	4 506 368	0	0	4 506 368	4 431 601	0	0	4 431 601
Unallocated				132 867				73 458				1 372 383				1 442 149
Consolidated total assets				14 326 202				14 971 365				16 140 776				17 084 503
Segment liabilities	2 051 000	0	133 308	2 184 308	1 480 868	0	135 049	1 615 917	3 014 447	0	11 969	3 026 416	3 000 748	0	13 809	3 014 557
Unallocated				1 463 259				1 414 814				-16 105				-13 809
Consolidated total liabilities				3 647 567				3 030 731				3 010 311				3 000 748

21.10 Capital Expenditure Programme

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

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

Table 21.33: Summary of Capex Cashflow to 2027 (R'000)

CASHFLOWS UNESCALATED								
CAPEX CATEGORY	Actual F'21	Total 2022 - 2027	Forecast					
			F22	F23	F24	F25	F26	F27
AUGMENTATION	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
DEVELOPMENT	56 522	4 819 017	225 898	484 332	858 699	1 070 134	1 100 450	1 079 504
EXPANSION	283 536	5 398 201	378 400	394 847	864 160	1 194 990	1 360 681	1 205 123
REHABILITATION	15 019	300 173	59 241	52 240	84 000	7 000		97 692
UPGRADE	145 277	2 381 011	625 926	236 687	944 350	438 529	85 518	50 000
IMMOVABLE	222 701	1 274 510	300 434	249 267	323 087	262 871	66 737	72 114
CP 2022	723 055	14 172 911	1 589 898	1 417 373	3 074 296	2 973 525	2 613 387	2 504 432
% Increase / (Decrease)		16 913 943	2 364 510	2 616 715	2 781 380	2 805 436	2 263 538	4 082 366
		-16%	-33%	-46%	11%	6%	15%	-39%
EQUIPMENT & VEHICLES	49 759	305 686	142 086	54 100	60 500	21 500	20 000	7 500
INFORMATION COMMUNICATION TECHNOLOGY	38 661	387 070	170 952	166 118	20 000	10 000	20 000	
LABORATORY & PROCESS SERVICES	4 947	55 513	28 724	10 739	6 300	3 750	6 000	
MOVABLE	93 366	748 269	341 762	230 957	86 800	35 250	46 000	7 500
CP 2022		844 797	333 338	204 439	105 950	101 570	97 000	2 500
% Increase / (Decrease)		-11%	3%	13%	-18%	-65%	-53%	200%
TOTAL CAPITAL BUDGET	816 421	14 921 180	1 931 660	1 648 330	3 161 096	3 008 775	2 659 387	2 511 932
CP 2022		17 758 740	2 697 848	2 821 154	2 887 330	2 907 006	2 360 538	4 084 866
Increase / (Decrease)		-2 837 560	-766 187	-1 172 823	273 767	101 769	298 849	-1 572 933
% Increase / (Decrease)		-16%	-28%	-42%	9%	4%	13%	-39%
SUMMARY OF ESCALATED BUDGET								
		Total 2022 - 2027	F22	F23	F24	F25	F26	F27
IMMOVABLE BUDGET		16 332 518	1 589 898	1 417 373	3 304 635	3 434 707	3 244 374	3 341 532
MOVABLE BUDGET		771 703	341 762	230 957	91 154	40 717	57 106	10 007
TOTAL CAPITAL BUDGET		17 104 222	1 931 660	1 648 330	3 395 788	3 475 424	3 301 480	3 351 539
ESCALATION %		15%	0%	0%	7%	16%	24%	33%

21.10.1. Major movements from the 2022 Corporate Plan

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

CAPEX CATEGORY	Project Total		Cashflows F'22 - F'27		Comparison of Project Total	Comparison of 5Yr Cashflows F'22-F'27
	CP 2023	CP 2022 (Incl Rollovers)	CP 2023	CP 2022 (Incl Rollovers)	CP 2023 vs CP 2022 Increase / (Decrease)	CP 2023 vs CP2022 Increase / (Decrease)
	R'000	R'000	R'000	R'000	R'000	R'000
AUGMENTATION	14 536 303	13 535 622	4 819 017	6 520 374	1 000 681	-1 701 357
DEVELOPMENT	11 383 331	10 236 731	5 398 201	6 309 041	1 146 600	-910 840
EXPANSION	938 112	838 497	300 173	560 048	99 615	-259 876
REHABILITATION	2 966 487	2 846 172	2 381 011	2 231 410	120 316	149 601
UPGRADE	3 369 191	3 223 715	1 274 510	1 293 070	145 476	-18 560
EQUIPMENT & VEHICLES	401 978	228 578	305 686	236 727	173 399	68 959
INFORMATION COMMUNICATION TECHNOLOGY	528 397	902 967	387 070	551 610	-374 570	-164 540
LABORATORY & PROCESS SERVICES	70 150	69 238	55 513	56 460	912	-946
	34 193 948	31 881 520	14 921 180	17 758 740	2 312 428	-2 837 560

Table 21.35: Major movements between project totals (2022 CP vs 2023 CP)

The following projects have led to an increase in the project totals since the 2022 CP

CAPEX CATEGORY - Comparison of Project Totals	CP 2023 vs CP 2022 Increase / (Decrease) R'000	New Project R'000	Scope Changes R'000	Revision of Estimate based on stage of Project R'000	Project Acceleration/Delay R'000	Cancellation/Commissioned R'000
uMkhomazi Water Project	558 078				558 078	
Lower Mkomazi Bulk Water Scheme	432 885			432 885		
Impendle- Nzinga	356 090		356 090			
Impendle- Stepmore	63 538		63 538			
Maphumulo Phase 3 : 6MI WW	86 598		86 598			
Maphumulo Phase 4 : Weir on Hlimbitwe River	58 829		58 829			
Umbumbulu PL Augmentation	77 280			77 280		
Vulindlela PS and Reservoir	95 937			95 937		
Mpophomeni WWW	136 197		136 197			
Stephen Dlamini Bulk Water Supply Scheme BWSS	-570 000		-570 000			
Ncwabeni Off-channel Storage Dam	754 880		754 880			
Lower Thukela BWS - Phase 1	-47 304					-47 304
South Coast Ph. 2b (Kelso to Umdoni)	40 479		40 479			
South Coast Ph. 3	59 136			59 136		
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	52 700		52 700			
Refurbishment of Pineside Regional Offices	-25 321		-25 321			
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	-656 028		-656 028			
Durban Heights Rehabilitation	656 028		656 028			
North: Hazelmere WTP La Mercy Old PS rehabilitation	51 830		51 830			
Telemetry for Ezakheni WTP, Olifantskop WTP and Tugela Estates WTP	-22 000					-22 000
Wiggins Ozone Plant Rehab and Element Replacement (every ten years)	-30 451					-30 451
Mobile Plant & Vehicles	66 040		66 040			
SAP S/4 HANA	-268 000		-268 000			
Procurement of Hardware	100 000	100 000				
SAP BI Software	-78 364					-78 364
SAP BI Hardware	-46 206					-46 206
KCDM projects	138 000	138 000				
Other	271 577	94 486	133 091	86 598	54 824	-97 422
TOTAL CAPEX	2 312 428	332 486	936 952	751 835	612 902	-321 747

Table 21.36: Major movements between five year cashflows (2023 CP vs CP 2022)

The decrease in the 5 year cashflows since the 2022 CP is due to the following projects:

CAPEX CATEGORY- Comparison of five year Cashflows	CP 2023 vs CP 2022 5 Year Cashflow	New Project	Scope Changes	Revision of Estimate based on stage of Project	Project Acceleration/Delay	Cancellation/Commissioned
	R'000	R'000	R'000	R'000	R'000	R'000
uMkhomazi Water Project	-1 163 055				-1 163 055	
Lower Mkomazi Bulk Water Scheme	-548 020				-548 020	
Impendle- Nzinga	100 355				100 355	
Impendle- Stepmore	91 831				91 831	
uMshwathi Ph 4 - Southern Ndwedwe	-236 879				-236 879	
uMshwathi Ph 6	-67 576		-67 576			
Lower Thukela BWS - Phase 2	-73 055				-73 055	
Maphumulo Phase 3 : 6MI WW	88 049		88 049			
Maphumulo Phase 4 : Weir on Hlimbitwe River	58 829		58 829			
Vulindlela PS and Reservoir	97 388		97 388			
Mpophomeni WWW	136 197		136 197			
Stephen Dlamini Bulk Water Supply Scheme BWSS	-420 000		-420 000			
Ncwabeni Off-channel Storage Dam	-769 863		-769 863			
South Coast Ph. 2b (Kelso to Umdoni)	40 802		40 802			
South Coast Ph. 3	-300 678				-300 678	
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	52 700		52 700			
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	-656 028		-656 028			
Durban Heights Rehabilitation	656 028		656 028			
Richmond WWW Upgrade	-94 544				-94 544	
Wiggins High Lift Pump Station	-100 000				-100 000	
North: Hazelmere WTP La Mercy Old PS rehabilitation	51 830		51 830			
Mobile Plant & Vehicles	66 040		66 040			
SAP S/4 HANA	-281 882		-281 882			
Procurement of Hardware	100 000	100 000				
KCDM projects	138 000	138 000				
Other	195 970	94 486	129 216	42 130	45 358	-115 220
TOTAL CAPEX	-2 837 560	332 486	-818 269	42 130	-2 278 687	-115 220

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

Table 21.37: Major Projects

Project description	Project Total R'000	F'22to F'27 R'000	F'23 Cashflows R'000	Stage of completion based on gate review
uMkhomazi Water Project	7 526 947	931 849	2 000	Gate 4 – Feasibility
Lower Mkomazi Bulk Water Scheme	5 360 288	3 704 572	455 097	Gate 5 - Design Development
Greater Mpofana Regional Scheme Phases 1	878 275	89 339	40 000	Gate 7 - In construction
Impendle- Stepmore	259 531	251 641	600	Gate 5 - Design Development
uMshwathi Ph 4 - Southern Ndwedwe	699 682	431 539	1 000	Gate 5 - Design Development
uMshwathi Ph 6	322 319	252 861	1 100	Gate 6 - Design Development
Lower Thukela BWS - Phase 2	1 405 701	537 063	2 305	Gate 5 - Design Development
Maphumulo Phase 3 : 6MI WW	363 357	308 709	66 533	Gate 7 - In construction
Mhlabatshane Sub-Regional Scheme Ph	851 503	295 605	1 210	Gate 5 - Design Development
Vulindlela PS and Reservoir	504 145	466 041	40 037	Gate 5 - Design Development
Mpophomeni WWW	580 547	428 835	79 289	Gate 7 - In construction
Durban Heights Rehabilitation	1 256 028	1 256 028	31 491	No Gate review performed
Stephen Dlamini Bulk Water Supply Scheme BWSS	650 000	650 000	5 000	Gate 5 - Design Development
South Coast Ph. 3	722 017	137 432	3 000	Gate 3 - Pre-Feasibility
Clermont Siphon 6 Rehabilitation	193 981	193 981	33 020	No Gate review performed
Carbon Fibre Repairs	160 647	160 647	88 020	No Gate review performed
Nagle Aqueducts auxiliary works	168 575	127 629		No Gate review performed
Weza Harding Abstraction and Pipeline	89 296	89 296	38 500	Gate 6-Tender Documentation/Procurement
Ncwabeni Off-channel Storage Dam	1 805 880	150 137	6 013	Gate 5 - Design Development
Ilovu River Raw Water Transfer Pump Station	86 411	48 336	12 450	Gate 7-Construction
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	131 094	67 110	31 366	Gate 7-Construction
Darvill WWW: Plant Capacity Increase	1 121 619	91 847	12 222	Gate 7-Construction
Other	9 056 104	4 250 684	698 077	
TOTAL	34 193 948	14 921 180	1 648 330	

21.10.2. Costing for Developmental Mandates

In response to customer water demands and the need to eliminate water service delivery backlogs, a capital expenditure programme of approximately R11.4bn has been planned for rural development. The value of Developmental projects is R5.4bn for 5 years and represents 36% of the 2021/22 to 2026/27 capex programme.

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

Projected funding mix for rural developmental projects

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

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

Project in progress	Total Capital costs R'000	Targeted funding mix			
		Grant funding R'000	%	Umgeni Water R'000	
Greater Mpofana Ph1	878 275	550 000	63%	328 275	37%
Greater Mpofana Ph2	201 486	0	0%	201 486	100%
Impendle- Nzinga	648 604	0	0%	648 604	100%
Impendle- Stepmore	259 531	0	0%	259 531	100%
uMshwathi Bulk Water Supply (Wartburg Phase 1,2 & 3)	974 258	857 316	88%	116 942	12%
uMshwathi Ph 4	699 682	292 692	42%	406 990	58%
uMshwathi Ph 5	225 000	225 000	100%	0	0%
uMshwathi Ph 6	322 319	85 993	27%	236 326	73%
Lower Thukela BWS - Ph 1	1 602 192	945 949	59%	656 243	41%
Lower Thukela BWS - Ph 2	1 405 701	774 377	55%	631 324	45%
Maphumulo Ph 3	363 357	195 620	54%	167 737	46%
Maphumulo Ph 4	171 037	0	0%	171 037	100%
Mhlabatshane Ph 2	851 503	291 662	34%	559 841	66%
Trust Feeds WWTW + Automation	136 829	0	0%	136 829	100%
Umbumbulu Pump Station	97 762	0	0%	97 762	100%
Umbumbulu PL Augmentation	1 043 280	0	0%	1 043 280	100%
Table Mountain BWSS	181,018	0	0%	0	0%
Vulindlela PS and Reservoir	504,145	0	0%	0	0%
Mpophomeni WWW	580 547	0	0%	0	0%
Mpophomeni Sewer Outfall	37,473	0	0%	0	0%
N3 Corridor WWTW	76,514	0	0%	0	0%
Cedara - Khanya Village WWTW	34,365	0	0%	0	0%
Weza Harding Abstraction and Pipeline	89 296	0	0%	89 296	100%
Lower Mkomazi Bulk Water Scheme	5 360 288	804 348	15%	4 555 940	85%
Stephen Dlamini Bulk Water Supply Scheme BWSS	650 000	650 000	100%	0	0%
Ncwabeni Off-channel Storage Dam	1 805 880	1 805 880	100%	0	0%
Total	18 366 830	6 829 487	37%	11 537 343	63%

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

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

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

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

Table 21.39: Progressive Impairments (R'000)

Project	% Impairment	TOTAL	to 2021 actual	2022	2023	2024	2025	2026	2027 onward
1. Greater Mpofana	0%								
2. Impendle	0%								
3. Mhlabatshane Sub-Regional Scheme Ph 2 - Mkimkhulu River abstraction	69%	1 022 211	12 736	2 959	12 758	11 146	28 482	74 275	879 855
4. Trustfeeds	100%	152 616	122 606	5 260	14 500	10 250			
5. Mpophomeni WWW	100%	820 818	188 516	112 867	105 729	167 921	144 618	101 167	
6. Maphumulo	30%	162 082		25 661	35 610	36 109	44 041	17 710	2 952
7. Uthukela Projects (Projects removed)	100%	50 318	50 318						
8. Ilovu River Raw Water Transfer Pump Station	36%	23 106	2 526	12 246	6 512	1 822			
9. N3 corridor	48%	85 848	3 818	11 930	32 182	37 917			
10. KCDM	100%	143 347		5 000	38 000	53 932	41 142	5 274	
TOTAL IMPAIRMENT CP 2023		2 460 347	380 520	175 923	245 292	319 097	258 282	198 426	882 807

21.10.3. Summary of major capital investments 2020 to 2025

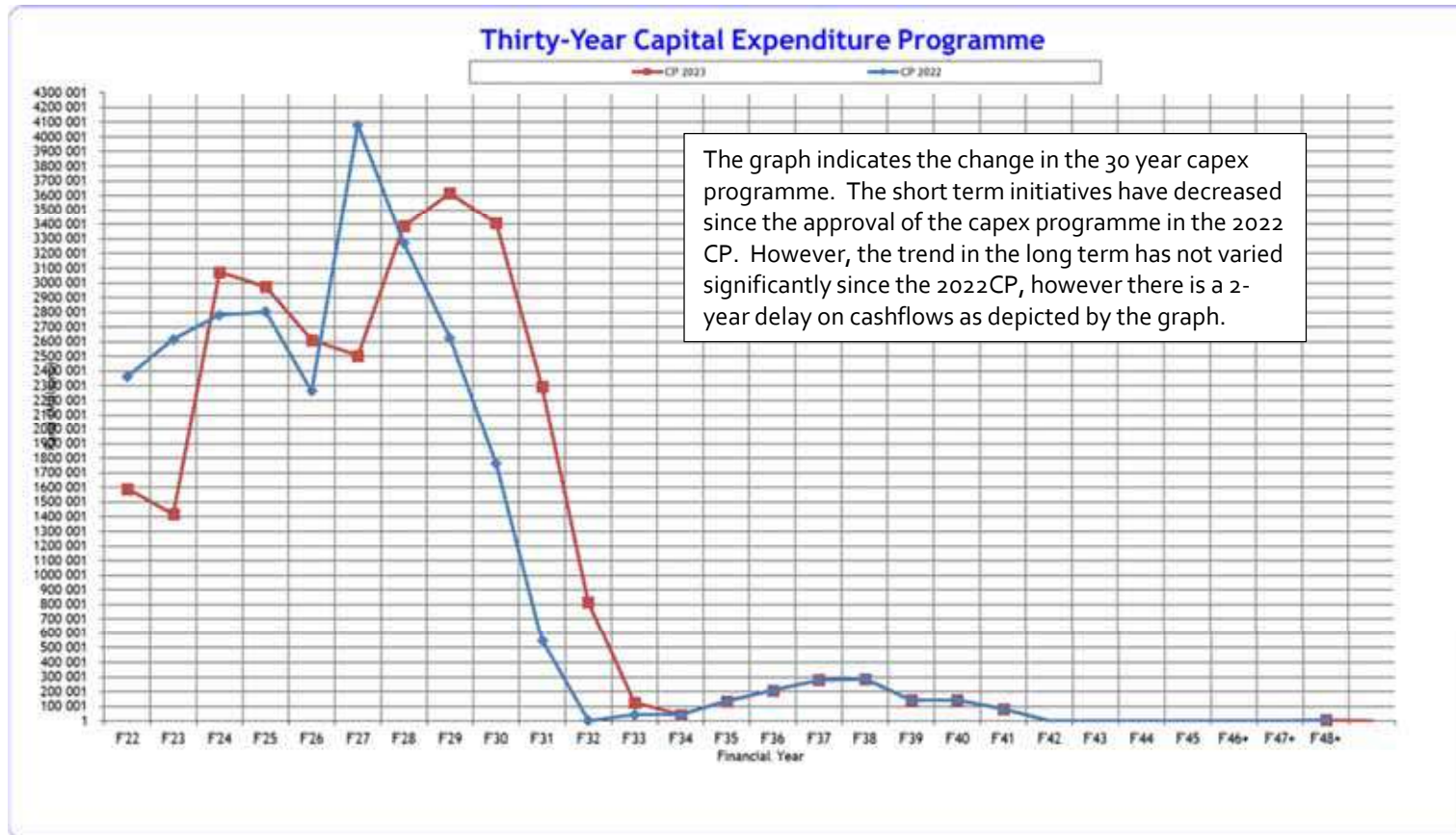
Table 21.40: Major projects

Project Description	Detail Capital Expenditure Programme CP 2023									
	CP 2023	Work in progress 30 June 2021	2022-2027 Cashflows	CP 2023 Cashflows 2022 - 2027						Cashflows Beyond 5 Years F'28-F'49
				F'22	F'23	F'24	F'25	F'26	F'27	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
AUGMENTATION	14 536 303	237 074	4 819 017	225 898	484 332	858 699	1 070 134	1 100 450	1 079 504	9 480 211
DEVELOPMENT PROJECTS	11 383 331	1 321 194	5 398 201	378 400	394 847	864 160	1 194 990	1 360 681	1 205 123	4 663 935
EXPANSION	938 112	53 355	300 173	59 241	52 240	84 000	7 000		97 692	584 585
REHABILITATION	2 966 487	585 476	2 381 011	625 926	236 687	944 350	438 529	85 518	50 000	
UPGRADE	3 369 191	1 845 047	1 274 510	300 434	249 267	323 087	262 871	66 737	72 114	249 635
IMMOVABLE	33 193 424	4 042 146	14 172 911	1 589 898	1 417 373	3 074 296	2 973 525	2 613 387	2 504 432	14 978 366
EQUIPMENT & VEHICLES	401 978	88 791	305 686	142 086	54 100	60 500	21 500	20 000	7 500	7 500
INFORMATION COMMUNICATION TECHNOLOGY	528 397	141 327	387 070	170 952	166 118	20 000	10 000	20 000		
LABORATORY SERVICES	70 150	14 637	55 513	28 724	10 739	6 300	3 750	6 000		
MOVABLE	1 000 525	244 755	748 269	341 762	230 957	86 800	35 250	46 000	7 500	7 500
TOTAL CAPITAL BUDGET	34 193 948	4 286 902	14 921 180	1 931 660	1 648 330	3 161 096	3 008 775	2 659 387	2 511 932	14 985 866
AUGMENTATION PROJECTS										
uMkhomazi Water Project	7 526 947	11 103	931 849	6 791	2 000	49 620	180 306	237 600	455 532	6 583 995
Lower Mkomazi Bulk Water Scheme	5 360 288	136 705	3 704 572	200 825	455 097	760 000	855 828	828 850	603 972	1 519 011
Fawsley Park BWS	1 377 206									1 377 206
Mpofana Hydropower Unit	138 918		138 918	3 000	13 703	34 215	34 000	34 000	20 000	
Other Augmentation	132 944	89 267	43 677	15 282	13 532	14 864				
Sub Total - Augmentation	14 536 303	237 074	4 819 017	225 898	484 332	858 699	1 070 134	1 100 450	1 079 504	9 480 211
DEVELOPMENT										
Greater Mpofana Regional Scheme Phases 1	878 275	788 935	89 339	22 519	40 000	26 820				
Greater Mpofana Regional Scheme Phases 2	201 486	876	167 095	5 410	5 000	6 100	61 236	55 836	33 513	33 515
Impendle- Nzinga	648 604	6 789	327 415	3 685	4 200	26 911	23 319	139 300	130 000	314 401
Impendle- Stepmore	259 531	7 890	251 641	75	600	50 000	81 000	70 000	49 966	
uMshwathi Bulk Water Supply Scheme (Wartsburg Phase 1, 2 & 3)	118 738	86 265	32 473	32 473						
uMshwathi Ph 4 - Southern Ndwedwe	699 682	8 366	431 539	817	1 000	119 222	100 500	108 000	102 000	259 778
uMshwathi Ph 5	225 000		225 000	16 590	20 500	76 970	60 970	49 970		
uMshwathi Ph 6	322 319	778	252 861	324	1 100	25 000	70 000	70 000	86 437	68 681
Lower Thukela BWS - Phase 2	1 405 701	8 950	537 063	2 635	2 305	2 298	155 118	175 805	198 901	859 689
Maphumulo Phase 3 : 6MI WW	363 357	54 649	308 709	75 305	66 533	92 000	74 871			
Maphumulo Phase 4 : Weir on Hlimbitwe River	171 037	1 037	170 000		10 000	30 000	60 000	60 000	10 000	
Mhlabatshane Sub-Regional Scheme Ph 2 - Mzimkhulu River abstraction	851 503	14 632	295 605	3 077	1 210	13 660	42 644	77 444	157 570	541 267
Trust Feeds WWTW	111 829	106 819	5 010	5 010						
Umbumbulu Pump Station	97 762	12 955	84 807	31 660	26 894	26 253				
Umbumbulu PL Augmentation	1 043 280		190 080			3 240	17 820	17 820	151 200	853 200
Table Mountain BWSS (PL, PS and 3MI Reservoir)	181 018		103 356			4 158	5 940	31 007	62 251	77 662
Vulindlela PS and Reservoir	504 145	38 104	466 041	13 548	40 037	95 000	102 000	136 426	79 030	
Mpophomeni WWW	580 547	151 712	428 835	80 710	79 289	109 000	100 000	59 836		
N3 Corridor WWTW	76 514	8 134	68 380	21 661	26 167	20 552				
Weza Harding Abstraction and Pipeline	89 296		89 296	50 796	38 500					
Stephen Dlamini Bulk Water Supply Scheme BWSS	650 000		650 000	3 700	5 000	90 000	175 000	276 300	100 000	
Ncwabeni Off-channel Storage Dam	1 805 880		150 137		6 013	33 725	48 889	17 255	44 255	1 655 743
Other Development- Projects	97 824	24 303	73 521	8 405	20 500	13 250	15 683	15 683		
Sub Total - Development	11 383 331	1 321 194	5 398 201	378 400	394 847	864 160	1 194 990	1 360 681	1 205 123	4 663 935
EXPANSION										
South Coast Ph. 2b (Kelso to Umdoni)	216 095	53 355	162 741	49 501	49 240	64 000				
South Coast Ph. 3	722 017		137 432	9 740	3 000	20 000	7 000		97 692	584 585
Sub Total - Expansion	938 112	53 355	300 173	59 241	52 240	84 000	7 000		97 692	584 585

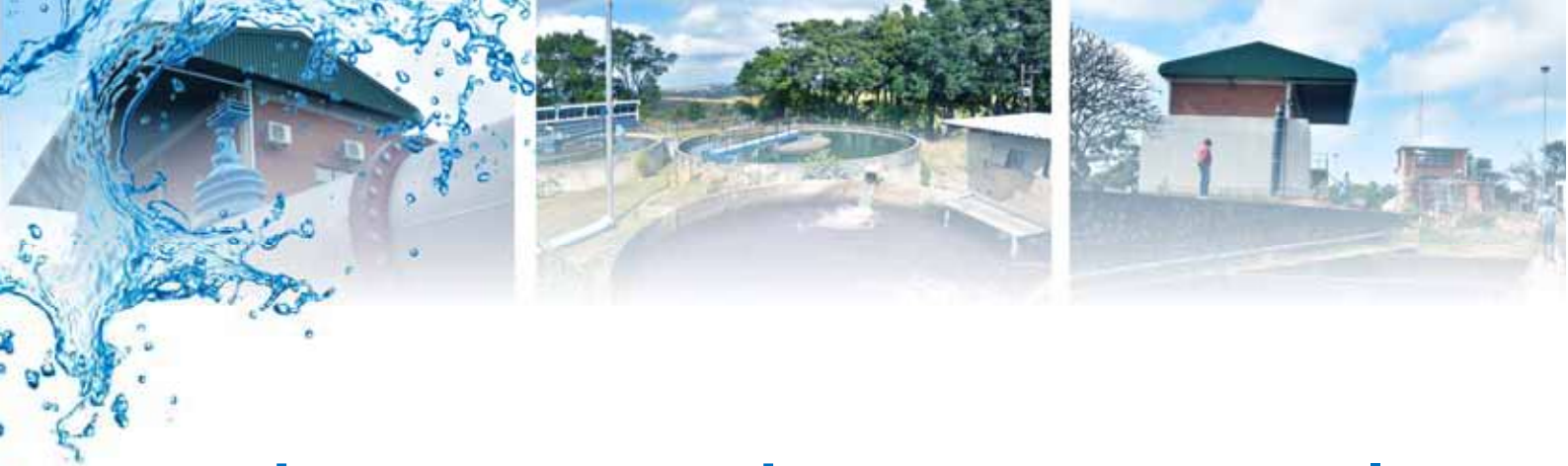
Detail Capital Expenditure Programme CP 2023										
Project Description	CP 2023	Work in progress 30 June 2021	2022-2027 Cashflows	CP 2023 Cashflows 2022 - 2027						Cashflows Beyond 5 Years F'28-F'49
				F'22	F'23	F'24	F'25	F'26	F'27	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
REHABILITATION										
Dbn Hgts WW - Reservoir 3 Roof Rehabilitation & Dam Safety	131 094	63 984	67 110	17 744	31 366	18 000				
Coastal Renewals	101 984	33 600	68 385	41 916	26 469					
Inland Renewals	138 588	41 562	97 026	97 026						
Refurbishment of Pineside Regional Offices	57 011	68	56 944		3 000	24 933	29 011			
Mpofana WWW - Constrained Unit Process Upgrade	39 850	12 652	27 198	27 198						
Nungwane Raw Water Aqueduct (450dia x 18km)	185 041	160 180	24 862			24 862				
Rehabilitation of Nagle Durban Heights/ Inanda Wiggins Systems	164 883	164 883								
Clermont Siphon 6 Rehabilitation	193 981		193 981	160 961	33 020					
Carbon Fibre Repairs	160 647		160 647	72 627	88 020					
Nagle Aqueducts auxiliary works	168 575	40 946	127 629	127 629						
Durban Heights Rehabilitation	1 256 028		1 256 028	30 000	31 491	764 537	330 000	50 000	50 000	
Mpofana WWW Refurbishment	45 000		45 000	45 000						
Msunduzi to Darvill sewer outfall	121 555		121 555			50 518	40 518	30 518		
Ezakheni WTP Raw Water Abstraction Refurbishment	44 385	44 385								
Eshowe WTP refurbishment	40 000		40 000		5 000	15 000	15 000	5 000		
Other Rehabilitation Projects	117 863	23 217	94 645	5 824	18 321	46 500	24 000			
Sub Total - Rehabilitation	2 966 487	585 476	2 381 011	625 926	236 687	944 350	438 529	85 518	50 000	
UPGRADE										
Darvill Sludge Handling Facility	92 144	43 346	48 798	3 871	33 361	11 565				
Darvill WWW: Plant Capacity Increase (85MI/d) (MBR - IOMI/d in 3-5yrs)	1 121 619	1 029 771	91 847	65 408	12 222	14 218				
Dbn Hgts Shaft Pumps (4 New Pumps - dependant on existing pump test)	124 060	20 192	103 869		10 219	12 520	81 130			
Dbn Hgts WW: Shaft Pump Lifts	46 802	37 490	9 312	9 312						
Dbn Hgts: Pump Stations	126 036	123 995	2 041	2 041						
GSM data loggers	20 500		20 500		5 200	15 300				
Hazelmere WW - Sludge Treatment Plant Upgrade	67 547	1 735	65 812	405	1 090	44 645	19 672			
Hazelmere WW - Upgrade of Reservoir No.2	53 050	918	52 132	143	1 462	42 948	7 579			
Honolulu to Stanger Pipeline	133 000		133 000	900	1 500	11 500	37 778	43 018	38 304	
Inanda Dam Pump Station (Pumps & Valves)	49 420		49 420	1 000	10 000	38 420				
Nagle Dam. Upgrade Ring Main unit at Turbines	51 000		51 000				51 000			
Ndwedwe Pumps (Plant and outstations)	127 331	125 329	2 002	2 002						
Richmond WWW Upgrade	161 069	3 210	21 000	500	500			10 000	10 000	136 859
Umzinto Water Works	80 931	77 929	3 003	2 503	500					
Wiggins High Lift Pump Station	113 307	2 167	11 141					3 719	7 422	100 000
Ilovu River Raw Water Transfer Pump Station	86 411	38 076	48 336	30 886	12 450	5 000				
Mkondeni Lab Upgrade	44 214	23 263	20 951	951				10 000	10 000	
DBN HGTS sludge plant upgrade	88 830	2 389	86 441	682	400	54 298	31 061			
Hazelmere WW: PLC Upgrade (10-yr upgrade cycle)	34 856	33 879	977	977						
Hazelmere Pumps (Capacity Upgrade)	60 100		60 100	10 100	50 000					
South: Scrubber at WTP	35 508	35 043	465	465						
North Scrubbers: maphumulo WTP and lower tukela	35 358	29 232	6 126	6 126						
North: Hazlemere - Transformer replacement	15 000		15 000	500	14 500					
North: Hazlemere WTW Waterloo PS	18 309	17 456	853	853						
Jabu Ndlovu Building Upgrade	11 000		11 000	3 000	2 000	3 000	3 000			
North: Hazlemere WTP La Mercy Old PS rehabilitation	96 830	74 648	22 182	22 182						
Umzinto Sludge Upgrade	34 486		34 486	40	240	12 555	21 651			
Other Upgrade Projects	505 281	142 434	350 071	139 942	115 323	75 419	13 000		6 388	12 776
Sub Total - Upgrade	3 369 191	1 845 047	1 274 510	300 434	249 267	323 087	262 871	66 737	72 114	249 635
TOTAL IMMOVABLES	33 193 424	4 042 146	14 172 911	1 589 898	1 417 373	3 074 296	2 973 525	2 613 387	2 504 432	14 978 366
MOVABLES										
EQUIPMENT & VEHICLES										
Furniture and office equipment	12 327	2 899	9 428	5 428	2 000	2 000				
Mobile Plant & Vehicles	143 763	70 674	73 089	71 089		2 000				
Automated Meter Reading	17 000		14 500				2 000	10 000	2 500	2 500
Movable Items OPS (GPS units, welding equipment, and mobile submersible Pumps)						3 290	210	3 080	3 080	
Movable Items PLANNING(Rain gauges, diagnostic equipment etc)	2 251	1 393	858	858						

Detail Capital Expenditure Programme CP 2023											
Project Description	CP 2023		Work in progress 30 June 2021	2022-2027 Cashflows	CP 2023 Cashflows 2022 - 2027						Cashflows Beyond 5 Years F'28-F'49 R'000
	R'000	R'000			F'22	F'23	F'24	F'25	F'26	F'27	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Movable Items OPS (Smart tools)	4 000			4 000	1 000	3 000					
Mobile Water Treatment Classroom	5 500			5 500		2 500	3 000				
Movables: Process Services	7 951	1 816		6 135	4 181	1 954					
Process Services Lab (Projects)	16 837	349		16 488	3 842	10 646	2 000				
Water quality equipment	4 000	877		3 123	3 123						
Research & Development Equipment	64 909	10 573		49 336	29 336		5 000	5 000	5 000	5 000	
Survey Equipment	150			150	150						
Central- Critical Tools and Equipment	20 000			20 000		4 000	6 500	9 500			
Access Control & CCTV	100 000			100 000	20 000	30 000	40 000	5 000	5 000		
Other Upgrade Projects											
Total Equipment & Vehicles	401 978	88 791		305 686	142 086	54 100	60 500	21 500	20 000	7 500	
ICT											
Hardware (Statistical)	172 039	63 322		108 717	38 717	20 000	20 000	10 000	20 000		
Hardware (Projects)	41 694	27 634		14 060	14 060						
Software	47 664	36 490		11 174	11 174						
SAP S/4 HANA	120 000	13 882		106 118		106 118					
Mobile Security	3 000			3 000	3 000						
EIM Engineering	4 000			4 000	4 000						
Procurement of Hardware	100 000			100 000	100 000						
ICT Strategy	30 000			30 000		30 000					
Cybersecurity Implementation Plan	10 000			10 000		10 000					
Total ICT	528 397	141 327		387 070	170 952	166 118	20 000	10 000	20 000		
LABORATORY SERVICES											
Chemical Sciences 1	1 976	1 814		162	162						
Microbiology	21 111			21 111	13 311	2 500	1 400	1 400	2 500		
Hydrobiology	3 912			3 912	2 092	570	400	350	500		
Chemical Sciences 2	26 482	11 995		14 488	2 988	2 000	4 500	2 000	3 000		
Lab refurbishment (Project)	5 500	272		5 228	5 228						
Lab equipment (Statistical)	3 500	556		2 944	2 944						
uThukela Satellite Lab	7 669			7 669	2 000	5 669					
Total LAB	70 150	14 637		55 513	28 724	10 739	6 300	3 750	6 000		
TOTAL MOVABLES	1 000 525	244 755		748 269	341 762	230 957	86 800	35 250	46 000	7 500	

Figure 21.6: 30 year capex programme



The graph indicates the change in the 30 year capex programme. The short term initiatives have decreased since the approval of the capex programme in the 2022 CP. However, the trend in the long term has not varied significantly since the 2022CP, however there is a 2-year delay on cashflows as depicted by the graph.



Chapter 22: Debt Management Plan



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22.1 Introduction

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

1. Capital structure

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

2. Asset/liability matching

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

3. Optimal Debt Level

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

4. Redemption portfolio

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

Figure 22.1: Asset liability matching



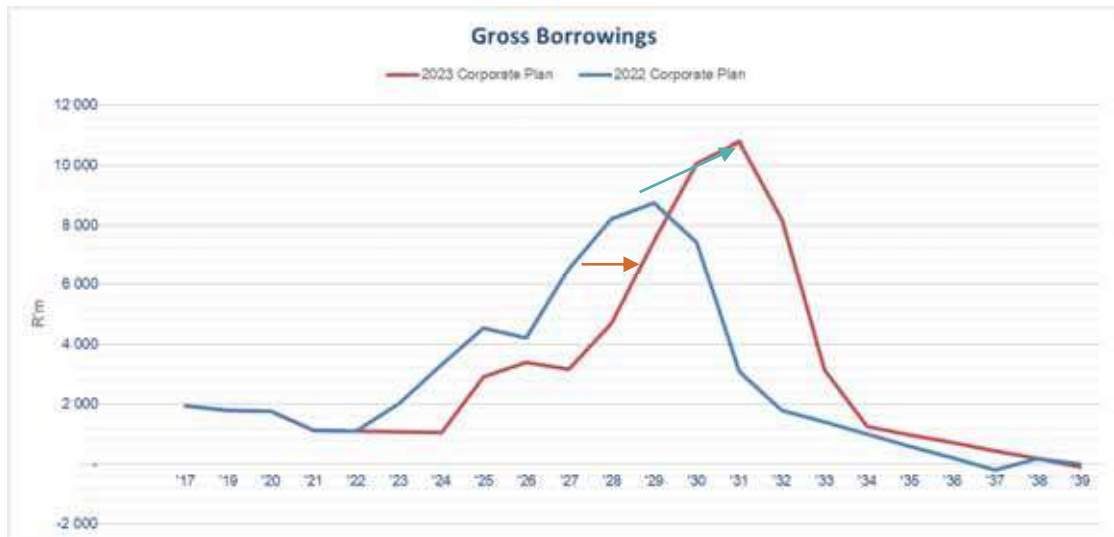
The ensuing paragraphs indicate the long term cashflow projections and outstanding debt projections which are taken into account in managing Umgeni Water's ability to raise funding and serve outstanding debt.

22.2 Long-term cashflow and outstanding debt projections

22.2.1 Debt Curve

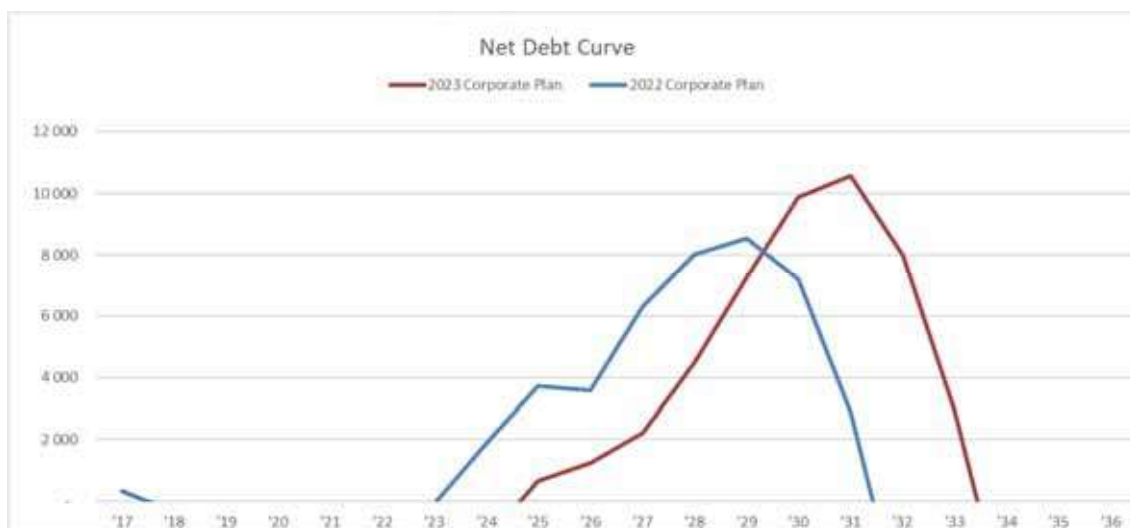
The 2022 Business Plan indicated that gross borrowings will peak at R8 747m in 2029. The gross borrowings curve has shifted left and upward since then due to the decrease in the 5 year capex cashflows (delay in the borrowings hence leftward shift) and lower operating cashflows from lower tariff increases in 2022 and 2023. Therefore the peak in gross borrowings is expected to occur outside the 5 year period in 2031 at R10 783m.

Figure 22.2: Gross borrowings (R'm)



From 2022 onward, operating cashflows generated are projected not to be sufficient to fund both operating and capital expenditure thus the available investments will be utilised to meet funding requirements and will decrease thereby placing Umgeni Water in a net debt position.

Figure 22.3: Net debt curve (R'm)



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

22.2.2 Funding Strategy

22.2.2.1 Introduction

The funding strategy recommends that the entity obtain long term funding in the year 2024/25 to meet the funding requirements onward. This is due to the fact that the funding requirements are mainly driven by the capex requirements, the return on this investment being more long term than short term. By 2024/25, it is anticipated that all investments will be utilised toward operating capital expenditure hence UW will have to seek long term borrowings to fund capital expenditure.

Table 22.1: Funding requirements 2022 to 2027 (R'm)

FUNDING REQUIREMENTS Financial Year (R'm)	Short term		Medium Term			L/Term
	F22	F23	F24	F25	F26	F27
Operational Cash flows	1 611	1 522	1 883	2 142	2 392	2 656
CapEx - Gross (Escalated)	(1 932)	(1 648)	(3 398)	(3 475)	(3 301)	(3 352)
Net Operating and CapEx cash flow	(321)	(126)	(1 515)	(1 333)	(909)	(696)
CapEx - Grants: Confirmed	200	-	-	-	-	-
CapEx - Grants: to be confirmed	-	-	-	-	-	-
Financing activities - capital						
Existing Debt	(25)	(25)	(25)	(25)	(25)	(92)
UG26 issued March 2016					(935)	
UG21 repayment	-	-	-	1 867	1 443	(200)
New Debt	-	-	-	1 867	1 443	(200)
Financing activities - Net Finance costs						
Existing financial instruments	47	76	44	7	11	79
New Debt	-	-	-	(216)	(386)	(361)
Funding Requirements	(99)	(75)	(1 496)	300	(801)	(1 269)
Redemption Portfolio	-	(8)	(252)	(386)	646	-
Redemption Portfolio - Interest earned					55	
Net Incremental Funding Requirement p.a.	(99)	(83)	(1 748)	(86)	(99)	(1 269)
Net (Funding) Investing requirements						
Opening Balance Available investments	4 061	3 962	3 879	2 132	2 045	1 946
Closing Balance	3 962	3 879	2 132	2 045	1 946	677

The funding strategy takes cognisance of the funding levels projected in terms of determining the required borrowing limits for the years 2022/23 to 2026/27 as well as compliance with the covenants. Therefore, the funding strategy is as follows:

22.2.2.2 Short-term funding strategy

- Invest surplus funds in approved credit worthy investments
- Secure borrowing facilities with DFI's to enable draw downs in the medium to long term.

Medium-term (F24 to F26) funding strategy

(c) Draw down on available facilities to meet funding requirements.

1. R2000m by 01 July 2024 (15 year loan)
2. R1700m by 01 July 2025 (15 year loan)

(d) Motivate for new borrowing limits from National Treasury and DWS

(e) Take into consideration:

1. Funds received so far from the uMkomazi Water Project tariff, which could reduce the borrowing requirement by at least R500m
2. the guideline fixed to floating interest rate ratio of 70% fixed to 30% floating

22.2.2.3 Long-term funding strategy (F27 onward)

Refer to Table 22.2

Table 22.2: Funding requirements 2027 to 2033 (R'm)

FUNDING REQUIREMENTS Financial Year (R'm)	L/Term	L/Term	L/Term	L/Term	L/Term	L/Term	L/Term
	F27	F28	F29	F30	F31	F32	F33
Operational Cash flows	2 656	3 019	3 459	3 990	4 491	5 161	5 910
CapEx - Gross (Escalated)	(3 352)	(4 869)	(5 575)	(5 643)	(4 088)	(1 557)	(260)
Net Operating and CapEx cash flow	(696)	(1 851)	(2 116)	(1 653)	403	3 603	5 650
CapEx - Grants: Confirmed	-	-	-	-	-	-	-
CapEx - Grants: to be confirmed	-	-	-	-	-	-	-
Financing activities - capital							
Existing Debt	(92)	(158)	(152)	(139)	(133)	(133)	(133)
UG26 issued March 2016							
UG21 repayment							
New Debt	(200)	(267)	(267)	(267)	(267)	(267)	(267)
Financing activities - Net Finance costs							
Existing financial instruments	79	(74)	(368)	(674)	(863)	(786)	(407)
New Debt	(361)	(337)	(306)	(277)	(247)	(219)	(189)
Funding Requirements	(1 269)	(2 687)	(3 208)	(3 010)	(1 107)	2 199	4 654
Redemption Portfolio	-	-	-	-	-	-	-
Redemption Portfolio - Interest earned							
Net Incremental Funding Requirement p.a.	(1 269)	(2 687)	(3 208)	(3 010)	(1 107)	2 199	4 654
Net (Funding) Investing requirements							
Opening Balance Available investments	1 946	677	(2 010)	(5 218)	(8 228)	(9 336)	(7 137)
Closing Balance	677	(2 010)	(5 218)	(8 228)	(9 336)	(7 137)	(2 483)

1. Further borrowings required and to be confirmed 2 years prior to draw down:
2. The long term funding requirements indicate that the peak funding requirement will be R9,4bn before being repaid by 2034. However, the table above assumes that short term debt will be used and given that capex is the main contributor to the funding requirements, long term funding will be sought. The funding strategy will be confirmed closer to the time.

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

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

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

22.3.1 Bank Funding

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

Table 22.3: Sources of liquidity

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

Nedbank

Instruments available under the general credit facility are:

- Overnight loans;
- Electronic banking facilities.

22.3.2 Annuity Loans

Terms, conditions and maturity are specific to each loan agreement. The most significant loan is the EIB loans which are annuity loans and is forecast to be at R84m (variable interest rate) and R86m (fixed interest rate) by 30 June 2022.

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

22.3.3 Capital Market Bonds

Domestic Medium Term Note (DMTN) Programme

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

- **Notes may comprise without limitation:**
Fixed rate, floating rate, mixed rate, zero coupon notes or a combination of such foregoing notes or any other type of notes determined by Umgeni Water and the relevant dealers.
- **Interest rate**
The interest rate will be determined at the time of issuance of notes and will be specified in the Applicable Pricing Supplement.
- **Maturity**
The Notes are not subject to any minimum or maximum maturity.

o **Issuance of bonds under the DMTN Programme**

The UG21 falls due on 02 March 2022 and interest payments are due on 02 March and 02 September each year. The coupon rate is 10.7%. The UG21 was oversubscribed at the time of issuance.

The UG26 is the latest issuance under the DMTN programme. A total of R935m was issued and like its predecessor, was oversubscribed at the time of issuance. The coupon rate is 11.31%.

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

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

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

22.4 Compliance with Loan covenants

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

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

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

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

Table 22.4: Loan covenants

Ratio	F'19	F'20	F'21	F'22	F'23	F'24	F'25	F'26	F'27
Debt: Equity	0.197	0.166	0.095	0.085	0.077	0.070	0.174	0.183	0.155
Interest Cover	5.822	5.591	6.381	8.437	6.445	8,991	4,211	3,595	5,353
Cash Interest cover ratio	8.887	10.422	10.189	16,758	16,663	16,558	6,775	7,823	9,820
Debt Service Cover Ratio	4.892	9.041	2.315	13,952	13,817	13,266	5,928	1,599	4,676

22.5 Debt guaranteed by government

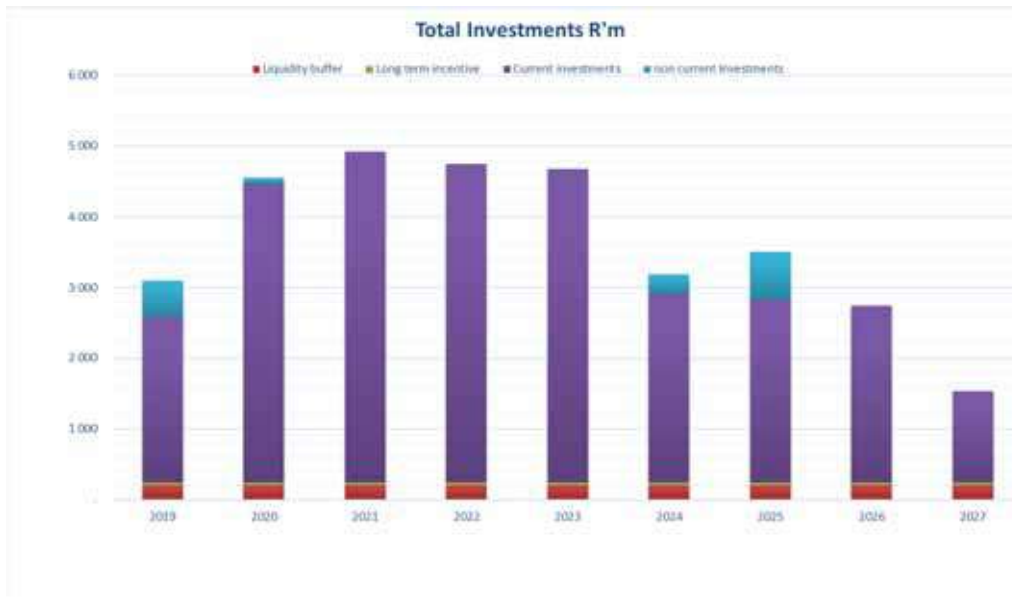
Umgeni water does not have any government guaranteed debt.

22.6 Maturity profile of debt and investments

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

Investment maturity structure (R'm)	F'19	F'20	F'21	F'22	F'23	F'24	F'25	F'26	F'27
< 1year	2336	4225	4678	4506	4423	2675	2589	2490	1287
	82%	98%	100%	100%	100%	91%	79%	100%	100%
1-5 years	518	79	0	0	8	265	674	0	0
Total Investments	2854	4304	4678	4506	4431	2941	3263	2490	1287

Figure 22.4: Analysis of Investments (R'm)



To ensure sufficient liquidity, Umgeni Water will maintain a liquidity buffer of R200m. Current investments are held for the funding of operating and capital expenditure requirements.

Table 22.6: Debt maturity structure (R'm)

Debt Maturity Structure	F'21	F'22	F'23	F'24	F'25	F'26	F'27
< 1year	25	25	25	25	1 093	225	292
	2%	2%	2%	2%	38%	7%	9%
1-5 years	1 059	1 059	1 053	1 034	741	1 383	1 358
	93%	96%	97%	98%	26%	41%	43%
5-10 years	49	24	6	-	667	1 333	1 333
	4%	2%	1%	0%	23%	39%	42%
+10 Years	-	-	-	-	400	443	177
	0%	0%	0%	0%	14%	13%	6%
Total Borrowings	1 133	1 108	1 084	1 059	2 901	3 384	3 159

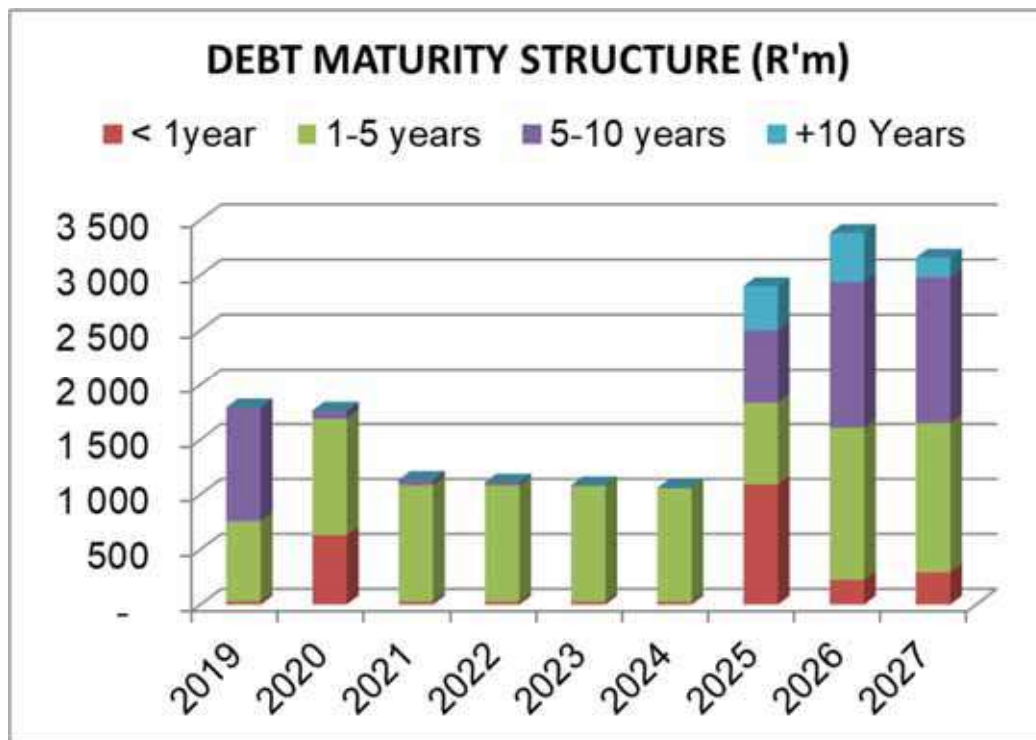
Table 22.7: Ratio of Fixed to floating rate debt

Ratio of Fixed to floating interest rate debt	F22	F23	F24	F25	F26	F27
Fixed Interest Rate Debt	92,4%	93,5%	94,5%	98,4%	99,0%	99,4%
Floating Interest Rate Debt	7,6%	6,5%	5,5%	1,6%	1,0%	0,6%

Table 22.8: Profiles of existing & proposed loans (R'oo0)

Capital balances	Lender	Maturity date	F19	F20	F21	F22	F23	F24	F25	F26	F27
LN71A (Floating)	DBSA	2019/03/31	0	0	0	0	0	0	0	0	0
LN72	DBSA	2021/03/31	8 987	4 603	0	0	0	0	0	0	0
UG21	Capital market		600 000	600 000	0	0	0	0	0	0	0
EIB1 (Floating)	EIB	2028/12/18	122 581	109 677	96 774	83 871	70 968	58 065	45 161	32 258	19 355
EIB 2	EIB	2019/03/31	125 323	113 387	101 452	89 516	77 581	65 645	53 709	41 774	29 838
UG26	Capital market	2026/06/30	935 000	935 000	935 000	935 000	935 000	935 000	935 000	0	0
Proposed funding 1	Bank loan/Capital market	2039/06/30							1 866 668	1 733 333	1 600 000
Proposed funding 2	Bank loan/Capital market	2040/06/30								1 576 667	1 510 000
Total debt capital			1 791 891	1 762 667	1 133 226	1 108 387	1 083 549	1,058,710	2 900 538	3 384 033	3 159 194

Figure 22.5: Debt maturity structure



The increase in the amounts maturing in 1 to 5 years' time from 2021 onwards is due to the UG26 which will be redeemed in 2026 and there is proposed funding to be obtained in the following years:

- Year 2025 – R2,000m
- Year 2026 – R 1,700m

22.7 Analysis of funding against approved borrowing limits

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

- F'21 – R1 400m
- F'22 – R1 400m

- F'23 – F'25 To be advised. Umgeni Water awaits response form the Minister of Finance on the borrowing authority for the years 2023 to 2025.

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

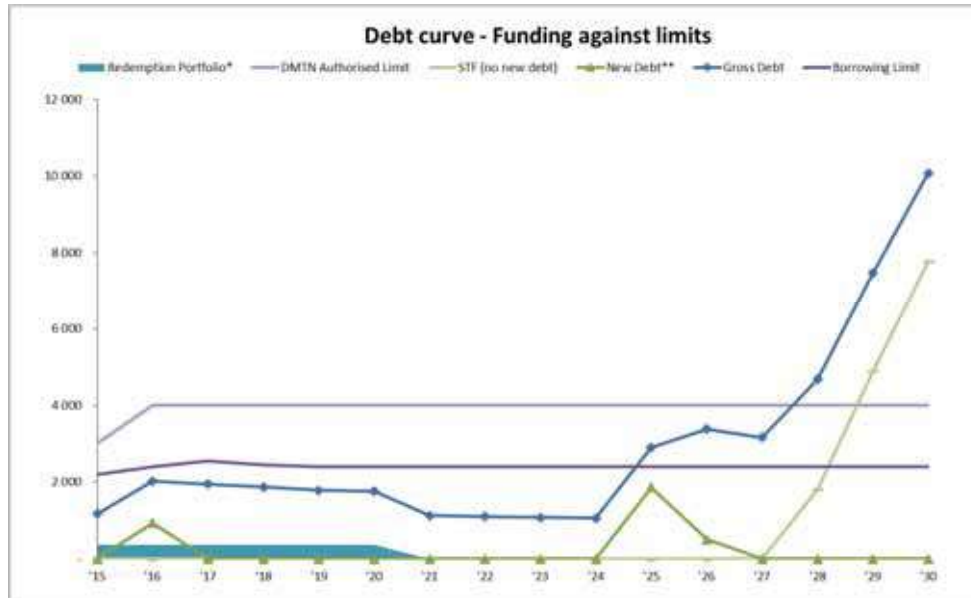


Table 22.9: Gross borrowings (R'm)

Borrowing Limit	F22	F23	F24	F25	F26	F27
TOTAL GROSS BORROWINGS	1 108	1 084	1 059	2 901	4 319	3 159
Approved borrowing Limit	1400					
(Over) Under utilisation	292	(1 084)	(1 059)	(2 901)	(4 319)	(3 159)

22.8 Proposed Borrowings

Table 22.10: Total borrowings (R'ooo)

DATE OF BORROWING	TOTAL GROSS BORROWING	TOTAL PORTION					
		LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2018/2019	1 791 890	1 762 668	0	1 762 668	29 222	29 222	0
2019/2020	1 158 065	1 133 226	0	1 133 226	24 839	24 839	0
2020/2021	1 133 226	1 108 388	0	1 108 388	24 839	24 839	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2021/2022	1 108 388	1 083 549	0	1 083 549	24 839	24 839	0
2022/2023	1 083 549	1 058 710	0	1 058 710	24 839	24 839	0
2023/2024	1 058 710	1 033 872	0	1 033 872	24 839	24 839	0
2024/2025	2 900 538	-192 634	2 000 000	1 807 366	1 093 172	1 093 172	0
2025/2026	3 384 033	1 459 194	1 700 000	3 159 194	224 839	224 839	0
2026/2027	3 159 194	2 867 689	0	2 867 689	291 505	291 505	0

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

BORROWING	TOTAL GROSS BORROWING	FOREIGN PORTION					
		LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2018/2019	247 903	223 065	0	223 065	24 839	24 839	0
2019/2020	223 065	198 226	0	198 226	24 839	24 839	0
2020/2021	198 226	173 387	0	173 387	24 839	24 839	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2021/2022	173 387	148 548	0	148 548	24 839	24 839	0
2022/2023	148 548	123 710	0	123 710	24 839	24 839	0
2023/2024	123 710	98 871	0	98 871	24 839	24 839	0
2024/2025	98 871	74 032	0	74 032	24 839	24 839	0
2025/2026	74 032	49 194	0	49 194	24 839	24 839	0
2026/2027	49 194	24 355	0	24 355	24 839	24 839	0

Table 22.12: Domestic borrowing programme (R'ooo)

DATE OF BORROWING	TOTAL GROSS BORROWING	DOMESTIC PORTION					
		LONG TERM			SHORT TERM		
	Actual	Actual			Actual Total Short term	Short-term portion of long term debt	Short-term borrowings
2018/2019	1 543 987	1 539 604	0	1 539 604	4 383	4 383	0
2019/2020	935 001	935 001	0	935 001	0	0	0
2020/2021	935 001	935 001	0	935 001	0	0	0
	Projected	Projected	Proposed	Total	Projected	Projected	Projected
2021/2022	935 001	935 001	0	935 001	0	0	0
2022/2023	935 001	935 001	0	935 001	0	0	0
2023/2024	935 001	935 001	0	935 001	0	0	0
2024/2025	2 801 667	-266 666	2 000 000	1 733 334	1 068 333	1 068 333	0
2025/2026	3 310 001	1 410 001	1 700 000	3 110 001	200 000	200 000	0
2026/2027	3 110 001	2 843 334	0	2 843 334	266 667	266 667	0

22.9 Hedging Policies

22.9.1 Interest rate derivatives

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

Table 22.13: Approved derivative instruments

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

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

22.9.2 Derivatives for management of foreign currency risk

- Purpose**
- To reduce the cashflow risk associated with transactions concluded in foreign currency.

- Policy**
- Umgeni Water's risk profile requires that all funding transactions be South African Rand denominated, and thus the only foreign currency transactions permitted are those required to hedge transactions arising from the operating environment.
 - Depending on the business and economic environment prevailing, minimum hedging level for foreign exchange risk should be 30% to 40% of the underlying risk.
 - Any prepayments in terms of foreign currency transactions should not exceed 30% as determined by the South African Reserve Bank.
 - There must be a bona fide business basis for all foreign exchange transactions.

- Approved instruments**
- Natural hedging
 - Forward market hedging
- Delegation of Authority**
- All forward cover transactions to be approved by the Chief Financial Officer as delegated by the Board from time to time.



Chapter 23 Materiality and Significance Framework



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23.1 Quantitative aspects: Materiality level

The framework is applied under two main categories: quantitative aspects and qualitative aspects. With respect to quantitative aspects, Umgeni Water assesses the level of a materiality as being 0.5% of its gross revenue.

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

23.2 Factors considered:

- Nature of Umgeni Water's business: Revenue for Umgeni Water primarily comprises sales of water, fees for management of water and wastewater treatment works' and revenue from S3o activities.
- Statutory requirements applicable to Umgeni Water:
 - Umgeni Water is listed as a PFMA Schedule 3B public entity.
 - The Board of Umgeni Water is required to execute its mandate in terms of the PFMA.
 - Umgeni Water accordingly elects to give preference to a stricter level of materiality as the entity is closely governed by legislation and has public accountability.
- The control and inherent risks associated with Umgeni Water: In assessing the control risk, Umgeni Water concluded that the level of materiality of 0.5% of gross revenue is appropriate and prudent.

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

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

23.3 Qualitative Aspects

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

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

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

The revised Public Audit Act has defined a material irregularity and the processes to be followed in dealing with a material irregularity (Sections 5(1A); 5(1B); 5A and 5B) which are summarised in this framework. The Accounting Officer or Accounting Authority needs to appropriately and timeously deal with material irregularities reported in the audit report.

The Auditor-General may, as prescribed, refer any suspected material irregularity identified during an audit performed under the Public Audit Act to a relevant public body for investigation, and the relevant public body must keep the Auditor-General informed of the progress and the final outcome of the investigation.

The Auditor-General has the power to:

- Take any appropriate remedial action; and
- issue a certificate of debt, as prescribed, where an Accounting Officer or Accounting Authority has failed to comply with remedial action.
- Where a material irregularity resulted in a financial loss to the State, and the Accounting Officer/Accounting Authority failed to implement the recommendations contained in the audit report, the remedial action taken by the Auditor-General must include a directive to the Accounting Officer or Accounting Authority to determine the amount of the loss, if not yet determined, and to recover such loss as required in terms of any applicable legislation, from the responsible person.

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



Chapter 24: Financial Ratios



The financial ratios reflected in the following tables are defined wherever applicable in the footnotes that follow table 24.1.

Table 24.1: Umgeni Water financial indicators and ratios

Financial Indicators and Ratios		F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
		Actual	Actual	Actual	Budget			Forecast			
A	Performance criteria/indicators										
1	Volume of water sold (kl'000)	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
2	Total gross revenue (R'000)	3 524 469	4 142 653	4 515 189	5 009 020	4 868 218	5 169 629	5 583 222	6 100 062	6 622 926	7 190 595
3	Total Bulk Revenue (R'000)	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
4	Total Bulk Revenue (R'000) (excl Capital Unit charge)	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
5	Bulk Revenue Growth (excl Cap Unit Charge)	23,46%	46,06%	28,69%	9,70%	7,49%	5,84%	8,00%	9,20%	8,61%	8,60%
6	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol)	6,975	7,645	7,720	8,139	8,125	8,368	8,827	9,399	10,057	10,761
7	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol) incl CUC	7,665	9,296	9,335	166,181	9,864	10,217	8,997	9,580	10,251	10,968
8	Net profit (loss) for the year	1 357 905	1 250 948	1 253 171	829 305	1 187 246	953 624	1 216 015	1 481 576	1 738 606	1 979 565
9	Profit from Operations/Revenue	0,324	0,258	0,233	0,147	0,214	0,151	0,192	0,230	0,254	0,274
10	Total expenditure/Revenue	0,625	0,701	0,741	0,835	0,758	0,817	0,783	0,758	0,738	0,726
11	Cost of sales/Revenue	0,387	0,360	0,395	0,459	0,401	0,408	0,426	0,421	0,419	0,418
12	Total cost/volume (Rand/kl) (Consolidated)	4,669	5,702	6,097	7,430	6,587	7,335	7,421	7,652	7,972	8,379
13	Total cost/volume (Rand/kl) (Primary only)	4,609	5,647	6,029	7,195	6,547	7,271	7,346	7,574	7,890	8,294
14	Total cost/volume (Rand/kl) (Bulk only)	4,239	5,015	5,405	6,586	5,770	6,339	6,545	6,884	7,251	7,797
15	Net Finance costs (Rand/kl)	(0,459)	(0,356)	(0,363)	(0,163)	(0,260)	(0,300)	(0,246)	(0,132)	(0,096)	(0,019)
16	Personnel cost ratio (Total Personnel costs/Total Costs excl finance costs)	0,230	0,194	0,197	0,213	0,192	0,187	0,235	0,239	0,240	0,240
17	Personnel cost per kilolitre (Personnel costs/Annual volume)	1,181	1,174	1,275	1,618	1,313	1,429	1,798	1,857	1,933	2,019
18	Personnel cost per kilolitre (Personnel costs/Annual volume) (Primary only)	1,180	1,172	1,273	1,616	1,312	1,427	1,796	1,855	1,931	2,017
19	Personnel cost per kilolitre (Personnel costs/Annual volume) (Bulk only)	1,099	1,096	1,194	1,528	1,232	1,343	1,709	1,766	1,838	1,920
B	Operating Risks										
20	Working ratio (total expenses excluding depreciation, amortisation and finance costs divided by Total revenue)	0,581	0,648	0,692	0,750	0,693	0,742	0,710	0,681	0,660	0,642
21	Operating Ratio (Total Costs excluding depreciation & amortisation/Total Revenue)	0,519	0,604	0,648	0,732	0,664	0,709	0,684	0,668	0,651	0,640
22	Controllable working ratio (total expenses excl. raw water, deprec, amort & inter. divided by total. rev.)	0,513	0,583	0,626	0,689	0,632	0,683	0,650	0,621	0,600	0,583
23	Return on assets (income before interest & taxes divided by total assets excluding investments)	11,61%	10,72%	10,31%	5,88%	9,05%	6,24%	7,04%	7,68%	7,91%	8,13%
24	Asset turnover (revenue divided by total assets excluding investments)	0,356	0,415	0,442	0,399	0,421	0,411	0,365	0,333	0,311	0,296
25	Gross margin %	61,32%	63,98%	60,48%	54,12%	59,90%	59,17%	57,41%	57,88%	58,09%	58,21%
26	Current asset turnover (revenue divided by current assets excl investments)	3,927	5,136	4,090	5,129	3,903	3,915	3,979	4,083	4,178	4,279
27	Fixed asset turnover (revenue divided by fixed assets)	0,400	0,467	0,511	0,440	0,482	0,466	0,406	0,366	0,338	0,320
28	Debtors collection period (debtors divided by revenue times 365) (Excl. VAT) *	57,000	59,802	56,000	59,635	59,242	60,274	60,504	60,115	59,749	59,223
29	Accounts receivable turnover (revenue divided by accounts receivable) (Excl. VAT)	4,883	5,354	4,175	5,369	4,202	4,197	4,248	4,341	4,425	4,518

Financial Indicators and Ratios		F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
		Actual	Actual	Actual	Budget	Forecast					
* Accounts receivable is made up as follows:											
	Trade Debtors	789 840	1 022 961	1 255 540	1 143 059	1 520 974	1 636 310	1 314 331	1 405 366	1 496 765	1 591 710
	Provision for Doubtful debts	(68 117)	(249 205)	(173 990)	(210 098)	(362 306)	(404 583)	-	-	-	-
		721 723	773 756	1 081 550	932 960	1 158 668	1 231 727	1 314 331	1 405 366	1 496 765	1 591 710
C	Financial Risks										
30	Current ratio (current assets divided by current liabilities)	2,711	2,598	4,808	3,019	4,866	4,941	3,573	1,864	3,211	2,256
31	Debt ratio (total debt divided by total assets)	0,140	0,123	0,076	0,071	0,069	0,064	0,058	0,134	0,142	0,124
32	Gross Debt-equity ratio (total liabilities divided by total accumulated reserves)	0,197	0,166	0,095	0,089	0,085	0,077	0,070	0,174	0,183	0,155
33	Net Debt-equity ratio (Net liabilities divided by total accumulated reserves)	(0,117)	(0,239)	(0,299)	(0,149)	(0,260)	(0,239)	(0,124)	(0,022)	0,048	0,092
34	Weighted Average Cost of Capital (WACC) (Per AFS)	10,70%	10,75%	10,63%	11,30%	11,50%	11,56%	11,35%	11,36%	11,37%	11,37%
35	Financial Leverage (D/(D+E)) (Net of redemption assets)	0,123	0,137	0,087	0,082	0,078	0,071	0,050	0,118	0,155	0,134
C	Debt Management										
	Net Debt										
	Total Borrowings (as per Balance sheet)	1 791 890	1 762 668	1 133 226	1 108 388	1 108 388	1 083 549	1 058 710	2 900 538	3 384 033	3 159 194
	Total Investment (as per Balance sheet)	2 853 763	4 304 728	4 677 895	2 967 741	4 506 368	4 431 601	2 940 511	3 263 386	2 490 368	1 287 368
	Net Borrowings (Total Borrowings - Total Investment)	(1 061 873)	(2 542 059)	(3 544 669)	(1 859 353)	(3 397 981)	(3 348 052)	(1 881 801)	(362 848)	893 665	1 871 826
D	Business Credit Risk										
36	Interest Cover ratio (<i>EBIT/int paid</i>)	5,822	5,591	6,381	5,975	8,437	6,445	8,991	4,211	3,595	5,353
37	EBITDA interest coverage (EBITDA/int paid)	108,495	14,065	29,511	50,909	60,812	55,236	68,255	29,336	24,194	35,106
38	Cash from operations/average total debt	0,879	1,057	1,248	1,225	1,453	1,405	1,779	0,739	0,707	0,841
39	Return on average total capital	0,126	0,101	0,089	0,059	0,080	0,056	0,070	0,084	0,091	0,096
40	EBITDA/Sales	0,430	0,355	0,326	0,251	0,308	0,259	0,291	0,320	0,341	0,359
41	Funds flow net debt pay back (<i>cash from op before WC adj/total int bearing debt</i>)	0,983	1,128	1,667	1,512	1,868	1,864	1,876	0,777	0,740	0,877
42	Cash Interest cover ratio (CFFO before WC changes)/Finance costs	8,887	10,422	10,189	13,568	16,758	16,663	16,558	6,775	7,823	9,820
43	Debt Service Cover Ratio (CFFO before WC changes)/Debt/Capital repayments and Finance costs	4,892	9,041	2,315	11,297	13,952	13,817	13,266	5,928	1,599	4,676
E	Surplus Ratios										
44	Accounting Surplus (NP)/Fixed Assets (PPE)	0,154	0,141	0,142	0,073	0,118	0,086	0,088	0,089	0,089	0,088
45	Return on turnover (NP)/Revenue (Total org)	0,385	0,302	0,278	0,166	0,244	0,184	0,218	0,243	0,263	0,275
46	Return on turnover (NP)/Revenue (S29)	0,388	0,303	0,280	0,169	0,243	0,185	0,219	0,245	0,264	0,277
47	Return on turnover (NP)/Revenue (S30)	0,136	0,140	(0,105)	0,035	0,378	0,127	0,022	0,021	0,020	0,019
48	EBITDA	1 514 022	1 470 542	1 471 782	1 256 892	1 501 394	1 338 274	1 626 256	1 953 030	2 261 265	2 580 931
49	Debt/EBIDAR	1,184	1,199	0,770	0,882	0,738	0,810	0,651	1,485	1,497	1,224

Table 24.2: Umgeni Water Group financial indicators and ratios

Financial Indicators and Ratios		F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
		Actual	Actual	Actual	Budget	Forecast					
A	Performance criteria/indicators										
1	Total gross revenue (R'O00)	3 538 457	4 154 375	4 561 896	5 027 745	4 883 378	5 184 484	5 599 265	6 117 389	6 641 985	7 211 560
2	Bulk Water Business segment										

Financial Indicators and Ratios		F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
		Actual	Actual	Actual	Budget	Forecast					
2.1	Volume of water sold (kl'000)	471 801	509 217	548 547	563 154	560 223	575 714	589 408	604 459	613 526	622 729
2.2	Total Bulk Revenue (R'000)	3 290 765	3 892 979	4 234 737	4 583 668	4 551 767	4 817 466	5 202 737	5 681 471	6 170 418	6 701 360
2.3	Average increase in revenue	23,5%	18,3%	8,8%	9,7%	-0,7%	5,8%	8,0%	9,2%	8,6%	8,6%
2.4	Weighted average Water tariff (R/kl) (total bulk rev/total bulk vol)	6,975	7,645	7,720	8,139	8,125	8,368	8,827	9,399	10,057	10,761
2.5	Total cost per kl sold	4,239	5,015	5,405	6,586	5,770	6,339	6,545	6,884	7,251	7,797
3	Net profit (loss) for the year	1 354 351	1 264 995	1 275 770	833 009	1 189 181	953 208	1 214 761	1 479 528	1 735 785	1 976 132
4	Profit from Operations/Revenue	0,320	0,260	0,235	0,147	0,214	0,150	0,191	0,229	0,252	0,272
5	Total expenditure/Revenue	0,626	0,700	0,739	0,835	0,758	0,818	0,784	0,759	0,740	0,727
6	Cost of sales/Revenue	0,385	0,359	0,392	0,457	0,400	0,407	0,425	0,420	0,418	0,417
7	Total cost/volume (Rand/kl) (Consolidated)	4,697	5,710	6,148	7,458	6,611	7,362	7,451	7,685	8,009	8,420
8	Net Finance costs (Rand/kl)	(0,459)	(0,356)	(0,363)	(0,164)	(0,261)	(0,301)	(0,246)	(0,132)	(0,096)	(0,019)
9	Personnel cost ratio (Total Personnel costs/Total Costs excl finance costs)	0,278	0,242	0,222	0,224	0,206	0,201	0,248	0,252	0,253	0,254
10	Personnel cost per kilolitre (Personnel costs/Annual volume)	1,433	1,469	1,448	1,707	1,415	1,538	1,910	1,973	2,053	2,144
B Operating Risks											
11	Working ratio (total expenses excluding depreciation, amortisation and finance costs divided by Total revenue)	0,581	0,646	0,690	0,750	0,693	0,743	0,710	0,682	0,661	0,643
12	Operating Ratio (Total Costs excluding depreciation & amortisation/Total Revenue)	0,520	0,603	0,647	0,731	0,663	0,709	0,685	0,669	0,652	0,642
13	Controllable working ratio (total expenses exclud.raw water, deprec, amort & inter. divided by total. rev.)	0,513	0,581	0,601	0,689	0,631	0,684	0,650	0,622	0,602	0,585
14	Return on assets (income before interest & taxes divided by total assets excluding investments)	11,48%	10,76%	10,41%	5,88%	8,97%	6,17%	6,97%	7,62%	7,85%	8,07%
15	Asset turnover (revenue divided by total assets excluding investments)	0,359	0,415	0,443	0,399	0,420	0,410	0,365	0,333	0,311	0,296
16	Gross margin %	61,48%	64,08%	60,79%	54,29%	60,03%	59,29%	57,53%	58,00%	58,21%	58,33%
17	Current asset turnover (revenue divided by current assets excl investments)	4,269	5,083	3,980	5,109	3,786	3,809	3,685	4,026	4,128	4,252
18	Fixed asset turnover (revenue divided by fixed assets)	0,401	0,468	0,515	0,441	0,483	0,466	0,406	0,366	0,339	0,321
19	Debtors collection period (debtors divided by revenue times 365) (Excl. VAT) *	57,000	59,000	56,000	59,505	59,649	60,723	60,944	60,549	60,160	59,627
20	Accounts receivable turnover (revenue divided by accounts receivable) (Excl. VAT)	5,651	5,994	4,791	5,381	4,211	4,204	4,255	4,348	4,434	4,527
	* Accounts receivable is made up as follows:										
	Trade Debtors	791 186	1 023 683	1 256 475	1 144 511	1 522 166	1 637 938	1 315 881	1 406 951	1 498 086	1 593 115
	Provision for Doubtful debts	(68 117)	(249 205)	(173 990)	(210 098)	(362 306)	(404 583)	-	-	-	-
		723 069	774 478	1 082 485	934 412	1 159 860	1 233 355	1 315 881	1 406 951	1 498 000	1 593 115
C Financial Risks											
21	Current ratio (current assets divided by current liabilities)	2,720	2,603	4,835	3,029	4,934	4,990	3,615	1,879	3,237	2,269
22	Debt ratio (total debt divided by total assets)	0,144	0,127	0,078	0,071	0,069	0,063	0,058	0,134	0,142	0,123
23	Gross Debt-equity ratio (total liabilities divided by total accumulated reserves)	0,202	0,170	0,098	0,088	0,084	0,077	0,069	0,173	0,183	0,154
24	Net Debt-equity ratio (Net liabilities divided by total accumulated reserves)	(0,119)	(0,233)	(0,294)	(0,148)	(0,259)	(0,238)	(0,123)	(0,022)	0,048	0,091
25	Weighted Average Cost of Capital (WACC) (Per AFS)	10,70%	10,75%	10,63%	11,30%	11,50%	11,56%	11,35%	11,36%	11,37%	11,37%
26	Weighted Average Cost of Capital (WACC) (Finance costs/Gross borrowings)	0,76%	5,76%	4,29%	2,23%	2,23%	2,24%	2,25%	2,30%	2,76%	2,33%

Financial Indicators and Ratios		F19	F20	F21	F22	F22	F23	F24	F25	F26	F27
		Actual	Actual	Actual	Budget	Forecast					
28	Financial Leverage (D/(D+E)) (Net of redemption assets)	0,127	0,140	0,089	0,081	0,078	0,071	0,049	0,117	0,155	0,134
C Debt Management											
Net Debt											
29	Total Borrowings (as per Balance sheet)	1 846 629	1 817 201	1 166 503	1 108 388	1 108 388	1 083 549	1 058 710	2 900 538	3 384 033	3 159 194
30	Total Investment (as per Balance sheet)	2 933 144	4 304 719	4 677 895	2 967 741	4 506 368	4 431 601	2 940 511	3 263 386	2 490 368	1 287 368
31	Net Borrowings (Total Borrowings - Total Investment)	(1 086 515)	(2 487 518)	(3 511 392)	(1 859 353)	(3 397 981)	(3 348 052)	(1 881 801)	(362 848)	893 665	1 871 826
D Business Credit Risk											
32	Interest Cover (<i>EBIT/int paid</i>)	5,775	5,634	7,834	5,999	8,451	6,440	8,980	4,204	3,588	5,343
33	EBITDA interest coverage (EBITDA/int paid)	108,097	14,173	29,860	51,158	61,062	55,378	68,364	29,361	24,203	35,105
34	Cash from operations/average total debt	0,847	1,032	1,228	1,233	1,461	1,412	1,778	0,741	0,709	0,841
35	Return on average total capital	0,124	0,101	0,090	0,059	0,079	0,055	0,070	0,083	0,091	0,096
36	EBITDA/Sales	0,426	0,357	0,327	0,251	0,309	0,259	0,291	0,320	0,341	0,358
37	Funds flow net debt pay back (<i>cash from op before WC adj/total int bearing debt</i>)	1,775	2,088	3,610	1,518	1,874	1,868	1,878	0,778	0,740	0,877
38	Cash Interest cover ratio (CFFO before WC changes)/Finance costs	16,406	19,808	22,533	13,619	16,747	16,624	16,505	6,770	5,002	7,524
39	Debt Service Cover Ratio (CFFO before WC changes)/Debt/Capital repayments and Finance costs	11,819	17,249	5,160	11,340	13,996	13,842	13,284	5,933	1,600	4,676
E Surplus Ratios											
40	Accounting Surplus (NP)/Fixed Assets (PPE)	0,154	0,142	0,144	0,073	0,118	0,086	0,088	0,089	0,089	0,088
41	Return on turnover (NP)/Revenue	0,383	0,304	0,280	0,166	0,244	0,184	0,217	0,242	0,261	0,274
42	EBITDA	1 508 494	1 482 919	1 493 646	1 263 042	1 507 577	1 341 708	1 628 852	1 954 682	2 262 019	2 580 848
43	Debt/EBIDAR	1,224	1,225	0,781	0,878	0,735	0,808	0,650	1,484	1,496	1,224

Definition of ratios

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



Chapter 25: Self-Evaluation on Financial Viability



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25.1 Introduction

The Self-evaluation Statement on Financial Viability chapter provides an assessment of the change in the financial plan as approved by the Board in the last financial year (2022CP) and the new financial plan (2023CP) which will supercede the prior year plan. The financial plan presented in the preceding chapters indicate that Umgeni Water has not deterred from its strategic objectives and whilst there are variances to last years plans each variance can be substantiated. All variances to the prior year Corporate Plan can be substantiated in terms of assumptions made in context of the operating environment.

25.2 Operating performance Analysis

25.2.1 Key indicators of operating performance

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

Figure 25.1: Gross Profit



The 2023 CP trend is higher than the 2022 CP till 2024, thereafter the tariff increases are lower than the increases in direct costs which result in lower GP margins. The decrease in GP% annually for period 2022 to 2024, is due to lower tariff increases when compared to the increases in the main driver cost (Refer to section 25.2.2.1 for analysis on main drivers costs).

Figure 25.2: Operating Profit



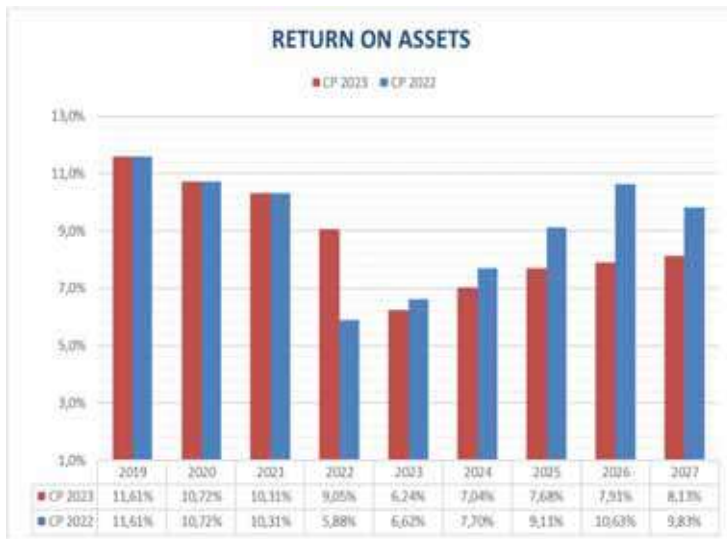
- The higher operating profit in 2022 and when compared to the CP2022 is due to the lower credit losses and staff costs for Uthukela DM water treatment plants.
- The 2023 to 2027 operating profit is lower than that of 2022 CP as a result of higher credit losses expected in 2023 as well as higher tariff increases in the 5 year period of the 2022CP.
- Also, lower operating profit in 2023 due to higher Operating costs as well as administration costs which are explained further in the paragraphs that follow.

Figure 25.3: Net Profit



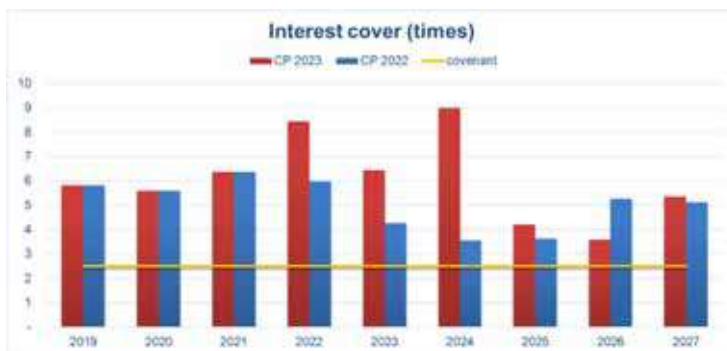
- Net profit levels lower than the 2022CP in due to higher operating costs including impairments and allowance for bad debts. The NP in 2022 is higher due to the reduction of staff costs and the removal of Uthukela plants as compared to the CP 2022.
- Lower net profit from 2023– due to lower sales volumes and tariff increases.
- The average NP% over the 5 year period remains 24% which is required to fund the R15bn investment in capex over the next 5 years.

Figure 25.4: Return on assets



- Return on assets is forecasted at 9.05% in 2022 and 6.24% in 2023.
- The reduction in the ROA in 2023 is mainly due to the reduction in the operating profit largely as a result of reduced increases in tariffs and an increase allowance for credit losses and impairments.

Figure 25.5: Interest cover



No breach of the required ratio of greater than 2.5 times is expected over short term until 2026 where there is a minimal risk that the covenant will be breached.

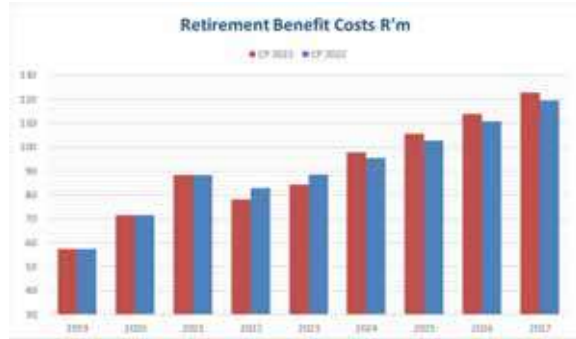
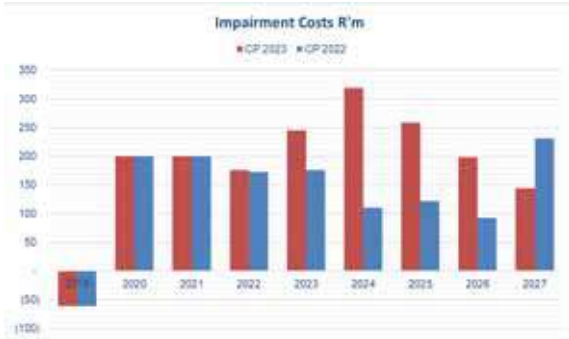
The ratio is more favourable when compared with the 2022 CP till 2025. At the current proposed tariff increase of 3% Umgeni Water will be able to absorb operational risk within a head room of greater than 100%.

However, as the funding requirements increases, loans are to be sourced in 2026 and 2027 which leads to increased interest costs resulting in lower interest cover.

25.2.2 Factors impacting on operating performance

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

1. Impairment of assets and retirement benefit costs:

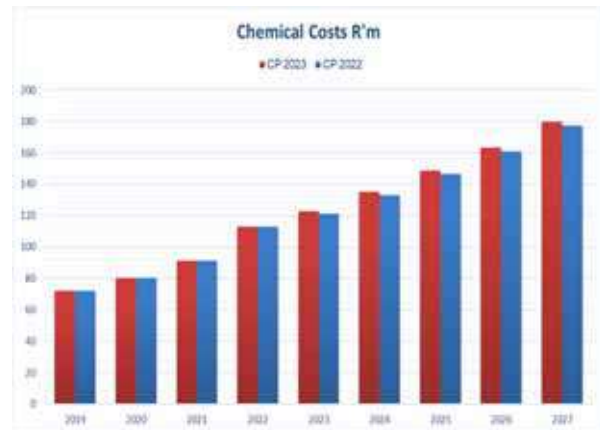
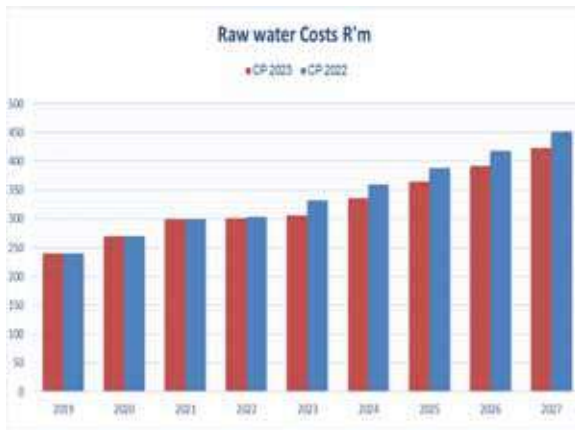


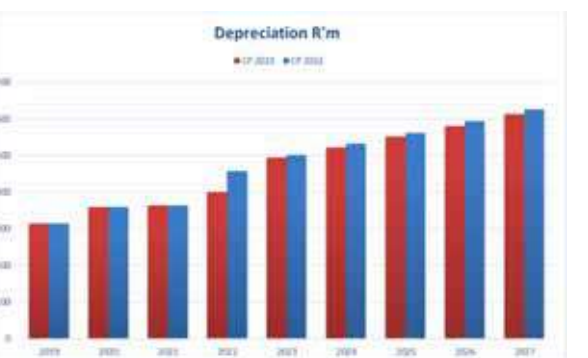
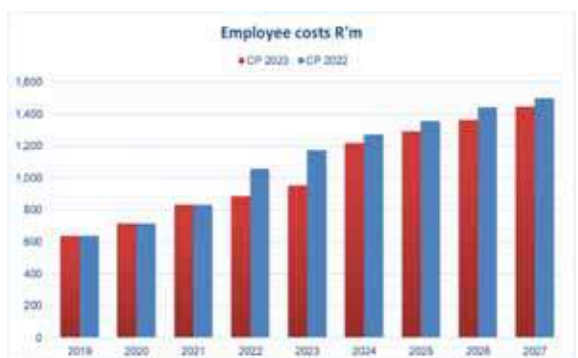
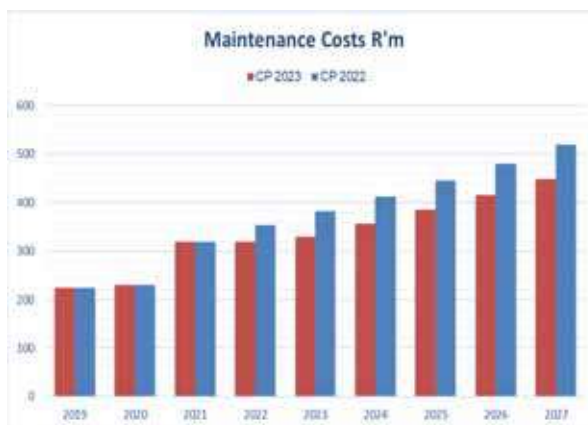
The trend of projected impairment expenditure is significantly higher than the 2022CP mostly due to lower projected operating cashflows to be generated by the project (lower tariff assumptions than the CP2022) as well as an increase in the project costs. Contributing to the higher asset write off and impairment costs is also due to the 100% impairment of some major projects E.g. Mpophomeni WWW, Trustfeeds WWW and existing Uthukela projects.

Retirement benefit costs are projected to be lower than the 2022 and 2023 year thereafter the trend is line with the CP 2022. The retirement benefit costs increases in line with the employee costs.

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

The main operating cost drivers are as follows:





Raw Water:

1. Raw water costs in 2022/23 is 6% of revenue and 7% of Total operating costs
2. Lower trend in 2022 to 2027 due to the exclusion of Uthukela DM.
3. The decrease from 2021 to 2022 is as result of the following:
 - Umvoti Plant has been recommissioned by the customer therefore reduced demand from Ilembe DM.
 - Reduced tariff for Hazelmere in the last quarter of 2021.

Chemicals:

1. Chemical costs in 2022/23 are projected to be 2% of revenue and 3% of Total operating costs
2. Increasing trend due to inclusion of KCDM water treatment plants. Price increases are assumed at 8.2% for 2022 and 9% for 2023.
3. From the years 2024 onward the price increases are assumed at 10% due to any contract negotiations and higher margins for currency and demand risk which may be priced in by the suppliers.

Energy costs:

1. Energy costs in 2022/23 projected to be 9% of revenue and 10% of Total operating costs
2. Due to the impact of exiting from the bulk service contract with Uthukela DM, the cost trend is lower than the 2022CP.
3. The price increase for 2022 is assumed at 16.5% whilst for 2023 the increase is projected at 11.6% (Eskom tariff of 9.6% + 2% municipal surcharge). From 2024 onward, the price increase is assumed at 12.5%.
4. The significant increase from 2021 to 2022 is as a result of price increase and estimated KCDM usage currently not billed.

Maintenance costs:

1. Maintenance costs for 2022/23 is 6% of revenue and 8% of Total operating costs
2. Lower trend due to the exclusion of Uthukela DM.
3. From 2024 onward maintenance costs escalated at 8%.
4. Added to the increase in 2022 is as a result of repairs to the (Imvutshane Dam Wall) which is once off cost hence the decrease of 3% in 2023.

Employee costs:

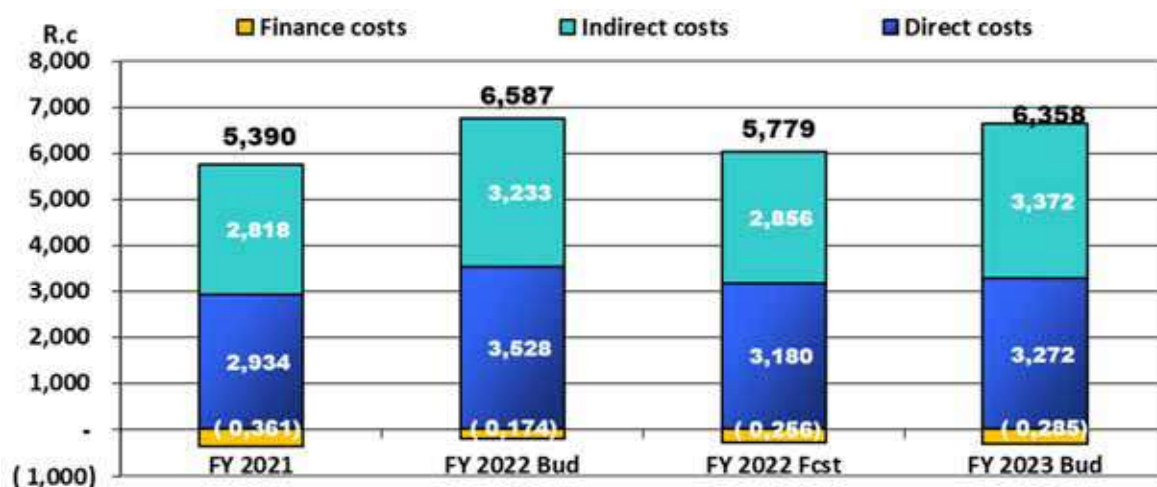
1. In 2022/23, employee costs are projected to be the most significant cost driver at 19% of revenue and 22% of Total operating costs.
2. From 2024 onward, payroll costs will exceed 27% of total operating costs.
3. Payroll costs are expected to be lower than the projections per the 2022 CP.
4. The lower trend is due to the removal of the Uthukela district area which was budgeted for the CP 2022.
5. The basic wage rate assumed for the 2023 employee cost is 7% whilst the head count used was 1282 employees (7% increase since 2022 (1374 staff) due to a delay in appointment been made and as a result of the moratorium in appointment of staff. The actual staff count in 2021 is 1233 with the difference from 2022 and 2023 been vacancies.

Depreciation Costs

1. Depreciation costs for 2022/23 is 10% of revenue and 11% of Total operating costs
2. Depreciation is relatively similar to that of the 2022CP. The lower trend then the 2022 CP is as a result of delayed commissioning on projects due to completion dates been shifted.

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

Cost per kilolitre - Bulk

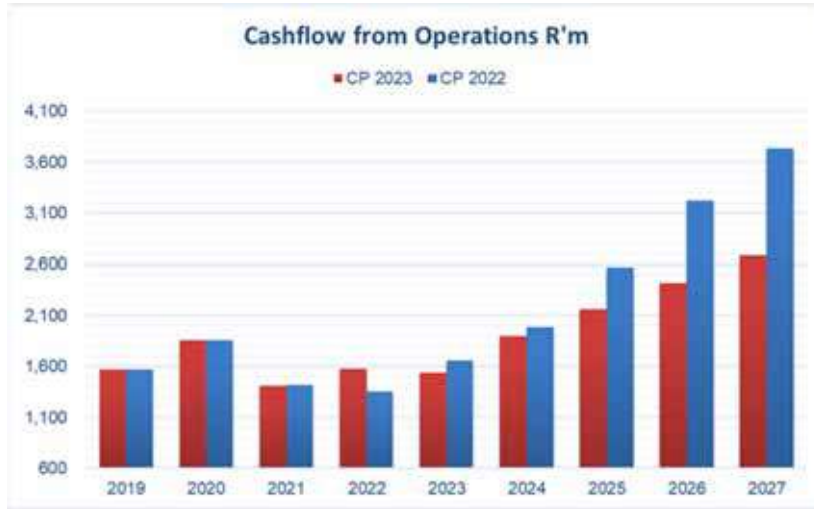


Increase in cost per kl of bulk water sold places pressure on tariffs charged per annum. The total Bulk Water cost per kl is projected to increase in 2022 by 6.8% and in 2023 by 10% as follows:

Table 25.1: Cost per kl

Components	2018/2019		2019/2020		2020/2021		2021/2022 Budget		2021/2022		2022/2023	
	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %	Tariff R.c/kl	Change %
Direct Costs												
Chemicals	0,142	-2%	0,149	4%	0,157	5%	0,184	9%	0,192	22%	0,202	5%
Depreciation	0,504	18%	0,523	15%	0,510	-2%	0,569	19%	0,536	5%	0,584	9%
Energy	0,564	7%	0,563	4%	0,547	-3%	0,769	15%	0,685	25%	0,730	7%
Maintenance	0,396	3%	0,350	1%	0,447	28%	0,527	11%	0,465	4%	0,437	-6%
Raw Water	0,509	9%	0,529	6%	0,546	3%	0,540	2%	0,538	-1%	0,532	-1%
Staff Costs	0,449	1%	0,407	4%	0,471	16%	0,585	19%	0,463	-2%	0,501	8%
Other direct operating activities	0,047	-21%	0,083	-20%	0,255	207%	0,353	29%	0,301	18%	0,285	-5%
Total Direct Costs	2,611	6%	2,605	5%	2,934	13%	3,528	14%	3,180	8%	3,272	3%
Indirect Costs												
Overheads	1,177	9%	1,667	39%	1,640	-2%	1,773	2%	1,657	1%	1,949	18%
staff costs	0,650	-1%	0,689	6%	0,723	5%	0,943	23%	0,769	6%	0,842	9%
Depreciation	0,148	92%	0,108	-5%	0,079	-27%	0,163	103%	0,107	35%	0,165	55%
Amortisation	0,123	0%	0,079	0%	0,098	0%	0,110	0%	0,105	0%	0,110	0%
Impairments	(0,129)	-276%	0,078	-28%	0,132	0%	0,100	0%	0,082	0%	0,161	0%
Retirement benefits	0,119	-7%	0,139	-19%	0,160	15%	0,145	6%	0,137	-14%	0,144	5%
Total Indirect Costs	2,087	-7%	2,760	27%	2,832	3%	3,233	17%	2,856	1%	3,372	18%
Total direct & indirect cost	4,698	0%	5,366	14%	5,766	7%	6,761	15%	6,036	5%	6,643	10%
Finance Costs	(0,457)	12%	(0,352)	13%	(0,361)	3%	(0,174)	79%	(0,265)	-27%	(0,305)	15%
Cost - Bulk Water	4,240	-1%	5,013	14%	5,404	8%	6,586	14%	5,770	6,8%	6,339	10%

25.3 Cashflow Analysis

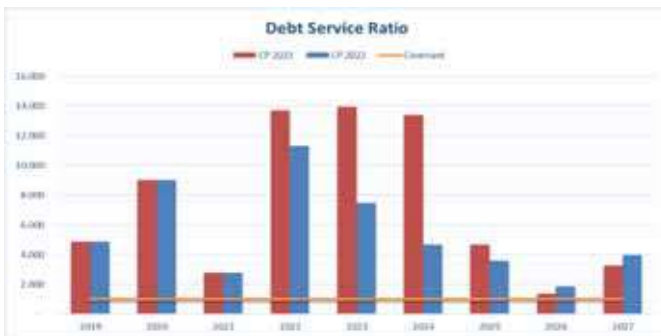


- Cashflow from operations projected to be lower than the 2022CP.
- The lower trend is due to lower than expected tariff increases for the years 2023 onward and also due to anticipated bad debts.
- The cashflows are required to repay the debt to be raised to support the investment in the capex programme. Cashflow from operations follows the same trend as Net profit.

National Treasury Covenants based on Cashflows from Operations

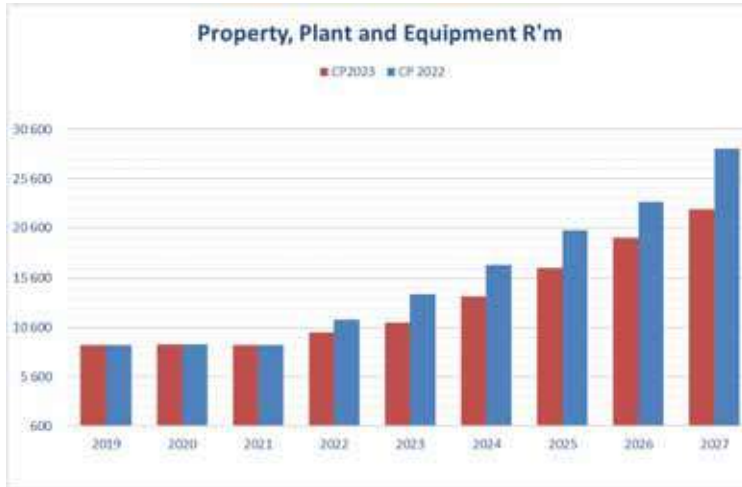


This risk measures the ability of Cashflow from Operations (before changes in working capital) to cover finance costs (on a cashflow basis). It is a covenant imposed by National Treasury and in terms of the borrowing limit approval for 2020 to 2022. The ratio indicates that the covenant of greater than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

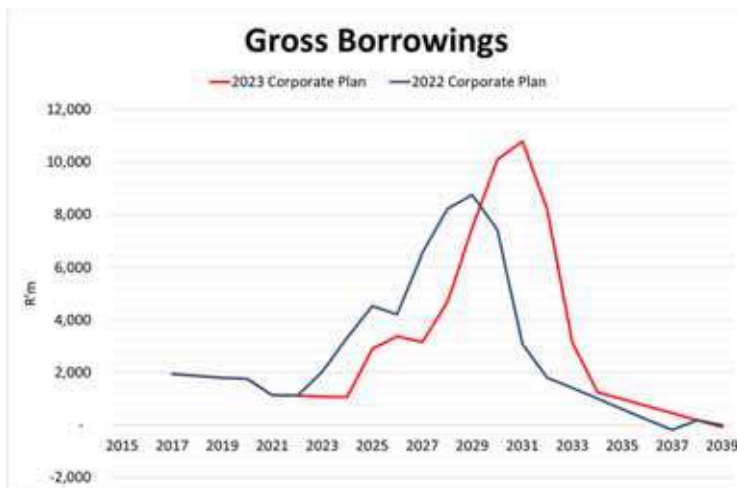


This ratio measures the ability of Cashflow from Operations (before changes in working capital) to cover finance costs and the capital redemption charges (on a cashflow basis). It is a covenant imposed by National Treasury and in terms of the borrowing limit approval for 2020 to 2022. The decreasing trend in the ratio from 2023 to 2025 is due to the significant debt that would need to be raised and therefore the debt service costs increase significantly but not commensurate with the increase in operating cashflows required to support the repayment of debt.

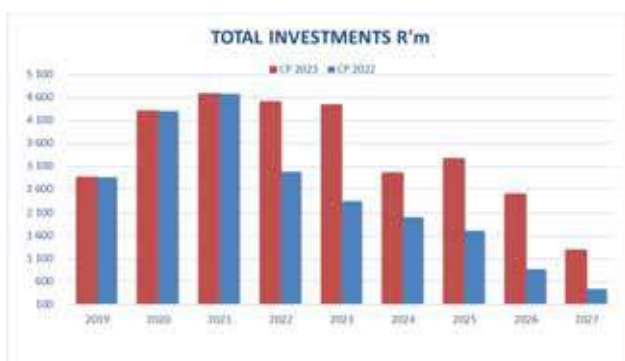
25.4 Financial Position



The level of PPE is lower than the 2022 CP. The change in PPE is based mainly on additions, depreciation and impairments. New projects have been identified from the takeover of new plants.

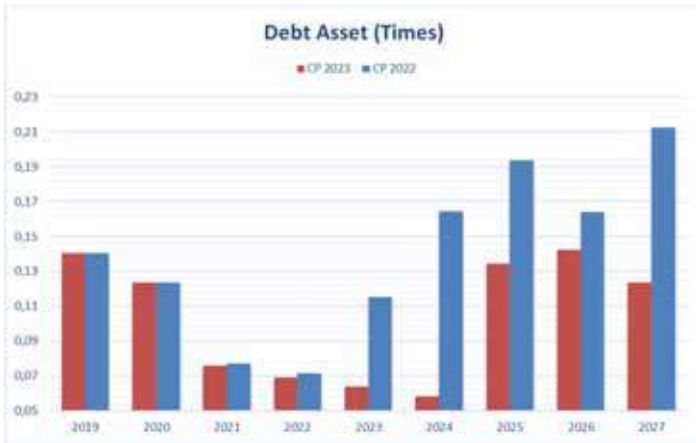


Significantly lower funding requirements in the medium to long term due to the reduction in capex funding requirements in the five-year period. The level of gross borrowings is anticipated to peak at R12.9bn in 2032 versus R8.7bn in 2029 (CP2022) mainly as a result of lower operating cashflows than the 2022 CP as well as higher project totals



Higher investments than the 2022 CP projections. Mainly due to higher temporary investment of borrowed funds (2022 CP assumed borrowing in 2023) and to higher operating cashflows and lower capex in the 5 year period to 2027.

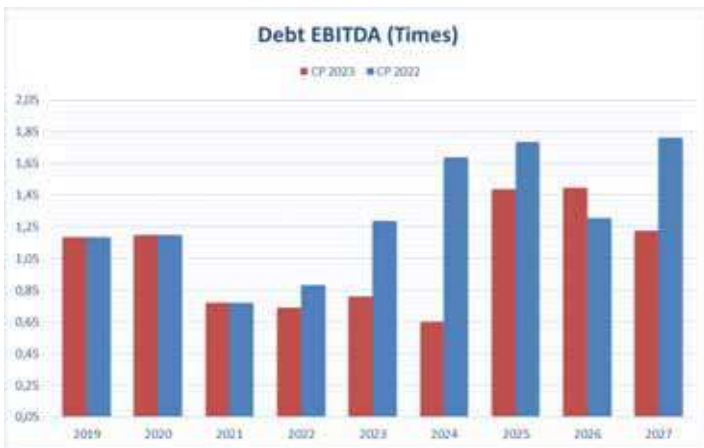
25.5 Debt Management



The ratio of debt to assets is projected to decrease to 0.07 in 2022 and a further decrease to 0.06 in 2023. Thereafter the ratio increases however the ratio does not look to exceed the target of less the 0.4.



The debt to equity ratio will not breach the EIB covenant of less than 0.7 times or the National Treasury covenant of less than 0.5 times. The ratio is more favourable than the 2022 CP mainly due to the lesser borrowing requirements for those years.



The ratio of debt to EBITDA ("Leverage ratio") will decrease to 0.74 times in 2022 and increase to 0.81 times in 2023. This is due to mainly through the less profits as a result of the increased credit losses. Add to the lower trend is less funding is required as compared to CP 2022.

25.6 Business Segment Information

Table 25.2: Business segments: Operating Profit

	2021		2022		2023	
	R'm		R'm		R'm	
Bulk	1,090	8%	1,180	-15%	1,000	
Wastewater	-33	-361%	-152	-49%	-227	
S30	-4	471%	13	-62%	5	
TOTAL	1,053	-1%	1,041	26%	768	

Bulk Segment

Operating profit margins in 2022 is projected to increase by 8% in 2022 and decrease by 15% in 2023. The operating profit margins are impacted by the lower growth in the bulk tariff as well as the credit losses due to slow or no payment from customers.

Wastewater Segment

The bulk wastewater segment is projected to show a decrease of 361% in 2022 due to the impairment costs for Mpophomeni and Trustfeeds projects where it is projected that the value in use will be significantly lower than anticipated in prior years. In 2023 the margin decreases albeit by 49%, mainly driven by the impairments of WWW projects and the lower margin on the O&M of the UMDM schemes as well as the impact of the higher than inflationary increase in the operating costs at the Darvill Waste Waterworks.

Section 30 Segment

Analysis of S30 segment is shown in Table 25.3.

	FY 2020	FY 2021	FY 2022				FY 2023			
	Actual	Actual	Budget	Forecast	Budget Var	Inc / (Dec) F'21	Budget	Inc / (Dec) F'22		
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Revenue	32 507	33 588	137 464	35 450	(102 014)	(74,2)	5,5	42 320	6 870	19,4
Laboratory Services	9 426	9 204	9 227	9 227	0	0,0	0,3	9 440	213	2,3
Research	312	174	320	409	89	27,7	135,0	365	(43)	(10,6)
Scientific & Environmental	24	-	-	915	915	-	-	5 988	5 073	554,6
Engineering	583	332	103 318	-	(103 318)	(100,0)	(100,0)	-	-	-
Water Infrastructure	-	-	-	-	-	-	-	-	-	-
Drought Interventions	4	-	-	-	-	-	-	-	-	-
Training & Capacity Building	17 919	18 995	19 511	20 539	1 028	5,3	8,1	21 566	1 027	5,0
O & M	4 239	4 883	5 088	4 360	(728)	(14,3)	(10,7)	4 960	600	13,8
Cost of Sales	25 830	26 697	130 077	28 349	101 728	78,2	6,2	34 530	6 182	21,8
Maintenance	578	309	705	557	148	21,0	80,4	595	37	6,7
Staff costs	874	1 003	1 038	985	53	5,1	(1,9)	1 026	41	4,2
Short Term Performance Provision	59	217	-	-	-	-	(100,0)	-	-	-
Section 30 activities	24 231	24 712	128 254	26 722	101 532	79,2	8,1	32 621	5 899	22,1
Laboratory Services	7 036	6 960	6 879	6 879	(0)	(0,0)	(1,2)	7 079	200	2,9
Research	312	174	320	409	(89)	(27,7)	135,0	365	(43)	(10,6)
Scientific & Environmental	21	-	-	763	(763)	-	-	5 571	4 809	630,6
Engineering	569	310	103 318	-	103 318	100,0	(100,0)	-	-	-
Water Infrastructure	-	-	-	-	-	-	-	-	-	-
Drought Interventions	2	-	-	-	-	-	-	-	-	-
Training & Capacity Building	16 290	17 269	17 737	18 672	(935)	(5,3)	8,1	19 606	934	5,0
Other direct operating expenses	88	456	80	85	(5)	(6,0)	(81,4)	289	204	240,2
Gross Profit	6 677	6 890	7 387	7 101	(286)	(3,9)	3,1	7 789	688	9,7
GP %	20,5%	20,5%	5,4%	20,0%	-14,7%		-0,5%	18,4%	-1,6%	
Other income	-	-	-	-	-	-	-	-	-	-
Administration expenses	2 113	10 428	2 604	(6 296)	8 900	(100,0)	(160,4)	2 407	(3 889)	138,2
Credit Losses	-	8 053	-	(8 460)	8 460	-	(205,1)	-	(8 460)	(100,0)
Other Admin	2 110	2 355	2 604	2 157	448	17,2	(8,4)	2 398	241	11,2
Profit/(Loss) from Operations	4 564	(3 538)	4 783	13 397	8 614	180,1	(478,7)	5 383	(8 014)	(59,8)
Net Finance charges	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the year	4 564	(3 538)	4 783	13 397	8 614	180,1	(478,7)	5 383	(8 014)	(59,8)
Net Profit %	14,0%	-10,5%	3,5%	37,8%	-34,3%		48,3%	12,7%	-25,1%	

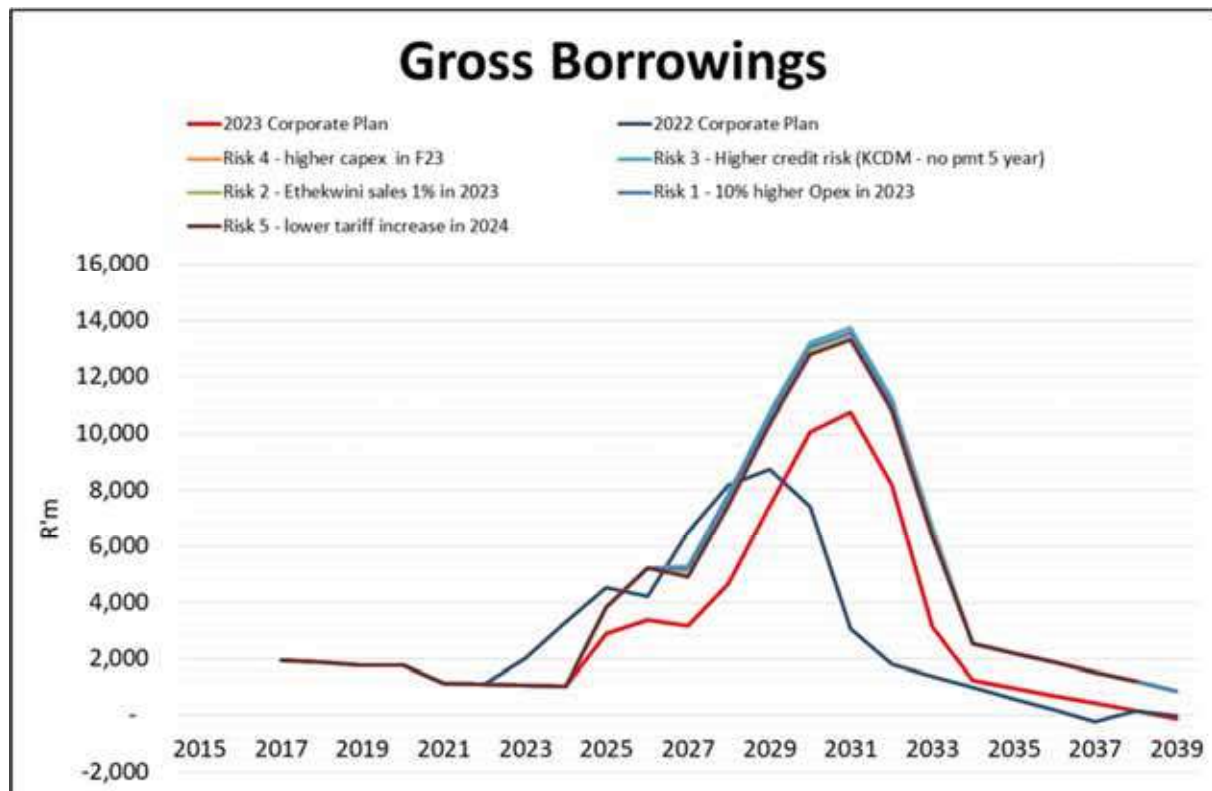
25.7 Sensitivity Analysis

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

The following risks were simulated:

- Risk 1 - 10% higher operational expenditure than budgeted for in 2023
 - Risk 2 – lower sales volume (if eThekweni were 1% lower than projected)
 - Risk 3 –Higher credit risk – no payment from KCDM within the 5 year period
 - Risk 4 - Acceleration of capex in 2023
 - Risk 5 – Lower tariff increase in 2024
- The most significant impact if each of the risks if presented would be that UW may be at a risk of breaching the interest cover ratio covenant and the cash interest cover ratio in the year 2026.
 - Should these risks present itself the mitigating actions would be to reduce operating costs further and to reduce the investment in infrastructure projects.

The resultant debt curves and interest covers are as follows:





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26.1 Approach

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

26.2 Financial Viability

The risk to Umgeni Water's financial viability would be as a result of Infrastructure Investment not in line with the organisations objectives, Debtor's collections deteriorating as well as not following a strict business model in terms of new investments and continued investments in projects that do not generate sufficient revenue to repay its capital and operating costs.

Mitigation Approach

- Business case for all projects
- Customer engagement- revenue management strategy
- Debtors collection model
- Monitoring and reporting of cashflow customer collections
- Lobbying with national government-funding allocation on fiscus (DWS & NT)
- Strict management of operating cash flow
- Development and implementation of a Wastewater business model

26.3 Liquidity Risk

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

Mitigation approach

To mitigate liquidity risk, Umgeni Water has:

- A Domestic Medium Note (DMTN) Programme has been established allowing for longer dated debt such as bonds to be issued with relative ease;
- Provided for a R 200 million cash buffer investment to cater for delayed payments by its customers;
- A redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities (such as the UG26 bond). The build-up in the redemption portfolio over a three-year period is: 10 % of the capital redemption value three years before maturity, 40 % two years before maturity, 75 % a year before maturity, and the balance of 25 % is funded during the year of maturity.

26.4 Credit Investment Risk

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

Mitigation approach

- Transacting only with counter parties and issuers who satisfy soundly based and acceptable assessment processes: and only after formal limits have been set. In addition, same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- Continuous monitoring of the credit quality of counterparties.

26.5 Interest rate risk

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

Mitigation approach

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



Chapter 27: Bank Accounts



27 Bank Accounts

Umgeni Water contracts with one of the 4 main banks over a period of 5 years through a tender process. The Treasury Regulations 31.2 guides the process to be followed in terms of appointing a new bank every 5 years. Umgeni Water changed its transactional banker on the 02 January 2020. The contract with ABSA had come to an end and following a tender process, Nedbank was appointed as the new transactional banking partner to Umgeni Water.

The current Umgeni Water bank accounts are presented in Table 27.1.

Table 27.1: Umgeni Water Bank Accounts

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



Chapter 28: Analysis of Risk



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28.1 Integrated Risk Management

Disclaimer: the contents of the Integrated Risk Management section will be updated after the conclusion of the Annual Risk Review process and subsequent ratification by the relevant governance structures.

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

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

The entity has six (6) strategic risks as presented below which are sorted by descending risk score, linked to strategic objectives and indicating their appetite/tolerance positions. Two (2) risks are outside both risk appetite and risk tolerance, three (3) risks are outside risk appetite but within risk tolerance and the remaining risk is within both risk appetite and risk tolerance.

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
1	<p>Ability to deliver projects on time and within budget</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Poor 49% Severity: Major-Low: 100 Probability: 90% Highly probable and/or certain to occur within 1 year Risk Owner: Executive: Infrastructure Development <p style="text-align: center;">Score 90 Medium</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Project lifecycle process not efficient/responsive enough; Lack of agility in decision-making; Insufficient stakeholder interaction by Umgeni Water. External Stakeholders' interest in Umgeni Water job opportunities resulting in work stoppages and or tender appeals Procurement regulations and the impact on SCM processes affecting the construction and technology industries. Lockdown due to COVID 19 and the impact on the construction industry. Under-expenditure due to economic recession resulting from COVID 19 pandemic, Eskom energy crisis and worsening fiscal deficits - Businesses not able to sustain operations and closing down, creating instability in the various sectors which are not essential services such as infrastructure investment sector. Turnaround time to resume activity may be at least 18 months.</p> <p><i>Treatment Approach: Optimisation of processes for project implementation. Efficient Implementation of the project lifecycle management process for all projects. Alignment of procurement processes to the Infrastructure Delivery Management System (IDMS). Contracting strategy process. Increased formal engagement with the Legal Team in fast tracking resolving issues relating to tender appeals.</i></p>	<p>Customer & stakeholder perspective: SO1: Improve stakeholder value SO2: Improve customer value</p> <p>Process perspective: SO4: Improve stakeholder engagement SO7: Increase customers and services</p> <p>Organisational capacity perspective: SO12: Increase supply security</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Operational Resiliency Product Quality Leadership and Employee Development Water Resources Adequacy Infrastructure Stability</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
		<i>Pro-active social facilitation processes. Covid-19 Pandemic Management.</i>	
2	<p>Ability to meet current and future demands</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 55% Severity: Major-Low: 100 Probability: 65% Even probability and / or could occur within 1-2 years Risk Owner: Executive: Infrastructure Development <p>Score 65 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Long-term water resources: Delays in the implementation of water resource development projects. Non-conformity with the National Water Resources Reconciliation Strategy. Inability to implement National Water Masterplan.</p> <p>Short-term water resources: Drought; Lack of system resilience in the short-term.</p> <p>Infrastructure Adequacy: Mis-managed urbanization, ineffective demand management (demand out-stripping supply). Delays in developing infrastructure.</p> <p><i>Treatment Approach: Completion of the uMkhomazi Water Project by DWS and Umgeni Water is projected for 2030 - Mgeni system. Offtake agreements are being negotiated WSA's. It is hoped that these will be concluded in March 2022. A Political Steering Committee has been set up by the Department of Water and Sanitation to try to "unlock" some of the difficulties in having these agreements signed. Design of the Lower uMkhomazi bulk water supply scheme is 95% complete and advanced works contracts are already being undertaken. The completion of construction is anticipated to be June 2026.</i></p>	<p>Customer & stakeholder perspective: SO1: Improve stakeholder value SO2: Improve customer value</p> <p>Financial perspective: SO3: Improve financial sustainability</p> <p>Process perspective: SO7: Increase customers and services</p> <p>Organisational capacity perspective: SO12: Increase supply security</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community and Environmental Sustainability Financial Viability Operational Optimisation and Operational Resiliency Product Quality Leadership and Employee Development Water Resources Adequacy Infrastructure Stability</p>
3	<p>Security of all assets</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 85% Severity: Moderate-High: 40 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Executive: Corporate Services <p>Score 26 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context: Physical Assets: Breach of/ damage to/ loss of physical assets (property). Land claims on prospective servitudes. Illegal settlements and encroachments on properties & servitudes. Remote locations that are difficult to secure or monitor theft and vandalism. Service delivery protests may affect site accessibility or cause damage to infrastructure. Site disruptions. Injury and loss of human capital. Personal safety and occupational health and safety hazards. Non-compliance to applicable acts/legislation (i.e. POPI, Critical Infrastructure Act, Occupational Health & Safety Act, Compensation for Occupational Injuries and Diseases (COID)).</p> <p>Information Assets: Loss of/damage to information assets and resources. Cyber attacks and social engineering. Sabotage. Inappropriate use or transmission of confidential data. Breach of confidentiality.</p> <p>Sustainability of natural resources:</p>	<p>Customer & stakeholder perspective: SO2: Improve customer value</p> <p>Process perspective: SO4: Improve stakeholder engagement SO8: Improve product and service quality</p> <p>Organisational capacity perspective: SO10: Improve the use of data and technology SO12: Increase supply security</p> <p>Outcomes: Community and Environmental Sustainability Stakeholder Understanding and Support Operational Optimisation and Operational Resiliency Product Quality Leadership and Employee Development Water Resources Adequacy Infrastructure Stability</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
		<p>Sustainability of natural resources (air, land, water, energy). Ecological assets.</p> <p><i>Treatment Approach:</i> <i>Physical Assets: Implementation of physical security processes and procedures:</i></p> <ul style="list-style-type: none"> • Security contracts are in place, which include a standby tactical team, armed guards at dams, and hourly patrols using the mag touch system. • Implementation and monitoring of National Key Points. • Perimeter fences and CCTV camera systems. • Chambers and tunnel kiosks are locked to minimise tampering of valves and to prevent entry to chambers. • Monitoring of inflows/outflows of raw and potable water pipelines and reservoirs to detect reduction in volumes and pressure, which could indicate that there has been tampering with infrastructure. <p><i>Planned maintenance, implementation of asset management plans and monitoring of infrastructure by Asset Management staff. Housing & Accommodation Policy. Implementation of the Servitude Management Plan. Implementation of the Occupational Health and Safety Management System (ISO 45001-Clause 7.1: Resources which deals with security of physical and or human resources. Engagement with stakeholders and communities.</i></p> <p><i>Information Assets: Implementation of ICT related policies and strategies. Cybersecurity: firewalls on the network switches on site. Microsoft updates (patching of operating systems).</i></p> <p><i>Sustainability of natural resources: Environmental Sustainability Strategy and Plan. Status on security of natural resources.</i></p>	
4	<p>Financial Viability</p> <ul style="list-style-type: none"> • Overall Response Effectiveness: Good 70% • Severity: Moderate-Low: 20 • Probability: 50% Fairly poor and/or could possibly occur within 2 years • Risk Owner: Chief Financial Officer <p style="text-align: center;">Score 10 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> • Outside Appetite • Within Tolerance 	<p>Cause & Context: Financial viability of organisation. Tariff increases are not cost reflective. Business model to support Infrastructure Investment and operating costs. Cash flow. Debtor's collections. Inability to raise funding to support Socio-economic infrastructure investments.</p> <p><i>Treatment Approach:</i> <i>Business case for all projects. Developing and implementing revenue enhancement strategy programmes for customers. Monitoring and reporting on payment plans and cash flows. Lobbying with national government for funding of rural development (RBIG etc). Strict management of operating cash flows.</i></p>	<p>Customer & stakeholder perspective: SO1: Improve stakeholder value SO2: Improve customer value</p> <p>Financial perspective: SO3: Improve financial sustainability</p> <p>Process perspective: SO4: Improve stakeholder engagement SO5: Improve governance processes</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community and Environmental Sustainability Financial Viability</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
		<i>Sustainable tariff model for potable water and wastewater business model.</i>	Operational Optimisation and Operational Resiliency Product Quality Leadership and Employee Development Water Resources Adequacy Infrastructure Stability
5	<p>Climate Change</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 60% Severity: Minor-High: 10 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Executive: Scientific Services <p style="text-align: center;">Score 7 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context: Climate change results in changing rainfall patterns, increased intensity of storms, more extreme droughts and floods, increased evaporation and decreased runoff in the critical water source catchments. Water availability, infrastructure stability, water security and water quality are threatened, exacerbated by competing demands. Poor and marginalised communities impacted by climate change. Excessive / sole reliance of fossil fuels for water business. Includes:</p> <ul style="list-style-type: none"> Electricity for pumping and for water and wastewater treatment processes. Treatment process associated with direct greenhouse emissions (e.g. methane gas a by-product of waste digestion). Electricity use in office buildings oFossil fuel used for transport, business flights, generators and boats. Contributing to greenhouse gas emissions by dumping waste at landfill sites. <p>Poor condition of ecological systems in key catchments, due to poor land use management, lack of monitoring and coordination of activities, poor behaviour of water users and lack of compliance and enforcement. Historical focus on hard engineering as opposed to soft or “green” engineering solutions to address water management and climate change impacts. Lack of awareness and shared-learning on water related risks of climate change and response to address these, coupled with how measures will benefit people. Climate change affects all life and response requires participation by all people, enterprises, communities and government entities. Lack of institutional climate change policy, planning, funding and financing of climate response interventions.</p> <p><i>Treatment Approach: Reducing Vulnerability and Enhancing Resilience Ensure processes and decisions reduce vulnerability and build resilience and adaptive capacity to the impacts of climate change for Umgeni Water, infrastructure, customers and communities. Includes flood management plans, drought management plans, modified works design. Reducing Greenhouse Gas Emissions</i></p>	<p>Customer & stakeholder perspective: SO1: Improve stakeholder value</p> <p>Process perspective: SO4: Improve stakeholder engagement</p> <p>Process perspective: SO8: Improve product and service quality</p> <p>Organisational capacity perspective: SO10: Improve the use of data and technology SO12: Increase supply security</p> <p>Outcomes: Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Operational Resiliency Product Quality Leadership and Employee Development Water Resources Adequacy Infrastructure Stability</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
		<p><i>Compute emissions and their materiality, and put in place appropriate emissions reductions interventions.</i></p> <p><i>Water resource protection and climate resilient ecological infrastructure investment.</i></p> <p><i>Collaborate with relevant stakeholders to ensure activities and decisions protect / restore ecosystem functioning.</i></p> <p><i>Ecological infrastructure initiatives are integrated into UW built infrastructure developments.</i></p> <p><i>Influence behavioural change for enhanced climate response Create an enabling environment for behavioural change towards climate change and water management, through awareness creation and shared-learning.</i></p> <p><i>Climate Change Response Policy</i></p> <p><i>Climate Change Response Financing:</i></p> <ul style="list-style-type: none"> <i>Incorporate water related climate change response strategies into organisational financial planning and budgeting (built into various department's budgets).</i> <i>Collaborate with and tap into government climate finance and market-based interventions. These include National Treasury's Green Fund, Carbon Tax and the South African Renewables Initiative, amongst other local mechanisms that are emerging.</i> 	
6	<p>Compliance with laws and regulations</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 69% Severity: Minor- Low: 5 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Chief Executive <p style="text-align: center;">Score 3 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Within Appetite Within Tolerance 	<p>Cause & Context:</p> <p>Material misstatements; material irregularities or adjustments to financial statements, inconsistency in performance results against pre-determined objectives. Non-compliance to laws, regulations and standards.</p> <p>Non-compliance to policies and procedures as a result of dishonest behaviour and/or poor performance. Ever changing regulatory environment and the lack of agility to adapt to the operating environment by aligning and implementing policies and procedures.</p> <p>Non-renewal of licences. Lack of understanding, misinterpretation or non-compliance to procurement processes and contract management, as required by legislations and regulations. Poor document management system control.</p> <p><i>Treatment Approach:</i></p> <p><i>Proactive policy review process. Strategic oversight. Assurance of compliance through on-going assessment of control effectiveness. Strategic oversight and combined assurance framework.</i></p> <p><i>Assurance of compliance through:</i></p> <ul style="list-style-type: none"> <i>On-going assessment of control effectiveness.</i> <i>Quarterly compliance monitoring to applicable legislations, regulations and standards</i> 	<p>Customer & stakeholder perspective:</p> <p>SO1: Improve stakeholder value</p> <p>Process perspective:</p> <p>SO5: Improve governance processes</p> <p>SO8: Improve product and service quality</p> <p>Outcomes:</p> <p>Customer saftisfaction Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Operational Resiliency Product Quality</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Strategic Objectives and Outcomes Impacted
		<ul style="list-style-type: none"> • <i>Compliance to policies and procedures and monitoring of the compliance .</i> • <i>Proactive policy review process.</i> • <i>Regulatory analysis and updating of the Regulatory Universe.</i> 	

28.2 Key Internal Audit Issues

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

28.3 Compliance Management

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

28.4 Contingent Liabilities

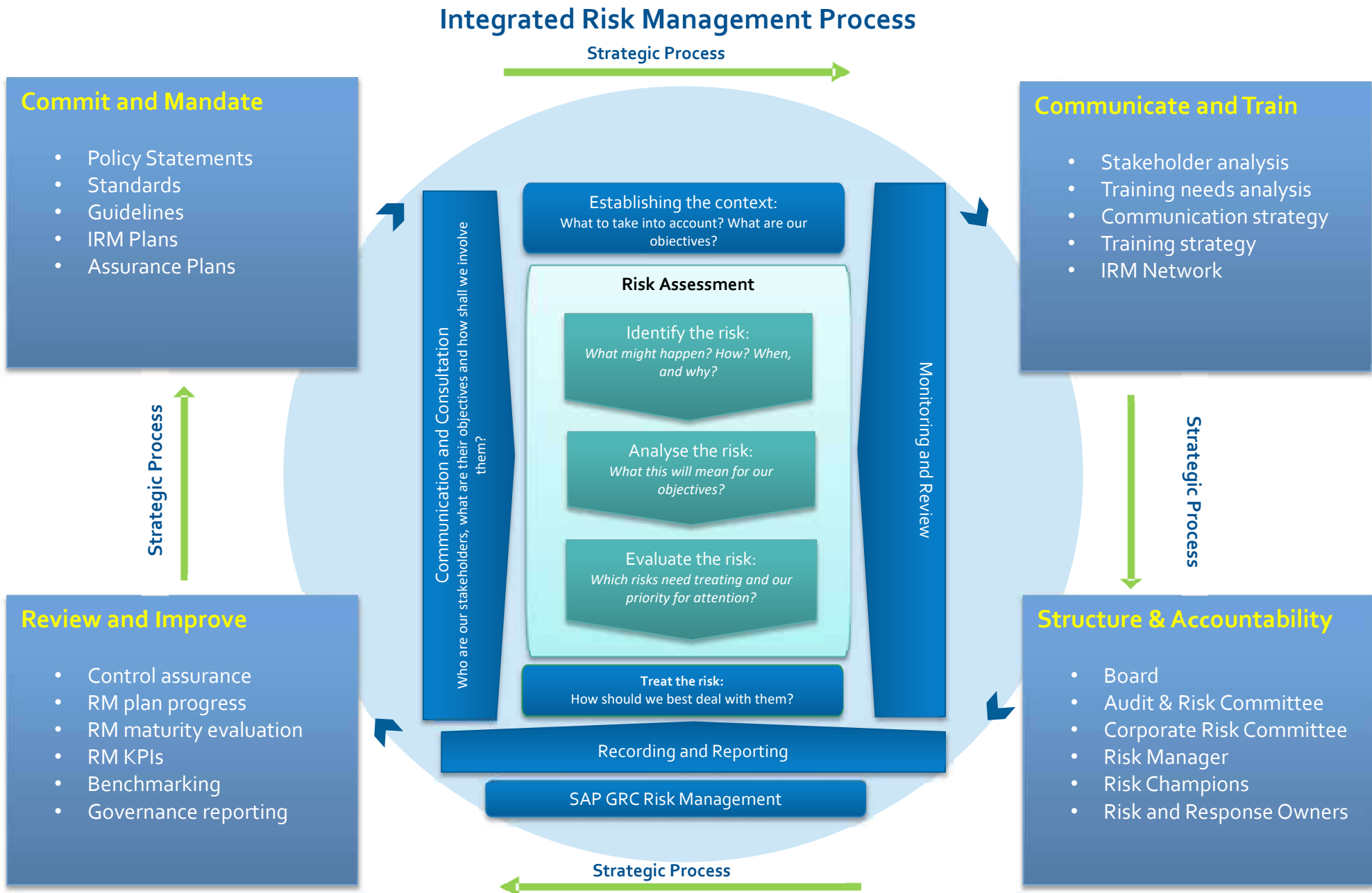
- **Collateral**

Collateral security is given to certain financial institutions in respect of mortgage loans advanced to employees under the home ownership scheme. This amount is **Rnil** for 2022/2023.

- **Guarantees**

Guarantees are given by certain financial institutions in respect to payments to utility service providers. This amount is **R7.4 million** for 2022/2023.

Figure 27.1: Umgeni Water Integrated Risk Management Framework





Chapter 29: Integrated Ethics Management Framework (including Fraud Prevention alignment)



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29.1 Background

The Fourth King Report on Corporate Governance for South Africa, hereafter referred to as King IV, encourages organisations to not only measure their ethical cultures, but to ensure that ethical culture is an outcome of organisational corporate governance actions (IoDSA, 2016). King IV principles encourages ethical leadership and conducting its business in an honest and transparent manner as well as calling on the Board to govern the ethics of the organisation in a way that supports the establishment of an ethical culture. Umgeni Water has embraced these principles and has shifted focus from fraud and corruption and moved to a proactive integrated approach of managing behaviour and dealing with values and ethics in the organisation. Whilst Fraud Prevention focuses its attention on mitigation measures to combat fraud as required by Treasury Regulations issued in terms of the Public Finance Management Act No 1 of 1999, Umgeni Water has extended the scope of Fraud Prevention to Ethics as the overarching framework on the basis that fraud, by its nature, arises out of unethical behaviour. This will ensure that there is a common understanding of best practice approaches whereby ethics management is dealt with in a structured manner at Umgeni Water.

In a pursuit of achieving an ethical culture, Umgeni Water will manage its ethics in an integrated manner through its Integrated Ethics Management Framework. This integrated approach will improve the management of ethics, which will support the desired outcomes of creating an ethical culture. This will include conducting an ethics risk assessment, drafting an ethics strategy, monitoring an ethics management plan, revising the code of ethics; institutionalising ethics and ensuring that ethics is verified audited and disclosed. Umgeni Water will further be in a position to regularly report on the ethics performance of the organisation to establish a mature and sustainable ethical culture over time. This framework is aligned to best practice "Governance of Ethics and Ethics Management Framework developed by The Ethics Institute of South Africa (2017). (Figure 1).

The Governance of Ethics has four (4) dimensions whilst The Ethics Management Framework has five (5) phase ethics management process.



Figure 1 The Governance of Ethics and Ethics Management Framework (Rossouw and Van Vuuren, 2017:226)

29.2 Ethical Leadership and Management Commitment

The Board of Umgeni Water will ensure that its own governance practices set the tone for ethics management and that EXCO implements policy that encourages ethical behaviour. The Board understands the value of ethics in ensuring the organisations sustainable development. The Board is expected to act ethically at all times and to be role models for employees and other stakeholders. Furthermore, the Board should encourage and support ethics management and have the necessary ethics management competence as well as sponsor ethics interventions awareness campaigns and programmes. The Board of Umgeni Water will monitor the organisation's ethics management, including fraud risk effectiveness, through various committees and as a standing item on its agenda. The Board of Umgeni Water is also committed to manage ethics management by ensuring that written policies and procedures are in place.

The ethical responsibility of the Board is to ensure that there are no negative impacts to society and the environment and to ensure that the Umgeni Water integrates ethical standards into the way it operates.

29.3 Umgeni Water Governance Structures

The Board of Umgeni Water ensures that there are governance structures in place for accountability and oversight for the ethics management processes. The Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical organisation and has therefore established an Ethics committee to effectively manage fraud as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA as well as in line with the requirements of section 72 (4) of the Companies Act (Act No.71 of 2008).

This oversight responsibility is delegated to a committee of the Board which is the Audit Committee who in turn has oversight over the Ethics Committee This committee acts on ethics at a strategic and oversight level, and demands regular reporting on the organisation's ethics performance.

The Ethics Committee comprises an independent chairman, a representative of the audit committee, the internal auditors and management. This committee ensures the implementation of the Integrated Ethics Management Framework and further ensures the steering and setting the strategic direction for the organisation's social and ethics performance, and recommends related policies and plans for Board approval.

Umgeni Water's Ethics Committee mandate is to monitor a company's activities with regard to its contribution to Social and economic development; Good corporate citizenship; Environment, health and public safety; Consumer relationships; and Labour and employment. The Committee continues to provide assurance to the board that there is effective institutional-wide prevention of fraud and corruption and that where there are complaints, those are effectively managed and appropriately followed-up and efficiently investigated.

29.4 Ethics Management Framework

The integrated ethics management framework of Umgeni Water's will be guided by a five (5) phase ethics management process aligned to the Ethics Institute of South Africa. The Ethics management function is the core of framework. Responsibility of the five-step ethics management process is allocated to the organisation's ethics office in conjunction with the Ethics Committee and other enabling partners that are directly responsible for ethics management

29.4.1 Ethics Risk Assessment

Umgeni Water has in place an approved Integrated Risk Management framework to provide a systematic view of the risks faced in the course of its operations, business and administration activities. The organisation commits to continuously and proactively managing risk to ensure organisational sustainability. To ensure that Umgeni Water is equipped with an early warning detection mechanism for ethics risk, a formal ethics opportunity-risk assessment, culminating in an ethics risk profile, which will translate into identification of specific ethics risks, the extent of the prevalence of the perceived ethics risks, and the ethics risks' ratings (high, moderate, or low). At the same time, an ethics risk assessment will identify the opportunities related to ethics that can be used by the organisation. Umgeni Water through its the Corporate Risk Committee would assist in the identification of ethics risks and the consequent mitigation of such risks; to incorporate high ethics risk areas into the organisational risk register.

Once the ethics risk assessment has been completed, the ethics office will further analyse and evaluate the ethics risks in conjunction with the organisation's risk management function. Current control mechanisms to deal with ethics risks will be factored into this process, as well as further control mechanisms required to ensure proper ethics risk mitigation. The process culminates in an ethics risk register, which forms an important part of the organisation's overall risk register.

29.4.2 Umgeni Waters Ethics Strategy

The risk assessment will assist Umgeni Water to culminate in a frame of reference, within which a comprehensive Ethics Strategy will be developed. Umgeni Water will use the areas of high risk to tighten up its controls in an Ethics Strategy and an Ethics Management plan that will contain measurable objectives; assign specific responsibilities, timeframes, and target dates; and allocate the human, financial, and other resources required to implement and track that strategy.

The organisation's ethical boundary should ensure that the organisation's values and ethics apply to all its stakeholders and embrace a triple bottom line or sustainable focus. Umgeni Water has its ethical standards clearly defined through the company's values in its Organisational Strategy. The values identify the desired behavioural parameters, which should be translated into acceptable and

unacceptable behaviours in Umgeni Waters Code of Ethical Conduct and supporting policies. Ethical behaviour will be increased through improved values, leadership, and organisational culture.

29.4.3 Code and Policies

Umgeni Water has developed a Code of Ethical Conduct to ensure the corporate culture is upheld. The Board of Umgeni Water also has a Board Charter which provides a framework for the fiduciary duties and responsibilities to enable the Board of Directors to discharge its duties.

The organisation's ethics opportunities and risks profile will assist in revising its code of ethics, and ethics-related policies. This code acts as the constitution of an organisation. It sets ethical standards beyond the law and regulations. It contains a statement of strategic ethical intent and contains the organisational values and expectations regarding conduct (behaviour) of employees. An aspirational code is usually referred to as a code of ethics, and a prescriptive or directional code as a code of conduct. This will be revised once the organisation assess its ethics risks.

29.4.4 Institutionalisation

The fourth phase of the ethics management process is that of institutionalisation. The Code of Ethical Conduct, strategy and plan will be implemented to ensure that all employees of Umgeni Water are familiar with it and adheres to ethics values and standards. This means getting ethics formally and explicitly into daily decision making practices and work practices down the line, at all levels of employment.

The ethics office is the custodian of ethics management in the organisation and provides support to all structures with the ethics management framework in designing and implementing proactive and reactive interventions and systems.

Ethics management systems, will ensure integration throughout the organisation:

- Communication systems (ethics awareness campaigns, safe reporting/whistle-blowing facilities) This enhances a fraud risk management program's effectiveness by providing evidence that preventive controls are working as intended and identifying fraud that occurs.
- Ethics training initiatives (training on ethical standards and decision-making, providing line managers with the ethics competence they require to effectively manage the ethics of their subordinates)
- Orientation/induction programmes containing ethics as an important component

Umgeni Water endeavours to create and maintain awareness and ethics and of the hotline facility and ensure that the number is adequately advertised by means of posters, intranet, staff information and induction sessions, supplier forums as well as and other means deemed effective and appropriate.

- Ethics brochures and internal alerts sent out to remind employees of ethical behaviour.
- Ethics awareness programmes – digital or otherwise
- An ethics advice facility, or ethics helpdesk
- Utilising ethics ambassadors to relay important ethics-related information, obtained from employees, to the ethics office
- Ethics induction of new employees
- The setting of realistic ethics performance targets
- Training and awareness will be focussed in high-risk areas.

Hotline Facility

Umgeni Water uses its external whistle-blowing hotline service managed by an external service provider as means of fraud detection and as means of encouraging an ethical culture. This 24 hour - 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or otherwise unethical conduct. All hotline calls are investigated and appropriately followed through using a hotline protocol to ensure that all calls received are dealt with in a transparent and consistent manner. Provision for anonymity to any individual who willingly comes forward to report a suspicion of fraud is a key to encouraging such reporting. All hotline trends and high risk areas will be evaluated to ascertain how to strengthen the code of ethics within Umgeni Water.

29.4.5 Monitor and Report

The Board through its Ethics Committee should ensure that adherence to ethical standards is monitored and measured. Umgeni Water will monitor and report on the implementation of the ethics management strategy and ethics management plan.

The statutory mandate of the committee is to monitor five designated areas of social responsibility, and then to report to the board and shareholders on whether the company complies with relevant legal, regulatory and best practice standards in those designated areas. All monitoring and reporting are part of the institutionalisation and management of ethics within the organisation. This is further aligned to the code of ethical conduct and are standing items on the Ethics Committee agenda.

Umgeni Water will through its Ethics Committee deliberate and report back to the Audit Committee a subcommittee of the board on its delegated terms of reference quarterly in terms of ethics performance.

The ethics office will continuously monitor the ethics management plan that will give a picture of the state of ethics in the organisation.

- A high level synopsis of what has been achieved with the ethics management plan;
- Monitor implementation of ethics risk mitigation measures;
- Escalate critical incidents that the committee/board should be alerted to; and
- Policies and frameworks regarding the ethics management that the committee would require to the board for consideration or approval.

Quarterly reports discussed at Umgeni Water Ethics Committee meetings assist the Board to make strategic decisions and ensures the organisation takes accountability for their decisions and ensuring sustainability.

In considering its triple bottom line, Umgeni Water considers its economy, its environment and its society when reporting. The society is further split into internal stakeholder (workplace) and external stakeholders (social environment), when reporting.

- Firstly, Umgeni Water considers, and is accountable for, its impact on the economy in which it operates. It does not undermine fair competition, or harm local economic development, but rather that it contributes positively to the marketplace.
- Secondly, Umgeni Water considers its impact on the workplace. They take care of the health, safety and development of its employees.
- Thirdly, Umgeni Water considers its impact on the social environment; in other words, the people and communities affected by its operations, the effects of its products and services on the safety, health and quality of life of consumers.
- Finally, Umgeni Water considers how its activities impact on the natural environment. This brings into play such issues as pollution, waste management and the responsible use of natural resources.

29.5 Independent Assessment and External Reporting

The Board will ensure that the organisation's ethics performance is assessed, monitored, reported, and disclosed. There will be independent assessment of the adequacy and effectiveness of the ethics management framework and processes. There should be independent assessment of the ethics management processes (e.g., through an internal audit) and of the ethics management reports (e.g., by external auditors). This should then be reported to external stakeholders in integrated sustainability or annual reports.

The ethics committee will provide a comprehensive annual report while raising emerging issues in its annual report to stakeholders as part of its statutory report. This will ensure the organisation builds trust with stakeholders in providing meaningful and transparent reporting.

29.6 Ethical Culture

Umgeni Water will drive, build and maintain an organisational culture marked by ethical leadership, ethics awareness, ethical decision-making, and sustained ethical behaviour. This ethical culture cannot be achieved in the short term, but requires sustained leadership commitment to ensure an ethical culture over time. The embedding of an ethical culture could take three to five years to reach maturity.

Umgeni Water will strive to build genuine commitment to doing the right thing. Ethics management will ensure that there is alignment with organisational strategies and operations with basic ethical standards of what is good, right and fair. The ethics office will measure ethical culture, influences it, reassesses it to evaluate improvement, and reports on progress.

A strong ethical culture will potentially minimise the risk of ethical breaches and the negative costs and consequences that flow from ethical failure. Strong ethics management should lead to an ethical culture and by implication improve integrated sustainability.

Umgeni Water is confident that the leadership, governance structures and phases in the ethics management framework as well as assurance providers input, will assist the Board build and maintain and ethical culture, with enhance investor confidence and stakeholder value.



Chapter 30: Economic Transformation Plan



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30.1 Background

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

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

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

30.2 Umgeni Water's Transformation Vision

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

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

30.3 Short-term Initiatives

In the short-term, Umgeni Water will focus its resources on implementing an integrated approach to transformation as a means of improving its own B-BBEE Level. The end goal would be to enable the entity to quantify the impact of its efforts for transforming the lives of the majority in its area of operation. During the 2022/23 financial year, Umgeni Water will invest its efforts and resources on:

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



Chapter 31: Digital Transformation



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31.1 Introduction

In line with the ideals of its Growth Strategy: Vision 2050, Umgeni Water intends to be a leader in the Water, Waste Water, and Other related services at local, national, and global levels. In this trajectory, the organisation will implement a digital transformation strategy that is informed and driven by **operational/business** challenges, opportunities, and successes. Currently, the **operational/business** side of the organisation is made up by Divisions of Operations, Scientific Services and Infrastructure Development while other Divisions and Units, namely, Finance, Chief Executive Office, and Corporate Services make up the '**corporate side**' which needs to enable digital transformation and also get their delivery processes digitised to ensure efficiency and improved performance.

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

Digital transformation is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate. In this regard, the entity will ensure the delivery of a collaborative and integrated service to attain Digital Transformation. The ICT Strategy shall form a basis for driving the envisaged digital transformation in a programmatic way.

31.2 Gap Analysis

Currently, Umgeni Water has good manual systems that sometimes hinders the sharing of information for business decisions. The organisation requires a reassessment of critical core processes which would also highlight the requirements of replacing and upgrading assets and technology. The vast majority of departments, plant sites and Divisions produce data and operate systems with specific applications, which are regrettably not fully connected and interoperable. These systems and organisational units perform transactional services on systems such as the SAP, Labware. SCADA and Open Text. There is only a handful of these services where employees use the online options to process information and reports. The digitisation transformation plan in this chapter aims to change this situation in the next two years.

To mitigate some of these gaps, the Board has formed a Digital Transformation Task Team comprising of a Board Member, Advisor/s and Executives who will actively lead the digital transformation plans by identifying transactional services needing automation and integration each year.

31.3 Focus Areas

Operational Agility

In support of the business objectives of bulk water provision, the availability and reliability of systems are of utmost importance. In this regards, it will be the role of the business to lead the process in identifying automation opportunities both internally to Umgeni Water as well as with external customers in order to streamline these business processes. Critical to the success of Water Production at Umgeni Water is the continuous improvement of the SCADA system; therefore, the upgrade and enhancement with the automation of the SCADA environment will be accelerated to maximize the benefit to the organisation.

With the projected upgrade of the SAP system to the latest version of software; the organisation can take advantage of the additional functionality of automating key business processes in Supply Chain Management (SCM), Human Resources (HR), etc. These sub projects within SAP will further enhance, automate and digitalize key business processes within the Enterprise Resource Planning (ERP) environment.

The revitalization of the previously established Research Task Teams can add value as there was significant work and research undertaken which compliments the output of Digital Transformation. Part of these Research Task Teams was re-assessing Training and Development of Umgeni Water's Human Capital by creating a digital literacy at Umgeni Water.

To standardise *connectivity and ensure a maximum uptime* at all Umgeni Water sites; the organisation has opted for fibre optic cables for fixed line connectivity. This will further prepare the organisation for 4G and 5G connectivity.

The process of building '*an on premise' private cloud to securely host all corporate data* is underway. This will ensure that Umgeni Water's critical data is not housed outside the borders of South Africa and is compliant with relevant data regulatory requirements. Extranet which would be a portal for Board and External facing data sharing will also form part of this private cloud facility. In a connected world i.e. Internet of Things (IoT) the enhancement of *Mobility* via Microsoft Teams and video conferencing is an essential business tool. Umgeni Water will continue to roll-out these mobility tools in order to speed up business decisions and reduce costs and time of employees.

Innovation & Integration of Umgeni Water Business Systems

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

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

Data Analytics

The Board, EXCO and Management require data and insights in order to make quick informed business decisions. To achieve this, Umgeni Water is supporting the business to harness their diverse data sources in one platform, having a single source of the truth. The SAP BW/BI Reports and Dashboards project inclusive of training is complete. This will support Management decision making and Corporate Reporting requirements. This will ensure improved levels of data integration, consistent, reliable information across the business value chains as well as the single version of the truth across operational areas. The integrity of the system will also be from a trusted data source. All these initiatives will be strengthened and mainstreamed to benefit the organisation through this plan.

Information is the most valuable resource in the digital world. Umgeni Water has implemented an Enterprise Information Management (EIM) solution in order to move from a paper base to an electronic medium in preparation for digital transformation. The implementation of Digital Signatures which will enhance business processes and efficiencies is complete.

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

Cyber and Integrated Security

In a drive to protect people, assets and reputations; physical security technology will ensure that ICT supports security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology will enable the security guards to be more pro-active in responding to security threats and risks. The merger of these functions will also enhance the integration of systems i.e. Access Control & CCTV. A total upgrade of Access Control and CCTV will be undertaken during F22/23.

Umgeni Water is mindful that with new technologies in the world of 4IR i.e. Big Data, Internet of Things, Artificial Intelligence, Machine Learning, Robotic, etc. the organisation is more prone to cyber-attacks. Cybersecurity is critical to the safeguarding of Umgeni Water's information in a digitalized environment. ICT

will ensure that it implements effective cybersecurity measures to protect and safeguard assets. In this regard ICT is completed the upgrade of its Information Security Infrastructure to the latest CISCO technology i.e. routers, switches and firewalls both on Corporate and Operational network (SCADA).

In order to protect Umgeni Water's critical assets and infrastructure, Umgeni Water have identified three (3) key Operational sites namely; Durban Heights, Wiggins & Midmar which are now National Key Point (NKP) certified. The ICT Department will work closely with the State Security Agency (SSA) to provide additional Information Security protection to Umgeni Water. SSA will undertake continuous Vulnerability Assessments as well as the provision of daily alerts which will assist in proactively securing our environment.

The ICT Department will continue with Cybersecurity Awareness programmes; however, Competency Assessments will be added as targeted training to re-enforce and improve mitigation against Cybersecurity risks.

31.4 Timelines and Resources

Umgeni Water will:

(a) Improve digital leadership and capability

Umgeni Water acknowledges that in order to achieve excellence in digital transformation, the organisation needs to invest in skilling its workforce, manage change, and improve / develop a positive culture of, learning research and innovation across all divisions and its subsidiaries. This excellence can be achieved by establishing a Memorandum of Understanding (MOU) with leading universities in order to utilise post graduate students for research will be investigated and actioned accordingly.

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

The organisation will raise awareness internally on its digital services to entice more users to adopt the digital services on offer.



Chapter 32: Integrated Security of Infrastructure Management



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32.1 Introduction

The function of protecting assets, critical infrastructure and proprietary information from cybercrime, theft, vandalism, safety breaches and trespassing, is very critical to any organisation. In the advent of the global risks in the area of cyberspace; national unrests motivated by economic stress and poverty; and unplanned spatial planning and land use, which results in housing developments happening anywhere, Umgeni Water assets and infrastructure become vulnerable to all such risks.

32.2 Approach to Security Management

As of 01 June 2021, Umgeni Water established a dedicated Security Management Department by segregating the duties or functions of security provision from the Department of Property and Security, which had been established earlier. The formation of a dedicated security department did not only ensure the recruitment and staffing of the department with qualified managers, coordinators, control officers and security officers, but the start of a journey to incorporate subsidiaries of Umgeni Water so that a holistic Corporate Security is provided in the Group.

In the performance of the security management function, an integrated security management approach was adopted. This approach caters for all forms of assets, namely, physical, human, information, and ecological asset, using a variety of approaches like physical guarding (static and mobile), and electronic/technical surveillance counter measures (TSCM). The Group also engages communities to prevent negatively impacting events such as theft, vandalism of UW assets and encroachments to pipelines and servitudes. The integrated approach to security management also ensured that the Divisional and Strategic Risk Registers are updated to elevate the risks emanating from security threats of all forms that could hamper service delivery and eventually prevent Umgeni Water from achieving its strategic objectives.

32.3 Accreditation as a National Key Point (NKP)

Umgeni Water carries a national responsibility for development, maintenance of water resources infrastructure assets comprising of pipelines, Waste Water treatments plants and water works treatment plants.

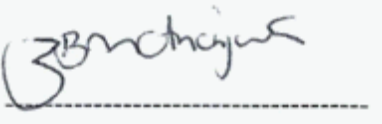
Within the Strategic Objective number 12, Key performance indicator 49: Decrease in infrastructure theft, vandalism and servitude encroachment, the department plans to eventually finalise an Early Warning and Incident Management Programme that will embed the collaboration and partnerships with the relevant security departments, customers (municipalities), traditional authorities (e.g. Ingonyama Trust Board (ITB) and Traditional Councils and Kraals) in the province and the country such the South African Police Service (SAPS), Disaster Management at Local and Provincial levels as well as the State Security Agency (SSA). Other key stakeholders shall be employees, EXCO, Boards of UW and its subsidiaries, standing committees e.g. servitude management and the CSI Committees. The Incident Management System will involve the latest communication channels as approved by the Board through its policies such as the Security Policy, Social Media Policy, Code of Conduct and ICT policies.

33. Signed Declaration

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



Mr. Mboniseni Dlamini
Acting Chief Executive
26 April 2022



Ms. Ziphazethu Mathenjwa
Chairperson of the Board
26 April 2022